

**BRISTOL CITY COUNCIL  
AUDIT COMMITTEE**

**19 April 2013**

**Report of: Strategic Director (Corporate Services)**

**Title: Grant Thornton's Audit Plan 2012-13**

**Ward: Citywide**

**Officer presenting report: Melanie Henchy-Mccarthy and Alison Mullis, Chief Internal Auditor**

**Contact telephone number: 0117 92 22448**

**RECOMMENDATION**

The Audit Committee note, and comment as appropriate, on Grant Thornton's Audit Plan for 2012-13.

**Summary**

Attached to this report is the Grant Thornton Audit Plan 2012-13, which sets out the work they will carry out in discharging their responsibilities to give an opinion on the Council's financial statements and a conclusion on the Council's arrangements for achieving value for money.

**The key considerations set out within this report are:**

- This plan sets out Grant Thornton's responsibilities under the Code of Audit Practice.
- The plan includes an assessment of current local risks relevant to the audit and the proposed response to these risks.

**Policy**

None affected by this report. The Audit Commission has statutory responsibility for inspection and assessment at the Council. Grant Thornton are the Council's appointed external auditors. In carrying out

their audit and inspection duties they have to comply with the relevant statutory requirements. In particular these are the Audit Commission Act 1998 and the Code of Audit Practice with regard to audit, and the Local Government Act 1999 with regard to best value and inspection.

## **Consultation**

**Internal:** Grant Thornton consulted with the Strategic Director - Corporate Resources and the Service Director (Finance) before finalising the Plan.

**External:** None.

## **1 Introduction**

1.1 Grant Thornton, responsible for the Council's audit, will be attending the Committee, and will be pleased to answer Members' questions.

## **Other Options Considered**

Not applicable.

## **Risk Assessment**

Not as a result of this report.

## **Equalities Impact Assessment**

There are no issues arising from this report.

## **Legal and Resource Implications**

None arising from this report.

## **Appendices:**

Appendix 1: Grant Thornton's Audit Plan 2012-13.

## **LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985**

**Background Papers:** None



# The Audit Plan for Bristol City Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

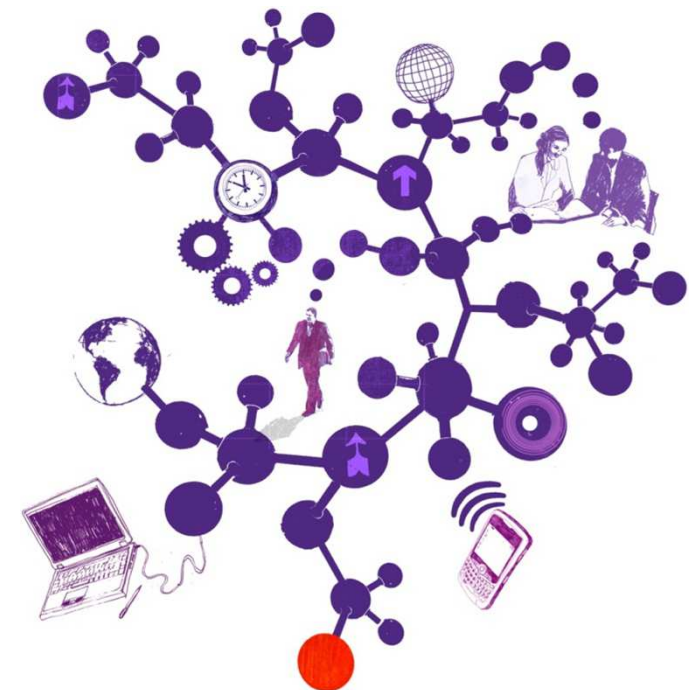
**Year ended 31 March 2013**

April 2013

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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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# Contents

## **Section**

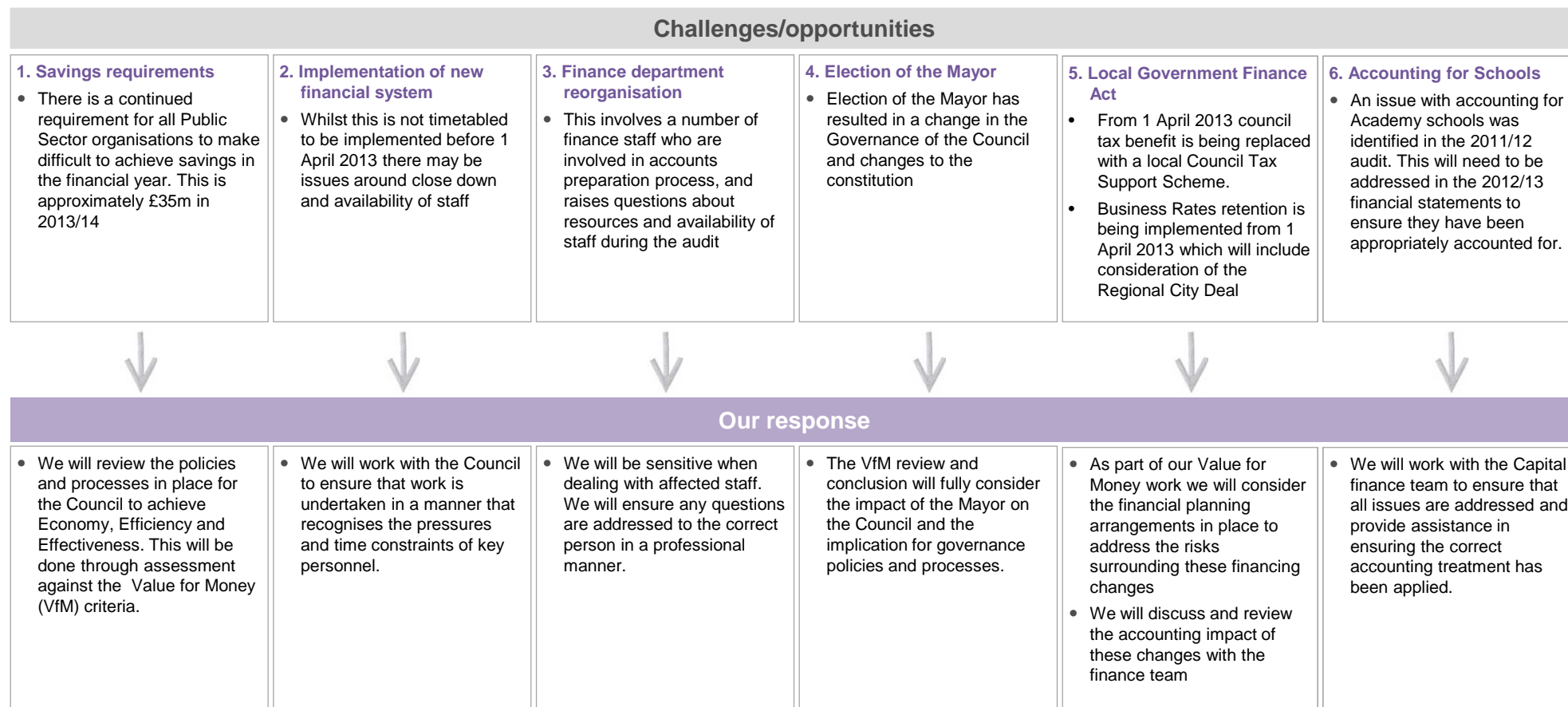
1. Understanding your business
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## **Appendices**

- A. Action plan

# 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.



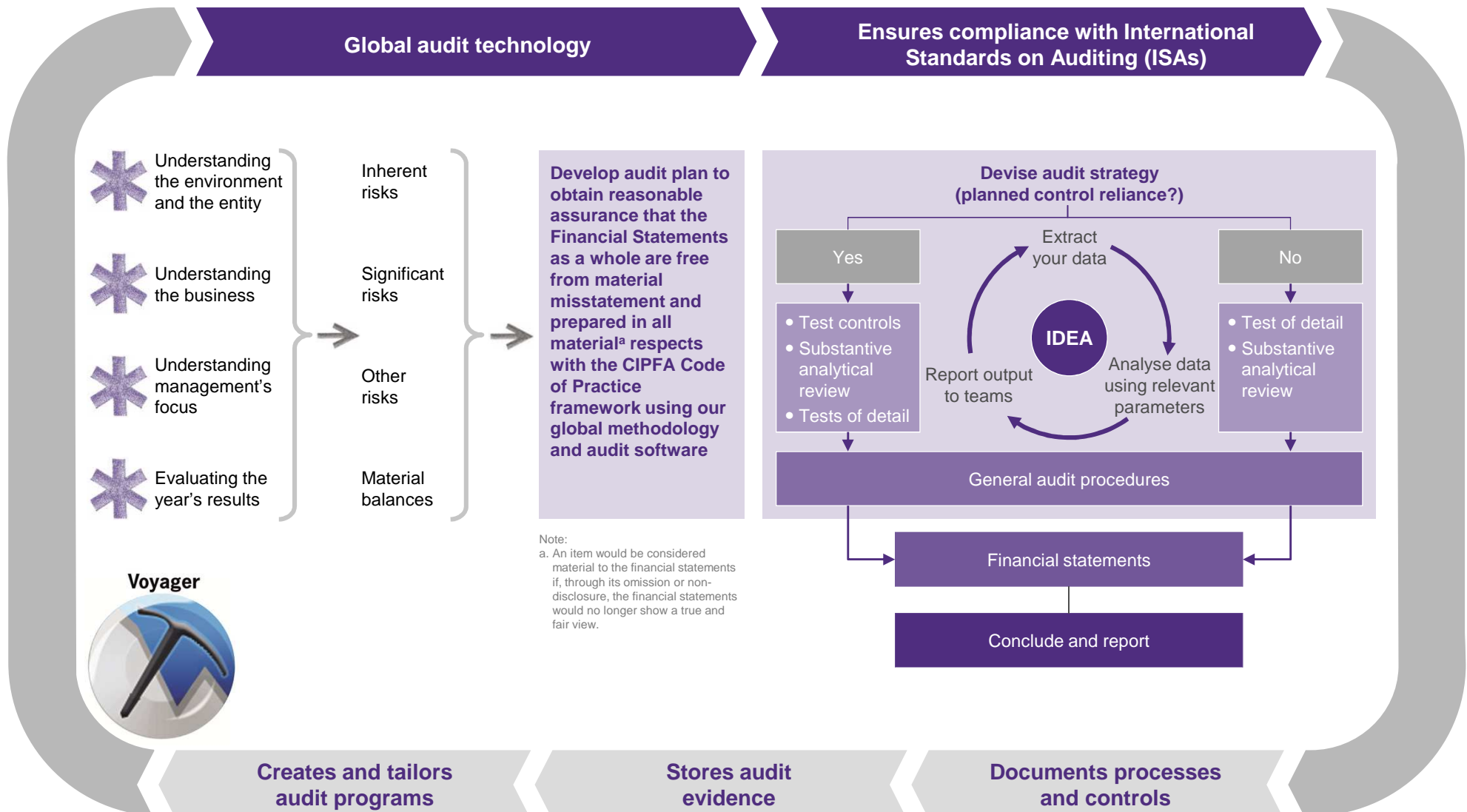
# Developments relevant to your business and the audit

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   |   |   |  |  |   |
|---|---|---|--|--|---|
| <p><b>1. Financial reporting</b></p> <ul style="list-style-type: none"> <li>• Changes to the CIPFA Code of Practice</li> <li>• Transfer of assets to Academies</li> <li>• Recognition of grant conditions and income</li> <li>• Self financing Housing Revenue Account</li> </ul> | <p><b>2. Legislation</b></p> <ul style="list-style-type: none"> <li>• Local Government Finance settlement 2012/13</li> <li>• Welfare Reform Act 2012</li> </ul> | <p><b>3. Corporate governance</b></p> <ul style="list-style-type: none"> <li>• Annual Governance Statement (AGS)</li> <li>• Explanatory foreword</li> </ul> | <p><b>4. Pensions</b></p> <ul style="list-style-type: none"> <li>• Planning for the impact of 2013/14 changes to the Local Government pension Scheme (LGPS)</li> </ul> | <p><b>5. Financial Pressures</b></p> <ul style="list-style-type: none"> <li>• Managing service provision with less resource</li> <li>• Progress against savings plans</li> </ul> | <p><b>6. Other requirements</b></p> <ul style="list-style-type: none"> <li>• The Council is required to submit a Whole of Government Accounts (WGA) pack on which we provide an audit opinion</li> <li>• The Council completes grant claims and returns on which audit certification is required</li> </ul> |

| Our response  |  |  |  |  |   |
|---|--|--|--|--|---|
| <p>We will ensure that</p> <ul style="list-style-type: none"> <li>• the Council complies with the requirements of the CIPFA Code of Practice through our substantive testing</li> <li>• schools are accounted for correctly and in line with the latest guidance</li> <li>• grant income is recognised in line with the correct accounting standard</li> <li>• Accounting for Self financing of the Housing Revenue Account is appropriate</li> </ul> | <ul style="list-style-type: none"> <li>• We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate</li> </ul> | <ul style="list-style-type: none"> <li>• We will review the arrangements the Council has in place for the production of the AGS</li> <li>• We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge</li> </ul> | <ul style="list-style-type: none"> <li>• We will discuss how the Council is planning to deal with the impact of the 2013/14 changes through our meetings with senior management</li> </ul> | <ul style="list-style-type: none"> <li>• We will review the Council's performance against the 2012/13 budget, including consideration of performance against the savings plan</li> <li>• We will undertake a review of Financial Resilience as part of our VfM conclusion</li> </ul> | <ul style="list-style-type: none"> <li>• We will carry out work on the WGA pack in accordance with requirements</li> <li>• We will certify grant claims and returns in accordance with Audit Commission requirements</li> </ul> |

# Our audit approach





## An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

**Significant** – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

**Other** – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

**None** – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

| Account  | Material (or potentially material) balance? | Transaction Cycle             | Inherent risk | Material misstatement risk? | Description of Risk                       | Substantive testing? |
|--|---|-------------------------------|---------------|-----------------------------|---|----------------------|
| Cost of services - operating expenses              | Yes   | Operating expenses            | Medium        | Other                       | Operating expenses understated            | ✓                    |
| Cost of services – employee remuneration           | Yes   | Employee remuneration         | Medium        | Other                       | Remuneration expenses understated         | ✓                    |
| Costs of services – Housing & council tax benefit  | Yes   | Welfare expenditure           | Medium        | Other                       | Welfare benefits improperly recorded      | ✓                    |
| Cost of services – Housing revenue                 | Yes   | HRA                           | Medium        | Other                       | Housing revenue transactions not recorded | ✓                    |
| Cost of services – other revenues (fees & charges) | Yes   | Other revenues                | Low           | None                        |   | ✓                    |
| (Gains)/ Loss on disposal of non current assets    | No  | Property, Plant and Equipment | Low           | None                        |   | ✓                    |
| Payments to Housing Capital Receipts Pool          | No  | Property, Plant & Equipment   | Low           | None                        |   | ×                    |
| Precepts and Levies                                | No  | Council Tax                   | Low           | None                        |   | ×                    |

## An audit focused on risks (continued)

| Account  | Material (or potentially material) balance? | Transaction Cycle           | Inherent risk | Material misstatement risk? | Description of Risk | Substantive testing? |
|--|---|-----------------------------|---------------|-----------------------------|---------------------|----------------------|
| Interest payable and similar charges   | Yes   | Borrowings                  | Low           | None                        |                     | ✓                    |
| Pension Interest cost  | Yes   | Employee remuneration       | Low           | None                        |                     | ✓                    |
| Interest & investment income   | No  | Investments                 | Low           | None                        |                     | ×                    |
| Return on Pension assets   | Yes   | Employee remuneration       | Low           | None                        |                     | ✓                    |
| Dividend income from Joint Venture   | No  | Revenue                     | Low           | None                        |                     | ×                    |
| Impairment of investments  | No  | Investments                 | Low           | None                        |                     | ×                    |
| Investment properties: Income expenditure, valuation, changes & gain on disposal | No  | Property, Plant & Equipment | Low           | None                        |                     | ×                    |
| Income from council tax  | Yes   | Council Tax                 | Low           | None                        |                     | ✓                    |
| NNDR Distribution  | Yes   | NNDR                        | Low           | None                        |                     | ✓                    |
| PFI revenue support grant & other Government grants                              | Yes   | Grant Income                | Low           | None                        |                     | ✓                    |
| Capital grants & Contributions (including those received in advance)             | Yes   | Property, Plant & Equipment | Low           | None                        |                     | ✓                    |

## An audit focused on risks (continued)

| Account  | Material (or potentially material) balance? | Transaction Cycle           | Inherent risk | Material misstatement risk? | Description of Risk                        | Substantive testing? |
|--|---|-----------------------------|---------------|-----------------------------|--|----------------------|
| (Surplus)/ Deficit on revaluation of non current assets        | Yes   | Property, Plant & Equipment | Low           | None                        |  | ✓                    |
| Actuarial (gains)/ Losses on pension fund assets & liabilities | Yes   | Employee remuneration       | Low           | None                        |  | ✓                    |
| Other comprehensive (gains)/ Losses                            | No  | Revenue/ Operating expenses | Low           | None                        |  | ✗                    |
| Property, Plant & Equipment                                    | Yes   | Property, Plant & Equipment | Medium        | Other                       | PPE activity not valid                     | ✓                    |
| Property, Plant & Equipment                                    | Yes   | Property, Plant & Equipment | Medium        | Other                       | Revaluation measurements not correct       | ✓                    |
| Property, Plant & Equipment                                    | Yes   | Property, Plant & Equipment | Medium        | Other                       | Property, plant and equipment are impaired | ✓                    |
| Heritage assets & Investment property                          | Yes   | Property, Plant & Equipment | Low           | None                        |  | ✓                    |
| Intangible assets  | No  | Intangible assets           | Low           | None                        |  | ✗                    |
| Investments (long & short term)                                | Yes   | Investments                 | Low           | None                        |  | ✗                    |
| Debtors (long & short term)                                    | Yes   | Revenue                     | Low           | None                        |  | ✓                    |
| Assets held for sale   | No  | Property, Plant & Equipment | Low           | None                        |  | ✗                    |
| Inventories  | No  | Inventories                 | Low           | None                        |  | ✗                    |

## An audit focused on risks (continued)

| Account                        | Material (or potentially material) balance? | Transaction Cycle     | Inherent risk | Material misstatement risk? | Description of Risk   | Substantive testing? |
|--------------------------------|---|-----------------------|---------------|-----------------------------|---|----------------------|
| Cash & cash Equivalents        | Yes   | Bank & Cash           | Low           | None                        |   | ✓                    |
| Borrowing (long & short term)  | Yes   | Debt                  | Low           | None                        |   | ✓                    |
| Creditors (long & Short term)  | Yes   | Operating Expenses    | Medium        | Other                       | Creditors understated or not recorded in the correct period | ✓                    |
| Provisions (long & short term) | No  | Provision             | Low           | None                        |   | ✓                    |
| Pension liability              | Yes   | Employee remuneration | Low           | None                        |   | ✓                    |
| Reserves                       | Yes   | Equity                | Low           | None                        |   | ✓                    |

# 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 | Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.     | <b>Work completed to date:</b> <ul style="list-style-type: none"><li>• Review of revenue recognition policies</li></ul> <b>Further work planned:</b> <ul style="list-style-type: none"><li>• Testing of revenue recognition policies</li><li>• Performance of attribute testing on material revenue streams</li></ul>   |
| Management over-ride of controls                   | Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities. | <b>Work completed to date:</b> <ul style="list-style-type: none"><li>• Testing of journal entries to date</li></ul> <b>Further work planned:</b> <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> |

# Other risks

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 315).

| Other reasonably possible risks | Description  | Work completed to date  | Further work planned   |
|---------------------------------|--|---|--|
| Operating expenses              | Operating expenses understated or not recorded in the correct period | <ul style="list-style-type: none"> <li>Review of internal financial controls relating to operating expenses</li> <li>Testing of controls over operating expenses</li> </ul> | <ul style="list-style-type: none"> <li>Substantive testing of material expenditure streams</li> <li>Review of after date payments to ensure all liabilities identified</li> </ul>  |
| Employee remuneration           | Remuneration expenses understated                                    | <ul style="list-style-type: none"> <li>Review of internal financial controls relating to employee remuneration</li> </ul>   | <ul style="list-style-type: none"> <li>Substantive testing of employee remuneration expenditure</li> </ul>   |
| Welfare Expenditure             | Welfare benefits improperly computed                                 | <ul style="list-style-type: none"> <li>Review of internal financial controls relating to calculation of housing and council tax benefits</li> </ul>                         | <ul style="list-style-type: none"> <li>Completion of housing and council tax benefits subsidy certification</li> </ul>   |
| Housing Rent Revenue Account    | Revenue transactions not recorded.                                   | <ul style="list-style-type: none"> <li>Review of internal financial relating to HRA rental revenue</li> </ul>   | <ul style="list-style-type: none"> <li>Substantive testing of HRA rental revenue</li> </ul>  |
| Property, Plant & Equipment     | PPE activity not valid   | <ul style="list-style-type: none"> <li>Review of internal financial controls relating to PPE additions and disposals</li> </ul>   | <ul style="list-style-type: none"> <li>Substantive testing of PPE additions and disposals</li> </ul>   |
| Property, Plant & Equipment     | Revaluation measurement not correct                                  | <ul style="list-style-type: none"> <li>Review of internal financial controls relating to PPE valuations</li> </ul>  | <ul style="list-style-type: none"> <li>Review of accounting entries in respect of any revaluations to ensure these are fully and accurately reflected in the accounts</li> </ul>   |
| Property, Plant & Equipment     | Property, plant and equipment are impaired                           | <ul style="list-style-type: none"> <li>Review of internal financial controls relating to PPE impairments</li> </ul>   | <ul style="list-style-type: none"> <li>Review of accounting entries in respect of any impairments to ensure these are fully and accurately reflected in the accounts</li> </ul>    |
| Creditors                       | Creditors understated or not recorded in the correct period          | <ul style="list-style-type: none"> <li>Review of internal financial controls relating to creditors</li> <li>Testing of controls over creditors</li> </ul>                   | <ul style="list-style-type: none"> <li>Substantive testing of significant creditor balances</li> <li>Review of after date payments to ensure all liabilities identified</li> </ul> |

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# Results of interim audit work

## Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function
- internal audit's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented according to our understanding in areas where we have identified a risk of material misstatement
- a review of Information Technology (IT) controls
- Follow up of prior year recommendations

|                            | <b>Work performed</b>   | <b>Conclusion/ Summary</b>   |
|----------------------------|---|--|
| <b>Internal audit</b>      | We have reviewed internal audit's overall arrangements but have not carried out detailed testing of files against the CIPFA criteria. Where the arrangements are deemed to be adequate, we can gain assurance from the overall work undertaken by internal audit and can conclude that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council | Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council. |
| <b>Walkthrough testing</b> | Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements. These relate to: <ul style="list-style-type: none"><li>• Operating Expenses</li><li>• Employee Remuneration</li><li>• Housing and Council Tax Benefit</li><li>• Housing Revenue Account</li><li>• Property plant and Equipment</li></ul>        | No significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding.   |

## Results of interim audit work (continued)

|   | <b>Work performed</b>  | <b>Conclusion/ Summary</b>   |
|---|--|--|
| <b>Review of information technology (IT) controls</b> | Our information systems specialist has arranged to perform a review of the general IT control environment in May 2013  | Following completion of this work, we will confirm whether there are any material weaknesses which are likely to adversely impact on the Council's financial statements-   |
| <b>Journal entry controls</b>                         | <p>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. As in previous years it is noted that there is no segregation of duty. It is possible for staff Members, with the appropriate access level, to raise and authorise journals.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first nine months of the financial year, by extracting 'unusual' entries for further review. No issues have been identified that require to be reported.</p> | <p>As noted in previous years there is no separation of duty with users able to raise and authorise the same journal. This is a longstanding issue that the Council is aware of but has not caused any material misstatements in previous years.</p> <p>The Council has stated that the necessary controls will be in place with the implementation of the new accounting system and this will be reviewed as part of the ongoing audit process.</p> |
| <b>Follow up of prior year recommendations</b>        | We have considered the recommendations made following our 2011-12 audit of financial statements and discussed progress with the finance team   | We will continue to review progress against recommendations raised as the implementation of these will be reviewed during the preparation of the 2012-13 financial statements.   |
| <b>Accounting for Academy Schools</b>                 | <p>Under IAS17 Academy Schools should not be recognised on the balance sheet as teachers at these schools are employed by the academy rather than the local authority and the related assets are not controlled by the Authority</p> <p>We have reviewed accounting estimates, judgments and decisions made by management</p>  | We plan to test accounting entries to ensure they are correctly accounted for and properly reflected in the financial statements as well as review and test the impact on the PFI contract to ensure that this has been properly accounted for and amended to reflect the change in status of the affected schools.  |



# Value for Money

## Introduction

The Code of Audit Practice requires us to issue a conclusion on 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.

## 2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for Members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review and this will be agreed with the officers of the Council.

The results of all our local VfM audit work, such as the review of governance arrangements, and key messages will be reported to the Audit Committee.

## Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

We will consider whether the Council is prioritising its resources with tighter budget

## Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- Review the governance arrangements following the election of the City Mayor
- Review the Council's arrangements to ensure financial resilience as well as economy, effectiveness and efficiency in securing the savings required by Central Government
- Follow-up of the recommendations raised in the external audit review published in 2012

# Logistics and our team



| Date                  | Activity                                       |
|-----------------------|--|
| January 2013          | Planning meeting                               |
| February – March 2013 | Interim site work                              |
| April 2013            | The audit plan presented to Audit Committee    |
| July 2013             | Year end fieldwork commences                   |
| September 2013        | Audit findings clearance meeting               |
| September 2013        | Audit Committee meeting to report our findings |
| September 2013        | Sign financial statements and VfM conclusion   |
| October 2013          | Issue Annual Audit Letter                      |

## Our team

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# Fees and independence

## Fees

|                      | £              |
|----------------------|----------------|
| Council audit        | 270,513        |
| Grant certification* | 19,000         |
| <b>Total</b>         | <b>289,513</b> |

\* Indicative fee for 2012-13

## Our fee assumptions include:

- Our fees are exclusive of VAT
- 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

## Fees for other services

| Service | Fees £ |
|---------|--------|
| None    | Nil    |

## 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 requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (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 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 the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

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. 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 Audit Commission and includes nationally prescribed and locally determined work. 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 issue 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   |            | ✓              |

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# Appendices

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# Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

| Rec No. | Recommendation   | Priority | Management response  | Implementation date & responsibility |
|---------|--|----------|--|--------------------------------------|
| 1       | Whilst it is accepted practice that journals can be raised and authorised by the same person there is a lack of clarity as to how the Council ensures that these are legitimate transactions. Assurance would be provided if there was clarity over the spot check process for journals, for example the checking of a sample to ensure that these are legitimate transactions | M        | We expect to receive the management response before the date of the Audit Committee and will give a verbal update at the meeting |                                      |