

Subject:	External Audit 2015-16 Audit Plan	Status:	For Publication
Report to:	Audit and Accounts Committee	Date:	15 March 2016
Report of:	Grant Thornton, (External Audit)	Portfolio Holder:	Resources and Performance
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment	Required:	No	Attached: No
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1.	RECOMMENDATION(S)		
1.1	Members are asked to note the 2015-16 Audit Plan.		

2. PURPOSE OF REPORT

2.1 The Audit Plan sets out for the benefit of those charged with governance (in the case of Rossendale Borough Council, the Audit and Accounts Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260.

3. CORPORATE PRIORITIES

3.1 This is a report of the External Auditor - The matters discussed in this report do not impact directly on the Council's corporate priorities.

4. RISK ASSESSMENT IMPLICATIONS

4.1 This is a report of the External Auditor - There are no direct risk implications.

5. BACKGROUND AND OPTIONS

5.1 This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment.

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 N/A - This is a report of the External Auditor

7. MONITORING OFFICER

7.1 N/A - This is a report of the External Auditor

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

8.1 N/A - This is a report of the External Auditor

9. CONCLUSION

9.1 Members are asked to note the content of the 2015-16 Audit Plan

No background papers (*delete where applicable*)

The Audit Plan for Rossendale Borough Council

Year ending 31 March 2016

29 February 2016

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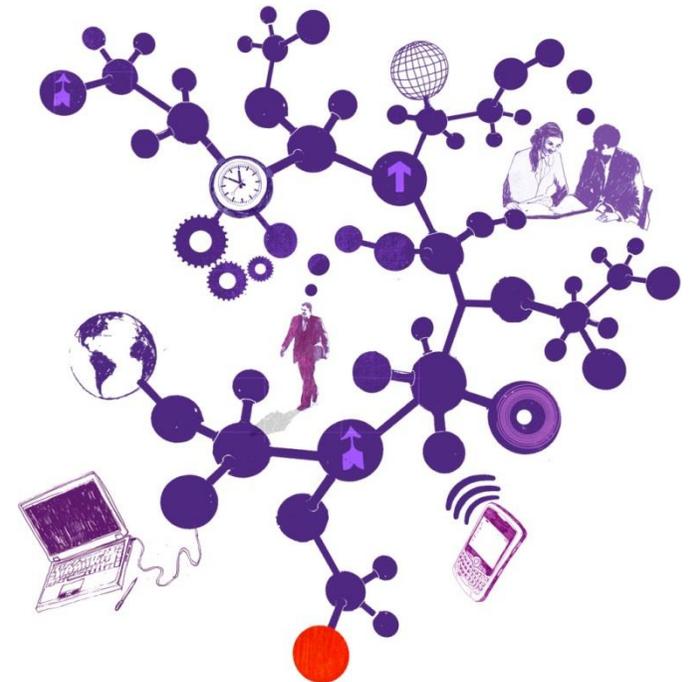
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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29 February 2016

Dear Members of the Audit and Accounts Committee

Audit Plan for Rossendale Borough Council for the year ending 31 March 2016

This Audit Plan sets out for the benefit of those charged with governance (in the case of Rossendale Borough Council, the Audit and Accounts Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Karen Murray
Engagement Lead

Chartered Accountants

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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

1. Autumn Statement 2015 and financial health

- The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.
- Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging.
- The Council has already made significant savings, including significant staffing and 'back office' savings which could impact on the capacity of the Council.

2. HCA Empty Homes Programme

- In 2012 the Council bid for, and was allocated, funding of £4.8m by the Homes and Communities Agency (HCA) under its Affordable Homes Programme 'Bringing Empty Homes Into Use'.
- The Council is now the lessor of approximately 359 properties across Pennine Lancashire in its role as a registered provider of social housing.

3. Regeneration

- The Council has identified the regeneration of its town centres as a key priority and established the RTB partnership in 2013 to provide greater capacity for development.
- The partnership was established primarily to drive the development of Rawtenstall Town Centre. It is also playing a role in other initiatives such as the Bacup Town Heritage Initiative.

4. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- In Lancashire there is a movement towards a combined authority and the Council has considered reports on the progress with this.



Our response

We will:

- consider the Council's plans for addressing its financial position as part of our work to reach our VFM conclusion.

We will:

- consider how the Council is progressing the management of the Empty Homes Programme as part of our work on the VFM conclusion
- consider how the Council has reflected the future financial commitments arising from the Empty Homes Programme in both its accounts and its medium term financial planning.

We will:

- consider how the Council is progressing its regeneration priorities as part of our work on the VFM conclusion.

We will:

- monitor developments in this area
- consider your plans as part of the local devolution agenda as part of our work in reaching our VFM conclusion
- provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

Developments and other requirements relevant to your audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance.

Developments and other requirements

1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- Investment property assets are required to be carried at fair value as in previous years.
- There are a number of additional disclosure requirements of IFRS 13.

2. Corporate governance

- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.

3. Narrative Statement

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.

4. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.

Our response

We will:

- keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops
- discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment property assets, to ensure they are valued on the correct basis
- review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

We will:

- review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

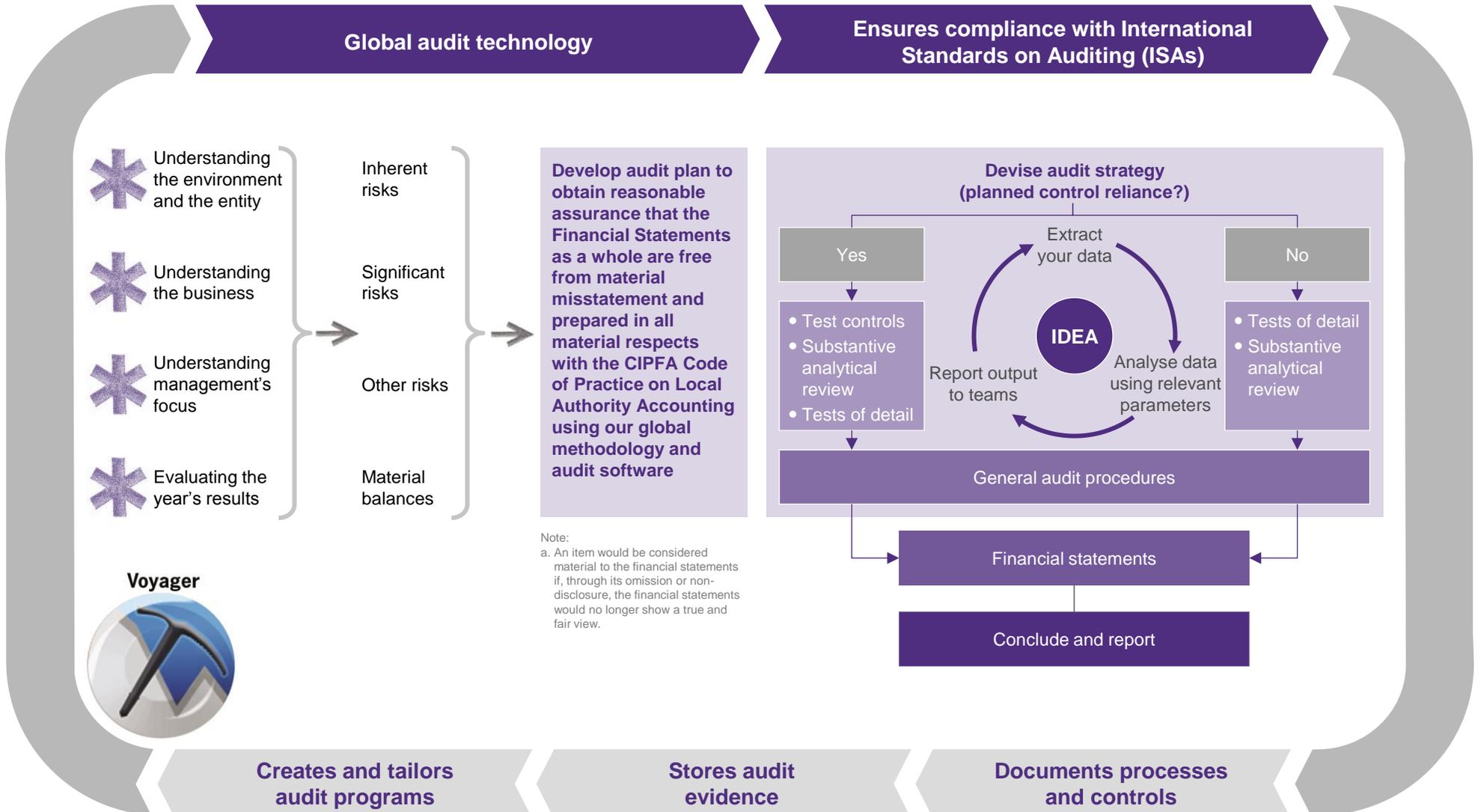
We will:

- review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement

We will:

- work with you to identify areas of your accounts production process where you can learn from good practice in other authorities.
- aim to complete all substantive work in our audit of your financial statements by 31 August 2016.

Our audit approach



Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £592k (being 1.5% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this. In the previous year, we determined materiality to be £608k (being 1.5% of gross revenue expenditure).

Under ISA 450, auditors also set an amount below to which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £45k.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	All transactions made by the Council affect the cash balance and it is therefore considered to be material by nature.	£1k
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1k
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1k

Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Rossendale Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Rossendale Council, mean that all forms of fraud are seen as unacceptable.
Management override of controls	<p>Under ISA 240 it is presumed that the risk of management override of controls is present in all entities.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • testing of journal entries • review of unusual significant transactions.
HCA Empty Homes Programme	<p>In 2012 the Council bid for, and was allocated, funding by the Homes and Communities Agency (HCA) under its Affordable Homes Programme 'Bringing Empty Homes Into Use'. A significant amount of this funding was applied to lease and repair properties via a private sector revolving loan scheme. The Council is now the lessor of approximately 359 properties. Due to a number of issues relating to the scheme, the accounting entries are potentially complex.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Gain an understanding of the nature of the on-going arrangements and related transactions including a review of supporting documentation • carry out testing of the transactions in the financial statements to ensure they are consistent with our understanding • ensure that accounting entries in the financial statements are consistent with our understanding of supporting documentation and with the requirements of the CIPFA Code of Practice.

Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
<p>Valuation of property, plant and equipment, including surplus assets and Investment Property</p>	<p>The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p> <p>The CIPFA Code of Practice has implemented IFRS 13 for the 2015/16 financial statements. The Council is now required to include surplus assets within property, plant and equipment in its financial statements at fair value, as defined by IFRS13. The basis on which fair value is defined for investment property is also different to that used in previous years. This represents a significant change in the basis for estimation of these balances in the financial statements.</p> <p>There are also extensive disclosure requirements under IFRS 13 which the Council needs to comply with.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate • review of the competence, expertise and objectivity of any management experts used • review of the instructions issued to valuation experts and the scope of their work • discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions • review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding • testing of revaluations made during the year to ensure they are input correctly into the Council's asset register • evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value • review of the disclosures made by the Council in its financial statements to ensure they are in accordance with the requirements of the CIPFA Code of Practice and IFRS 13.
<p>Valuation of pension fund net liability</p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> • Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out • undertake procedures to confirm the reasonableness of the actuarial assumptions made • review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Other risks identified

"The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures" (ISA (UK & Ireland) 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other risks	Description	Audit approach
Operating expenses	Creditors understated or not recorded in the correct period (operating expenses understated)	<p>Work planned:</p> <ul style="list-style-type: none"> • Review the systems and controls that the Council has in place to pay and record expenditure incurred • walk-through the controls relevant to the risk identified • substantive testing of a sample of expenditure transactions with early testing to be undertaken wherever feasible • review of management's processes to raise accruals and ensure accruals recognised are materially complete • substantive testing of a sample of creditor balances and accruals recognised in the year-end balance sheet • use Computer Assisted Audit Techniques to compare payments in the 2016-17 financial year with the balances outstanding in the balance sheet, as at 31 March 2016.
Employee remuneration	Employee remuneration accruals understated (remuneration expenses not correct)	<p>Work planned:</p> <ul style="list-style-type: none"> • Review the systems and controls that the Council has in place to ensure that its employees are paid the correct amount based on hours worked and their contractual entitlement, including arrangements to accrue for amounts outstanding but not yet paid at the year-end • walk-through the controls the Council has in place in relation its payroll system • sample testing of payroll transactions with early testing of transactions to be undertaken wherever possible • substantive testing of significant year end payroll accruals • analytical procedures to identify any discrepancies in monthly payrolls and consideration as to whether payroll expenditure is in line with our expectations based on supporting evidence • testing of the reconciliation between the payroll system and the amounts recorded in the financial statements.

Other risks identified (continued)

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will likely include:

- Intangible assets
- Heritage assets
- Assets held for sale
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Collection Fund and associated notes

Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts.

Group audit scope and risk assessment

ISA 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Planned audit approach
Rossendale Transport Limited (RTL)	Yes	Targeted	Our risk assessment for the Group is in progress.	Our procedures will include: <ul style="list-style-type: none">• a desktop review to consider the component's financial statements and the consolidation process• a review of correspondence• targeted enquiries as required with the auditor of the component at planning and final accounts audit time• other procedures to be targeted at specific risks identified.

Value for Money

Background

The Local Audit & Accountability Act 2014 ('the Act') and the NAO Code of Audit Practice ('the Code') require us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015 [here](#).

The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.

This is supported by three sub-criteria as set out in the following table:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of good governance understanding and using appropriate cost and performance information to support informed decision making and performance management reliable and timely financial reporting that supports the delivery of strategic priorities managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions managing assets effectively to support the delivery of strategic priorities planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities commissioning services effectively to support the delivery of strategic priorities procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements
- the findings of other inspectorates and review agencies
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.

We have set out overleaf the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

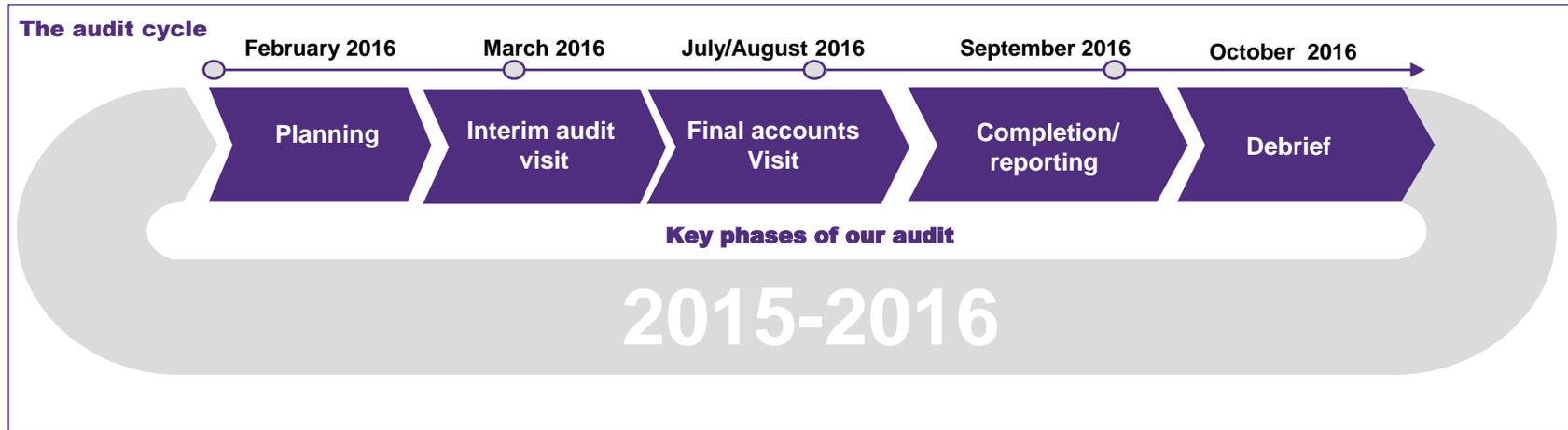
Significant risk	Link to sub-criteria	Work proposed to address
<p>Governance, risk management and decision making The Internal Audit report on the issues arising from the HCA programme 'Bringing Empty Homes into Use' identified a number of significant deficiencies in the Council's decision making, risk management and governance of this major project.</p>	<p>This links with the Council's arrangements for making informed decisions, including how it manages risk effectively, how it uses information to support informed decision making, and how it demonstrates and applies the principles of good governance.</p>	<p>We will consider how the Council has responded to the Internal Audit Report, including an assessment of the progress made by the Council to implement the detailed management action plan.</p>
<p>HCA Bringing Empty Homes Into Use The Council is now the lessor of approximately 359 properties acquired under a lease and repair arrangement with a private sector revolving loan scheme. The Council is responsible for the ongoing management and financial liabilities of this programme for the foreseeable future.</p>	<p>This links to the Council's arrangements for sustainable resource deployment in terms of how it plans finances effectively to deliver strategic priorities. It also links to how the Council works with third parties in respect of the on-going management of this programme.</p>	<p>We will review the Council's plans and forecasts for the ongoing management of the properties acquired under a lease and repair arrangement.</p>
<p>Regeneration and development The Council has identified regeneration as a key priority, and established the RTB partnership in 2013 to provide greater capacity for development. Key regeneration projects include:</p> <ul style="list-style-type: none"> • the re-development of Rawtenstall Town Centre • Bacup Town Heritage Initiative. <p>Delivery of regeneration priorities will be dependent on funding sources and how the Council can leverage capacity from partners, including developers and other public sector bodies.</p>	<p>This links to the Council's arrangements for working with partners and third parties to support development and regeneration, including how it delivers strategic priorities and how it procures services effectively. It also links to the Council's arrangements for sustainable resource deployment and informed decision making, including how information is used to support decision making and manage risks effectively, and how the Council manages assets and plans finances to support priorities.</p>	<p>We will review the current status and project management of key regeneration and development projects.</p>

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and Annual Audit Letter.

We will include our conclusion as part of our report on your financial statements which we aim to give by 30 September 2016.

Key dates



Date	Activity
February 2016	Planning
March 2016	Interim site visit
March 2016	Presentation of audit plan to Audit and Accounts Committee
July / August 2016	Year end fieldwork
September 2016	Report audit findings to those charged with governance (Audit and Accounts Committee)
By 30 September 2016	Sign financial statements opinion

Fees and independence

Fees

	£
Council audit	45,796
Grant certification	5,874
Total audit fees (excluding VAT)	51,670

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Service	Fees £
Audit related and non-audit services	Nil

Fees for other services

Fees for other services reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings Report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (UK & Ireland) (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings Report will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance.	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications.	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought.		✓
Confirmation of independence and objectivity.	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence.		
Material weaknesses in internal control identified during the audit.		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements.		✓
Non compliance with laws and regulations.		✓
Expected modifications to the auditor's report, or emphasis of matter.		✓
Uncorrected misstatements.		✓
Significant matters arising in connection with related parties.		✓
Significant matters in relation to going concern.		✓
Matters in relation to the Group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud.	✓	✓



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