

# The Audit Plan for Coventry City Council

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**Year ending 31 March 2016**

15 February 2016

**John Gregory**

Director

T 0121 232 5333

E [john.gregory@uk.gt.com](mailto:john.gregory@uk.gt.com)

**Simon Turner**

Manager

T 0121 232 5273

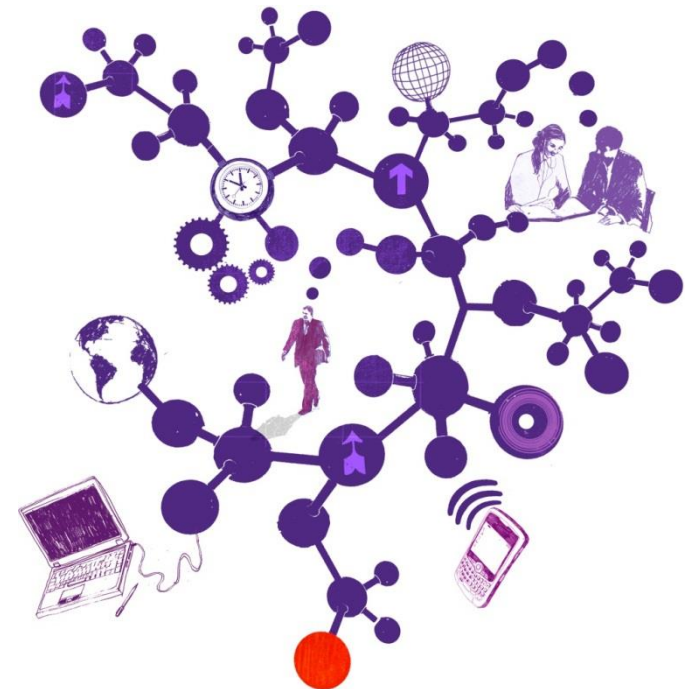
E [simon.a.turner@uk.gt.com](mailto:simon.a.turner@uk.gt.com)

**Paul Harvey**

Assistant Manager

T 0121 232 5328

E [paul.m.harvey@uk.gt.com](mailto:paul.m.harvey@uk.gt.com)



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.

Coventry City Council  
Council House  
Earl Street,  
Coventry,  
CV1 5RR

15 February 2016

Dear Members of the Audit and Procurement Committee

### **Audit Plan for Coventry City 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 Coventry City Council, the Audit and Procurement 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

John Gregory  
Engagement Lead

Grant Thornton UK LLP  
Colmore Plaza  
20 Colmore Circus  
Birmingham  
West Midlands  
B4 6AT

(T +44 (0)121 212 4014 )

[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)

#### **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.
- In line with the sector, the Council faces an uphill task to balance its finances over the medium term. The gap between income and spending plans is estimated at £2m for 2016/17, rising to £27m for 2018/19.

### 2. Devolution

- The Autumn Statement 2015 also included proposals to devolve further powers to localities.
- The Council is a constituent member of the West Midlands Combined Authority, which is due to be operational from April 2016.

### 3. Integration with health sector

- Developments such as the increased scope of the Better Care Fund and transfer of responsibility for public health to local government are intended to increase integration between health and social care.
- Coventry's Better Care Fund Programme is Better Care Coventry. It totals £52m for 2015/16 and has four key areas of work (urgent care, short term support to maximise independence, long term care and dementia) as well as other shared priorities such as support for the implementation of the Care Act 2014 and protecting adult social care services.

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

- We will consider your local devolution plans as part of our work in reaching our VFM conclusion.
- We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.

- We will consider how the Council has reflected changes to its responsibilities in relation to public health and how it is working with partners, as part of our work in reaching our Vfm conclusion.
- We will review the Council's treatment of entries relating to the Better Care Fund in its financial statements

- The Council has made good progress towards achieving this objective, producing its draft financial statements for 2014/15 by mid-June.
- The Council plans to make its draft 2015/16 financial statements available for audit by 31 May. We aim to complete our audit of these financial statements by 31 July.

# 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

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

### 3. Highways Network Assets

- Although you are not required to include Highways Network Assets until 2016/17, this will be a significant change to your financial statements and you will need to carry out valuation work this year.

### 4. Whole of Government accounts

- The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion



## Our response

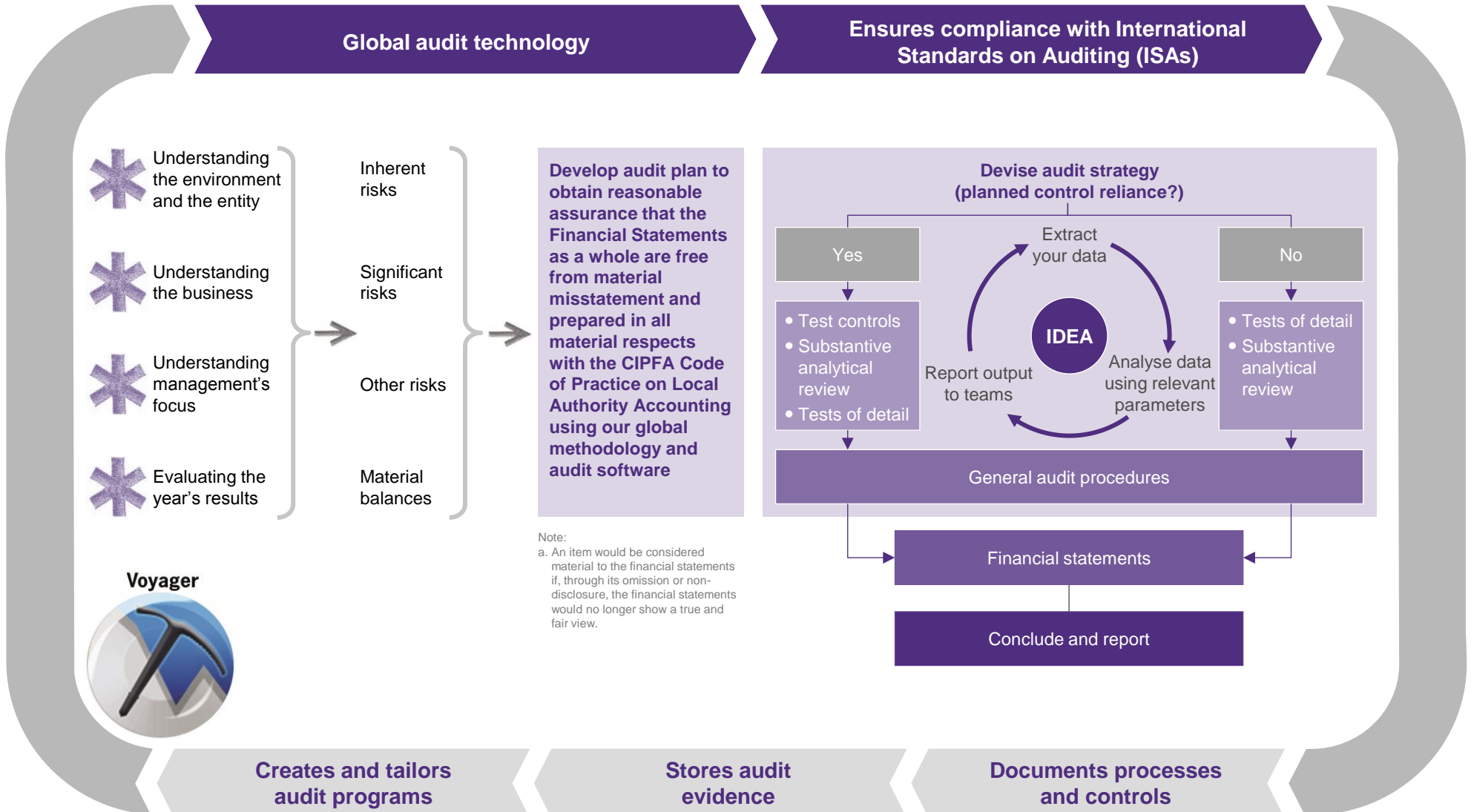
- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We will discuss this with you at an early stage, including reviewing the basis of valuation of your surplus assets and investment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

- 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 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 discuss your plans for valuation of these assets at an early stage to gain an understanding of your approach and suggest areas for improvement.

- We will carry out work on the WGA pack in accordance with requirements

# Our audit approach



Note:  
a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

# 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 £14,352k (being 1.75% 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.

Under ISA 450, auditors also set an amount below 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 £717k.

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
Disclosures of officers' remuneration and salary bandings in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£10,000
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.	£10,000
Related party transactions	Related party transactions have to be disclosed if they are material to the CCG or to the related party	Any errors identified by testing will be assessed individually, with due regard given to the nature of the error, its potential impact on users of the financial statements and its materiality for the related party



# 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 Coventry City Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Coventry City Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions.</li> </ul>
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• We will 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.</li> <li>• We will 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.</li> <li>• We will undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>• We will 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.</li> </ul>

## Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of property, plant and equipment	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><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of management's processes and assumptions for the calculation of the estimate.</li> <li>• Review of the competence, expertise and objectivity of any management experts used.</li> <li>• Review of the instructions issued to valuation experts and the scope of their work</li> <li>• Discussions with valuer about the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>• Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>• Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>• 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.</li> </ul>

# 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><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Walkthrough of the key controls for this system</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Performance of key controls testing and substantive testing on material expenditure streams and creditors</li> <li>Review of accounting estimates, judgments and decisions made by management</li> </ul>
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Walkthrough of the key controls for this system</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Performance of key controls testing and substantive testing on material expenditure streams</li> </ul>
Welfare expenditure	Welfare benefit expenditure improperly computed	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>Walkthrough of the key controls for this system</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>Testing of the final Housing Benefit claim will be completed using the HB COUNT methodology, with assurance for the financial statements taken from the testing of the initial sample of 20 rent allowance cases and other modules of the HB COUNT approach.</li> </ul>

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# 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 include:

- Heritage assets
- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- 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
- Schools balances and transactions
- 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
Coventry and Solihull Waste Disposal Company Limited	Yes	Targeted	Investments carrying value	Review and testing of arrangements in place to produce group accounts.
Coventry North Regeneration Limited	No	Analytical	None	Analytical procedures at the Group level
North Coventry Holdings Limited	No	Analytical	None	Analytical procedures at the Group level

# Value for Money

## Background

The Code requires 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 NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

This is supported by three sub-criteria as set out below:

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

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# 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, including Ofsted.
- illustrative significant risks identified and communicated by the NAO.

We have identified the following significant risks which we are required to communicate to you. Our definition of significant risks, based on the definition in the NAO's Code of Audit Practice, is:

The Code 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 below 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>The Council faces an uphill task to balance its finances over the medium term. The gap between income and spending plans is estimated at £2m for 2016/17, rising to £27m for 2018/19.</p>	<p>This links to the Council's arrangements for:</p> <ul style="list-style-type: none"> <li>• planning finances effectively to support its strategic functions</li> <li>• making informed decisions.</li> </ul>	<p>We will assess whether the Council is:</p> <ul style="list-style-type: none"> <li>• producing and using appropriate and reliable financial information to support informed decision making and performance management</li> <li>• producing reliable and timely financial reporting that supports the delivery of strategic priorities</li> <li>• planning its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</li> </ul>
<p>An Ofsted inspection of children's services in March 2014 judged the services provided by the Council to be inadequate. The Council have been working hard to address the issues raised but further improvements are still required and a re-inspection by Ofsted is also awaited.</p>	<p>This links to the Council's arrangements for:</p> <ul style="list-style-type: none"> <li>• ensuring high quality and effective children's social care services</li> <li>• working effectively with third parties to improve services.</li> </ul>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the Council's arrangements for responding to the issues raised by the Ofsted inspection and consider their adequacy</li> <li>• consider whether the Council has arrangements in place to work effectively with third parties to improve services.</li> </ul>
<p>The Council's 'Kickstart' programme aims to deliver savings, make the Council more efficient and customer focused and support regeneration across the city.</p>	<p>This links to the Council's arrangements for:</p> <ul style="list-style-type: none"> <li>• deploying resources effectively</li> <li>• making informed decisions</li> <li>• working effectively with third parties.</li> </ul>	<p>We will assess whether the Council is:</p> <ul style="list-style-type: none"> <li>• using appropriate performance information to monitor the delivery of the project</li> <li>• managing risks in respect of the project effectively</li> <li>• managing and utilising assets effectively</li> <li>• working with third parties effectively.</li> </ul>

## 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 31 July 2016.



# Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	<b>Work performed</b>	<b>Conclusion</b>
<b>Internal audit</b>	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We continue to review internal audit's work on the Council's key financial systems.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment. Our review of internal audit work completed to date has not identified any weaknesses which impact on our audit approach .</p>
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

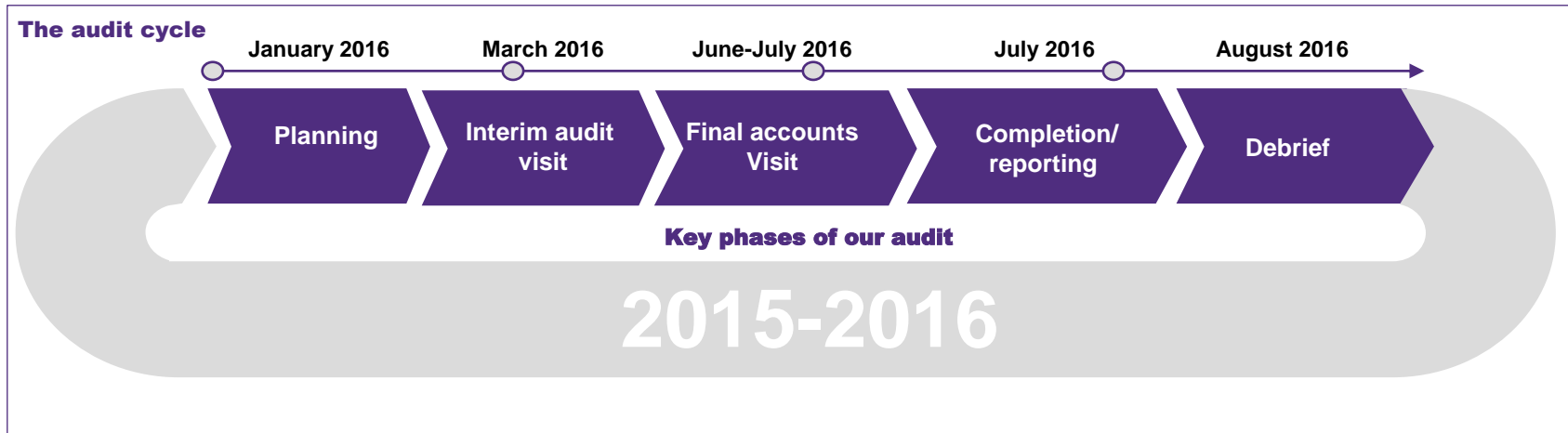
## Results of interim audit work (continued)

	<b>Work performed</b>	<b>Conclusion</b>
<b>Review of information technology controls</b>	Our information systems specialist will be performing a high level review of the general IT control environment, as part of the overall review of the internal controls system. This work will also inform the controls testing detailed below.	We will report the results of this work in our Audit Findings report.
<b>Walkthrough testing</b>	We are currently undertaking walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.	We will report the results of this work in our Audit Findings report.
<b>Controls testing</b>	<p>We plan to perform testing of the operating effectiveness of key controls on those information systems where we had identified a reasonably possible risk of material misstatement to gain assurance about this and to reduce the amount of substantive testing performed on the financial statements. We plan to test controls in respect of the following information systems:</p> <ul style="list-style-type: none"> <li>• Operating expenses</li> <li>• Employee remuneration.</li> </ul>	We will report the results of this work in our Audit Findings report.

## Results of interim audit work (continued)

	<b>Work performed</b>	<b>Conclusion</b>
<b>Journal entry controls</b>	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	We will undertake detailed testing on journal transactions as part of our final accounts visit in June and July 2015.
<b>Early substantive testing</b>	We are currently undertaking a detailed programme of early substantive testing. This covers the following areas: <ul style="list-style-type: none"> <li>• Operating expenses</li> <li>• Other revenues</li> <li>• Employee remuneration</li> <li>• Revenue grants</li> <li>• Property, plant and equipment.</li> </ul>	We will report the results of this work in our Audit Findings report.

# Key dates



<b>Date</b>	<b>Activity</b>
<b>January 2016</b>	Planning
<b>February 2016</b>	Presentation of audit plan to Audit and Procurement Committee
<b>March 2016</b>	Interim site visit (key controls testing and early substantive testing)
<b>June/July 2016</b>	Year end fieldwork
<b>July 2016</b>	Audit findings clearance meeting with Executive Director of Resources
<b>July 2016</b>	Report audit findings to those charged with governance (Audit and Procurement Committee)
<b>July 2016</b>	Sign financial statements opinion

# Fees and independence

## Fees

	£
Council audit	173,460
Grant certification	13,523
<b>Total audit fees (excluding VAT)</b>	<b>186,983</b>

## 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 continue to 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 £
<b>Audit related services:</b>	
• Certification of teachers pension return for 2015/16	4,200

## 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	✓	✓

# Communication of audit matters with those charged with governance (cont.)

In addition to the areas covered on the previous page, we are required to consider the following in our discussions with those charged with governance (the Audit and Procurement Committee)

Area of consideration	Current understanding based on planning and interim work to date
<b>Awareness of fraud or suspected fraud</b>	There are no material instances of fraud that have been identified during the year. Any significant suspected or alleged fraud are investigated by Internal Audit and reported to the Audit and Procurement Committee on a regular basis.
<b>Views about the risks of fraud</b>	Although there is an on-going risk of fraud being committed against the Council arrangements are in place to both prevent and detect fraud. These include the regular review of arrangements and work carried out by Internal Audit as part of their annual plan. The risk of material misstatement of the accounts due to undetected fraud is low and this is consistent with the risk management processes that are in place within the Council.
<b>Awareness of whistleblower tips or complaints</b>	The Council has a Confidential Reporting (whistleblowing) Policy in place which outlines the responsibilities and channels for raising concerns and issues, and also the approach to be taken. There are no material instances of fraud that have been identified during the year arising from whistleblower tips or complaints.
<b>How the Audit and Procurement Committee provide oversight of management's fraud risk assessment process</b>	The Annual Governance Statement and Head of Internal Audit Opinion are formally presented to the Audit and Procurement Committee on an annual basis.  The system of internal control is reviewed annually as part of the annual governance statement. The work plan of Internal Audit includes reviewing the operation of internal controls and appropriate segregation of duties. Internal Audit include fraud risk in their planning process.



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