

# External Audit Plan

*Year ending 31 March 2019*

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High Peak Borough Council

13 February 2019



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## Your key Grant Thornton team members are:

Grant Patterson

Engagement Lead

T: +44 121 232 5296

E:

grant.b.patterson@uk.gt.com

Avtar Sohal

Senior Audit Manager

T: +44 121 232 5420

E: avtar.sohal@uk.gt.com

Lisa Morrey

Audit in-charge

T: +44 121 232 5302

E: lisa.morrey@uk.gt.com

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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 planning 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 Authority or all 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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# Introduction & headlines

## Purpose

This document provides an overview of the planned scope and timing of the statutory audit of High Peak Borough Council ('the Authority') for those charged with governance.

## Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of High Peak Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

## Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- Authority's financial statements that have been prepared by management with the oversight of those charged with governance the Audit & Regulatory Committee; and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit & Regulatory Committee of your responsibilities. It is the responsibility of the Authority 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 Authority is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Authority's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

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## Group Accounts

The Council has an interest in a Joint Venture, AES to deliver local services in partnership with Staffordshire Moorlands District Council and Cheshire East Council. As this is a Joint Operation this will not be consolidated via group accounts but will be included in the primary statements on the basis of the resources used in provision of the service to the Council.

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## Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Valuation of property, plant and equipment
- Valuation of pension fund net liability
- Management override of controls

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

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## Materiality

We have determined planning materiality to be £950k (PY £973k) for the Authority, which equates to 1.9% of your forecast gross expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £47.5k (PY £48k).

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## Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- Medium Term Financial Plan

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## Audit logistics

Our interim visit will take place in March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our audit approach is detailed in Appendix A.

Our fee for the audit will be £36,400 (PY: £47,273) for the Authority, subject to the Authority meeting our requirements set out on page 11.

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## Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements..

# Key matters impacting our audit

## External Factors

### The wider economy and political uncertainty

At a national level, the government continues its negotiation with the EU over Brexit, and future arrangements remain clouded in uncertainty. The Authority will need to ensure that it is prepared for all outcomes, including any impact on contracts, on service delivery and on its support for local people and businesses.

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. For HPBC, financial management is strong, with a history of delivering the budget, including challenging financial savings. For 2018/19 the Authority budgeted for a break-even position. At the end of Quarter 2 a year end surplus of £619k has been forecast.

The budget Council's MTFP identified a £1.8m efficiency requirement over a three year period on the general fund (2018/19 – 2020/21). A new financial year has now been added to the plan, which forecasts a very small deficit of £7k by the end of 2022/23.

Current progression against the efficiency programme is positive, with the 2017/18 target achieved and at Quarter 2 the General Fund efficiency target of £581k for 2018/19 is expected to be achieved – with £346k already delivered. The HRA 2018/19 efficiency target of £245k has already been achieved.

### Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

The Authority is already in the process of looking at the adoption of these changes.

## Internal Factors

### New audit methodology

We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation and more easily incorporate our knowledge of the Authority into our risk assessment and testing approach.

## Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- Your current Performance Reports show the Council is on track to meet the majority of its stated strategic objectives for 2018/19. We will continue to monitor the position as the year progresses.
- We will consider whether your financial position leads to material uncertainty about the going concern of the group and will review related disclosures in the financial statements.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- You will see changes in the terminology we use in our reports that will align more closely with the ISAs
- We will ensure that our resources and testing are best directed to address your risks in an effective way.

# Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<b>ISA 240: presumed risk of fraud in revenue recognition</b>	<p>Under ISA (UK) 240 there is a rebuttable 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 the 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 High Peak Borough Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for High Peak Borough Council.</p> <p>Specific response not required as risk rebutted.</p>
<b>ISA 240: management override of controls</b>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• evaluate the design effectiveness of management controls over journals</li> <li>• analyse the journals listing and determine the criteria for selecting high risk unusual journals</li> <li>• test unusual journals recorded during the year and after the draft accounts stage for appropriateness</li> <li>• gain an understanding of the accounting estimates and critical judgements made by management and consider their reasonableness with regard to corroborative evidence</li> <li>• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul>

# Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Valuation of property, plant and equipment</b></p>	<p>The Council revalues its land and buildings at least once every five years. Investment properties are revalued every year. Valuation of property, plant and equipment represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and investment property revaluations as a risk requiring special audit consideration..</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes, controls and assumptions put in place by management to ensure that the PPE valuation is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement;</li> <li>• assess the competence, capabilities and objectivity of management’s experts (valuers) who carried out your PPE valuations;</li> <li>• evaluate the instructions issued by management to their management expert (a valuer) for this estimate and the scope of the valuer’s work;</li> <li>• communicate with the valuer about the basis on which the valuation is carried out and where necessary challenge the key assumptions</li> <li>• review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding</li> <li>• Test, on a sample basis, revaluations made during the year to ensure they are consistent with the valuer’s report and input correctly into the Council’s asset register</li> <li>• evaluate the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially different to current value.</li> </ul>
<p><b>Valuation of the pension fund net liability</b></p>	<p>The Council’s net pension fund liability represents a significant estimate in the financial statements.</p> <p>The net pension fund liability is considered a significant estimate due to the size of the liability involved (£43.4 million in the Council’s balance sheet as at 31 March 2018) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the pension fund net liability as a risk requiring special audit consideration..</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• update our understanding of the processes and controls put in place by management to ensure that the Council’s net pension fund liability is not materially misstated and evaluate the design of the associated controls;</li> <li>• evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work;</li> <li>• assess the competence, capabilities and objectivity of the actuary who carried out the Council’s pension fund valuation;</li> <li>• assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>• test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;</li> <li>• undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report; and</li> <li>• seek assurances from the auditor of the Derbyshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.</li> </ul>

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# Other matters

## Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
  - issue of a report in the public interest or written recommendations to the Authority under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit.

## 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 this report.

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

# Materiality

## The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. 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.

## Materiality for planning purposes

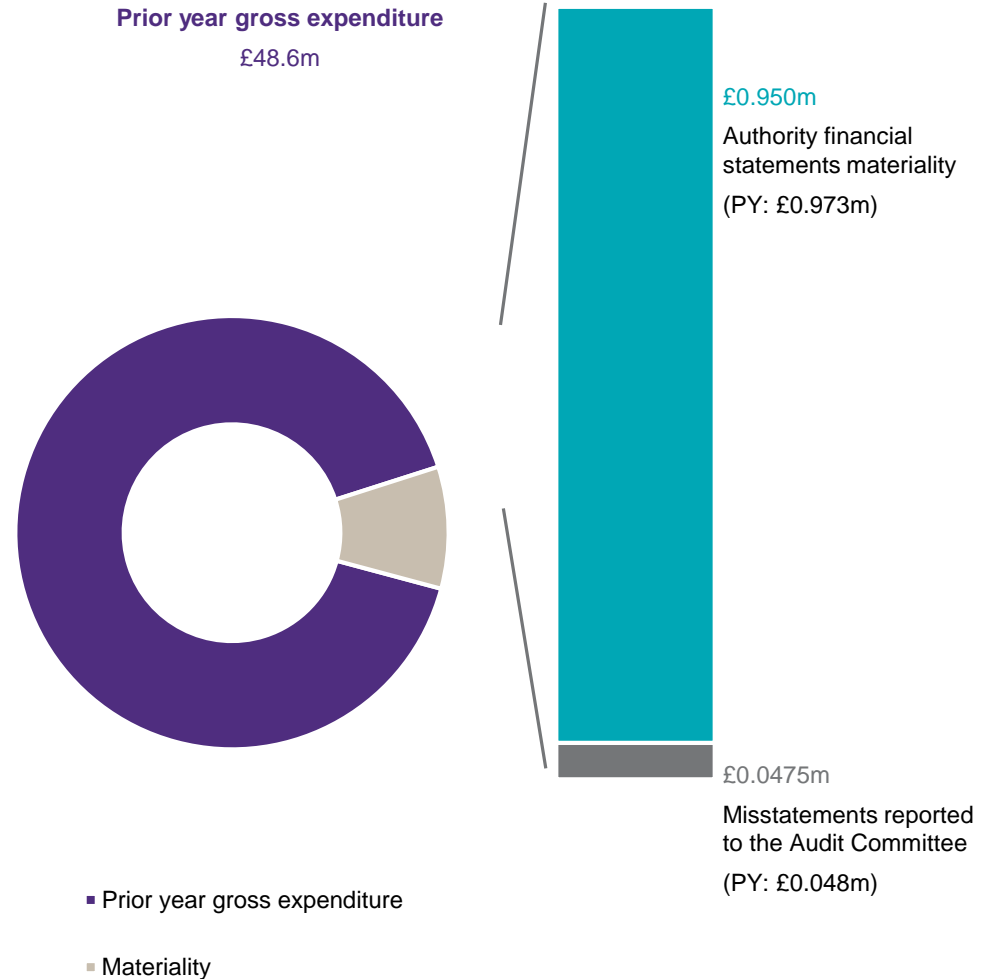
We have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £950k (PY £973k) for the Authority, which equates to 1.9% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £25k for senior officer's remuneration, as we believe these disclosures are of specific interest to readers of the accounts.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

## Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £47.5k (PY £48k).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.





# Value for Money arrangements

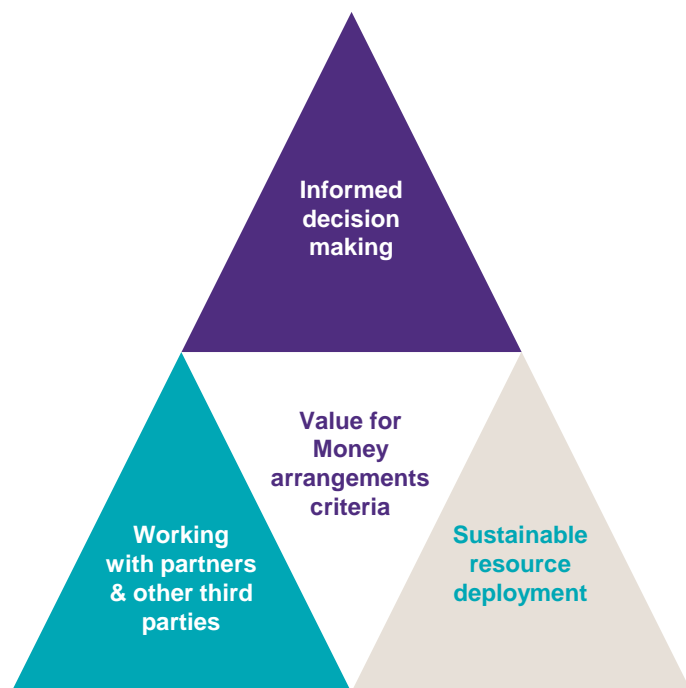
## Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place to secure value for money.

The 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:



## Significant VFM risks

Those risks requiring audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



### Medium Term Financial Sustainability

At the end of September 2018 65% of the Council's key performance indicators were on track and of the 22 Priority Actions within the Corporate Plan, two were awaiting a decision and the remainder being classified as 'Green'. This indicates that the Council is on track to meet its stated strategic objectives for 2018/19 and that the overall governance of the authority remains strong, with a focus on long term aims rather than short term measures to balance the budget.

In respect of the medium term financial outlook the Council's MTFP was agreed in February 2018 when setting the budget for the current financial year. The Plan identified a £1.8m budget shortfall over a three year period on the general fund (2018/19 – 2020/21) – with £0.31million savings achieved in 2017/18. There was also an assumed overall use of £1.96 million in reserves in order to balance the MTFP.

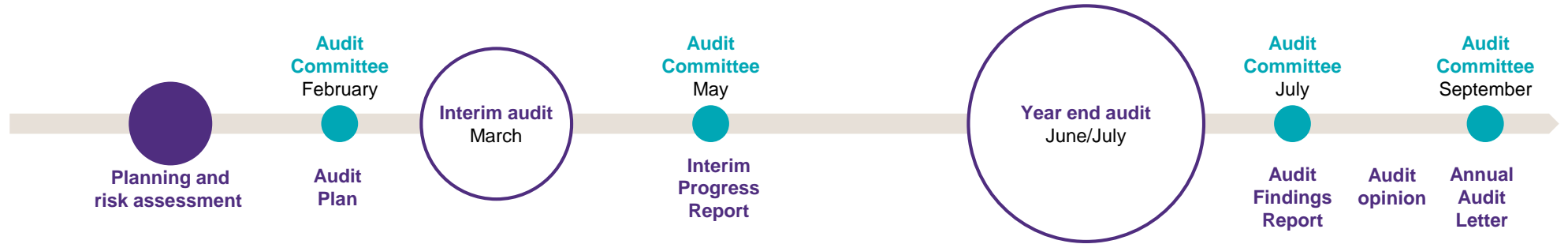
For 2018/19 the Authority budgeted for a break-even position. At the end of Quarter 2 a year end surplus of £619k has been forecast. The main reason behind this is an increase in the funding from Business Rates Retention (£770k) as a result of being a member of the Derbyshire 100% Business Rates pilot in 2018/19.

A new financial year (2022/23) has now been added to the MTFP, which forecasts a very small deficit of £7k. Taking account of the projected 2018/19 surplus position this results in a reduction to the overall required use of reserves by the end of 2022/23 of £259k.

Achieving a balanced budget over the medium-term relies upon delivery of the Council's approved efficiency & rationalisation strategy. Current progression against the efficiency programme is positive, with the 2017/18 target achieved and at Quarter 2 the General Fund efficiency target of £581k for 2018/19 is expected to be achieved – with £346k already achieved. The HRA 2018/19 efficiency target of £245k has already been achieved. There remain risks within delivery of the efficiency programme and in response to this risk we will assess whether the Council is:

- planning its finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions including how you are progressing against the efficiency & rationalisation strategy.

# Audit logistics, team & fees



## Grant Patterson, Engagement Lead

As your engagement lead, Grant will have the ultimate responsibility for the delivery of your audit service. He will lead our relationship with the Authority and take overall responsibility for delivering a high quality audit, which meets the highest professional standards while adding value



## Avtar Sohal, Audit Manager

As the engagement manager, Avtar is responsible for overseeing the delivery of our service and managing the audit process. He will work with officers and our on-site team to ensure the smooth planning and delivery of the audit. He will oversee the on-site team and discuss any issues with you during the audit process as well as any questions you may have throughout the year.



## Lisa Morrey, Audit Incharge

Lisa will lead the on-site audit team and is responsible for the performance of the audit fieldwork and day-to-day liaison with the finance team. He will ensure that your audit is delivered effectively, efficiently and supportively, keeping the finance team abreast of any issues arising as and when they occur.

## Audit fees

The planned audit fees are £36,400 (PY: £47,273) for the financial statements audit completed under the Code, which are inline with the scale fee published by PSAA in setting your fee, we have assumed that the scope of the audit, and the Authority and its activities, do not significantly change.

Where additional audit work is required to address risks we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management and require PSAA approval.

## Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

# Early close

## Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We worked with you to meet the deadline last year and we are satisfied that, if all these plans are implemented, we will again be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

## Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

## Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

# Independence & non-audit services

## Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority. The following other services were identified

Service	£	Threats	Safeguards
<b>Audit related</b>			
Certification of Housing Benefits Subsidy claim	£9,000 (PY: £8,699)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is expected to be low £9,000 (£8,699 prior year) in comparison to the total fee for the audit of £36,400 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Housing capital receipts grant	£3,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £3,000 in comparison to the total fee for the audit of £36,400 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

## Independence & non-audit services

Service	£	Threats	Safeguards
<b>Non-audit related</b>			
CFO Insights	5,625	The fee is a recurring subscription and, therefore, there is a self-interest threat. The tool provides information that will help inform decision making by informed management. The scope of our service does not include making decisions on behalf of management or recommending a particular course of action.	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,625 in comparison to the total fee for the audit of £36,400 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Place Analytics	5,625	The fee is a recurring subscription and, therefore, there is a self-interest threat. The tool provides information that will help inform decision making by informed management. The scope of our service does not include making decisions on behalf of management or recommending a particular course of action.	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £5,625 in comparison to the total fee for the audit of £36,400 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit & Procurement Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

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# Appendices

**A. Audit Approach**

**B. Response to Prior Year Recommendations**

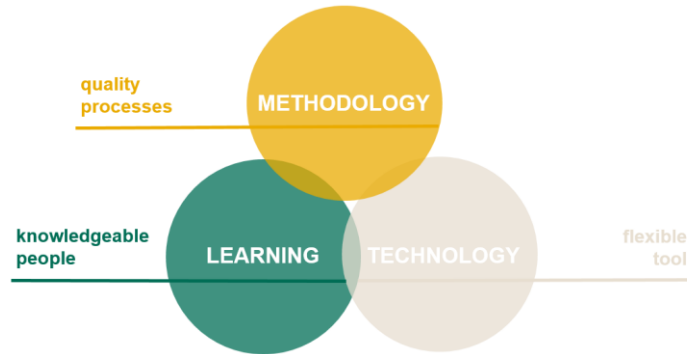
# Appendix A: Audit approach

## Use of audit, data interrogation and analytics software

### LEAP

Audit software

- A globally developed ISA-aligned methodology and software tool that aims to re-engineer our audit approach to fundamentally improve quality and efficiency
- LEAP empowers our engagement teams to deliver even higher quality audits, enables our teams to perform cost effective audits which are scalable to any client, enhances the work experience for our people and develops further insights into our clients' businesses
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



### IDEA

- We use one of the world's leading data interrogation software tools, called 'IDEA' which integrates the latest data analytics techniques into our audit approach
- We have used IDEA since its inception in the 1980's and we were part of the original development team. We still have heavy involvement in both its development and delivery which is further enforced through our chairmanship of the UK IDEA User Group
- In addition to IDEA, we also use other tools like ACL and Microsoft SQL server
- Analysing large volumes of data very quickly and easily enables us to identify exceptions which potentially highlight business controls that are not operating effectively



### Appian

Business process management

- Clear timeline for account review:
  - disclosure dealing
  - analytical review
- Simple version control
- Allow content team to identify potential risk areas for auditors to focus on



### Inflo



Cloud based software which uses data analytics to identify trends and high risk transactions, generating insights to focus audit work and share with clients.



#### REQUEST & SHARE

- Communicate & transfer documents securely
- Extract data directly from client systems
- Work flow assignment & progress monitoring



#### ASSESS & SCOPE

- Compare balances & visualise trends
- Understand trends and perform more granular risk assessment



#### VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



#### INTERROGATE & EVALUATE

- Analyse 100% of transactions quickly & easily
- Identify high risk transactions for investigation & testing
- Provide client reports & relevant benchmarking KPIs



#### FOCUS & ASSURE

- Visualise relationships impacting core business cycles
- Analyse 100% of transactions to focus audit on unusual items
- Combine business process analytics with related testing to provide greater audit and process assurance




#### INSIGHTS




- Detailed visualisations to add value to meetings and reports
- Demonstrates own performance and benchmark comparisons

# Appendix B: Response to Prior Year Recommendations

In 2017/18 we identified one recommendations for the Council as a result of issues identified during the course of our audit. The recommendation was agreed with with management and we have highlighted the progress of implementation of the recommendation below

	Assessment	Issue and risk	Recommendations
1	 Low	<ul style="list-style-type: none"><li>Audit testing identified that there was not a formal written journal policy for the council in relation who posts and authorises journals.</li></ul>	<ul style="list-style-type: none"><li>We recommend the council puts in a written policy in respect to journal processing and authorisation.</li></ul> <p><b>Progress</b></p> <ul style="list-style-type: none"><li>As of December 2018 the Council implemented a clear written procedural note to relevant staff members which details the process of journal authorisation.</li></ul> <p><b>Auditor Response</b></p> <ul style="list-style-type: none"><li>We are satisfied that the procedural notes implemented address the recommendation from 2017/18.</li></ul>

## Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice





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