

**Report To:** The Audit Committee **Date:** 28 February 2012  
**Report By:** Chief Financial Officer **Report No:** FIN/13/12/AP/LM  
**Contact Officer:** Alan Puckrin **Contact No:** 01475 712223  
**Subject:** External Audit – Audit Approach Memorandum 2011/12

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## **1.0 PURPOSE**

- 1.1 The purpose of this report is to present to Committee the External Audit – Audit Approach Memorandum 2011/12.

## **2.0 SUMMARY**

- 2.1 New external auditors have been appointed to the Council and their first year's appointment will cover the Annual Accounts 2011/12. The Council's external auditors for the next 5 years will be Grant Thornton.
- 2.2 The Audit Approach Memorandum is an essential part of external audits work plan and outlines all the key areas of work and key issues which external audit plan to review over coming months.
- 2.3 The draft Audit Approach Memorandum has been presented to the Council's Corporate Management Team and feedback has been incorporated within the final document which is attached as the appendix.
- 2.4 Gary Devlin, The Council's engagement lead will be present at the Committee to present the Audit Approach Memorandum and thereafter answer any questions.

## **3.0 RECOMMENDATIONS**

- 3.1 It is recommended that the Committee note the contents of the Audit Approach Memorandum 2011/12.

**Alan Puckrin**  
**Chief Financial Officer**

# Inverclyde Council

## Audit Approach Memorandum 2011/12

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January 2012



# An overview of your 2011/12 Audit Plan

Grant Thornton UK LLP has been appointed by Audit Scotland as the external auditor of Inverclyde Council for the five year period commencing 2011/12.

This memorandum outlines how we will approach the audit of the Council in the first year of our appointment, and reflects our statutory duties and risk based approach.

We will review the financial statements to provide an independent opinion on whether they have been prepared in accordance with appropriate guidance and give a true and fair view of the Council's financial position.	➔ See Accounts audit
We will review the Council's corporate governance arrangements, including the framework for internal control.	➔ See Governance audit
We will review and report on the Council's arrangements to achieve best value and value for money in the use of resources, drawing on the findings of Audit Scotland's Best Value progress report.	➔ See Best Value and Performance audit
We have established a team dedicated to your audit to ensure we can offer staff continuity. We will also use specialists to support our work and ensure that you are getting the required levels of expertise from us.	➔ See Engagement team
We have used the published 2011/12 Audit Scotland indicative fee range for the Council to set our proposed fee. The planned fee reflects additional work required in the first year of an audit but, at £270k represents a saving on prior year fees of 5%.	➔ See Audit fee
We will issue a number of reports throughout the year which will provide you with the detailed conclusions of our work, culminating in the issue of our Annual Audit Report to the Council.	➔ See Outputs and timeline
We have considered our independence and objectivity in respect of the audit and do not believe there are any matters which should be brought to your attention.	➔ See Appendix A

# Accounts audit - introduction

## Introduction

This section of the plan sets out the work we propose to undertake in relation to the audit of the 2011/12 accounts at the Council. The plan is based on our risk-based approach to audit planning and uses our assessment of the potential business and audit risks that need to be addressed by our audit and the controls the Council has in place to mitigate these risks.

## The Council's responsibilities

The Council's accounts are an essential means by which it accounts for the stewardship of resources and its financial performance in the use of those resources. It is the responsibility of the Council to:

- ensure the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority;
- maintain proper accounting records; and
- prepare accounts, which give a true and fair view of the financial position of the Council and its expenditure and income in accordance with International Financial Reporting Standards.

## Our responsibilities

We are required to audit the financial statements and to give an opinion as to:

- whether they give a true and fair view of the financial position of the Council and its expenditure and income for the period in question
- whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
- whether the Statement of Internal Control or Annual Governance Statement, as appropriate, has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with our knowledge.



# Accounts audit - risk assessment

## Accounting risks and planned audit response

Table 1 below summarises the results of our initial risk assessment of significant financial risks facing the Council and our planned response.

**Table 1: Accounting risks and planned audit response**

Key audit risk	Audit areas affected	Audit approach
Changes to the Code	All areas of the financial statements	<p><b>We provide support and clarity around accounting requirements where necessary</b></p> <ul style="list-style-type: none"> <li>We will hold a technical update workshop with the finance team on 7 March 2012 to build consensus on issues as they arise.</li> <li>The Council will be required to disclose heritage assets as a separate category of assets for the first time in its 2011/12 accounts.</li> </ul>
Financial Pressures and Savings Targets	All areas of the financial statements	<p><b>We will review the Council's approach to financial planning and monitoring and evaluate progress against the required savings targets.</b></p> <ul style="list-style-type: none"> <li>The Council has made good progress in identifying the efficiency savings of £23 million required by 2014 and have good monitoring processes in place to achieve its medium term financial plan. There remains, however, a significant challenge to maintain the level of savings required whilst continuing to deliver services in line with public expectations.</li> </ul>
Control weaknesses in the Council's IT systems are not addressed	All areas of the financial statements	<p><b>We will provide the Council with an expert view on the Council's IT control environment</b></p> <ul style="list-style-type: none"> <li>The accuracy of the financial statements is dependant on the resilience, accuracy and security of the systems used by the Council. We will therefore deploy our specialist IT auditors to support our systems audit work.</li> </ul>

# Accounts audit - risk assessment

**Table 1: Accounting risks and planned audit response (cont.)**

Key audit risk	Audit areas affected	Audit approach
Fixed assets valuation	Property, Plant and Equipment	<p><b>We will use the interim audit to review the Council's approach to fixed asset valuation and componentisation</b></p> <ul style="list-style-type: none"> <li>The current economic environment presents a risk that the current asset valuations may be materially misstated. We will therefore review the controls around this process at an early stage of the audit to reach consensus before the accounts are prepared.</li> </ul>
Procurement	Accounts Payable	<p><b>We will undertake a review of the procurement processes in place and evaluate the effectiveness in delivering value for money</b></p> <ul style="list-style-type: none"> <li>The annual procurement capability assessment rating improved from non-conformance to conformance in 2011. A procurement strategy has also been approved by the Policy and Resources Committee. Continuous improvement is required in this area to deliver savings over the long term.</li> <li>We will review arrangements for overall creditor payments during our interim visit.</li> </ul>
Workforce planning	Employee Remuneration	<p><b>We will undertake a review of the workforce management strategy and the savings generated through severance schemes</b></p> <ul style="list-style-type: none"> <li>The Council's budgets for future years are dependant on a reduction in workforce numbers. There is a risk that the severance scheme may not generate the level of savings required. The Council have earmarked reserves of £5.3 million to fund early releases over the next few years.</li> <li>A reduction in staff numbers means it is increasingly important to have the correct skill mix of employees. The effects of a reduction of staff numbers can take time to be felt and we will therefore continue to review the capacity in place to deliver effective services.</li> </ul>

# Accounts audit - risk assessment

Table 1: Accounting risks and planned audit response (cont.)

Key audit risk	Audit areas affected	Audit approach
<p><b>Achieving statutory targets</b></p>	<p><b>Significant Trading Operations</b></p>	<p><b>Review the financial performance of Significant Trading Operations (STOs)</b></p> <ul style="list-style-type: none"> <li>• The Council has a significant trading account, Building Services, which provides a building maintenance service for the Council's properties and to undertake capital and maintenance work for the former housing stock now owned by River Clyde Homes. Work is issued on a schedule of rates through the building maintenance contract with the Council and through a framework agreement with River Clyde Homes</li> <li>• The Local Government in Scotland Act 2003 requires that STOs break even over a 3 year period. For the 3 year period to 31 March 2011, the Building Services STO achieved this target with a reported surplus of £229,000</li> <li>• However following a tender exercise during 2011, the STO was unsuccessful in retaining its contract with River Clyde Homes. The Council now expects the STO to report a loss for the year that will lead to it breaking its three year break even target.</li> <li>• Our audit will consider the Council's response to the changing financial circumstances of the STO and how it intends to return it to breakeven in line with the statutory requirements</li> <li>• We will also need to consider whether an explanatory paragraph will be required in the audit opinion for the 2011/12 financial statements.</li> </ul>

# Our Approach

We will use Voyager, our audit software package, to document, evaluate and test, where appropriate, internal controls over the financial reporting process in order to reduce our detailed testing. Voyager also helps us to comment constructively on your system of internal controls.

Our approach will be to report all findings to management so that the Council can choose to secure improvement opportunities. We report only those findings that represent a control weakness to the Audit Committee and make formal recommendations.

In all cases, we invest time with management in understanding the basis of the weakness identified and what the options are, for example mitigating controls and system modifications, for improving the system.

## Planning

- Updating our understanding of the Council through discussions with management and a review of the monthly finance reports

## Controls evaluation

- Reviewing the design and implementation internal financial controls including IT, where they impact the financial statements
- Assessing audit risk and developing and implementing an appropriate audit strategy
- Assessing the Council's arrangements for complying with tax legislation and Bribery Act requirements
- Testing the operating effectiveness of selected controls
- Assessing internal audit against the CIPFA Code of Practice

## Substantive procedures

- Reviewing material disclosure issues in the financial statements
- Performing analytical review
- Verifying all material income and expenditure and balance sheet accounts, taking into consideration whether audit evidence is sufficient and appropriate

## Completion

- Performing overall evaluation of our work on the financial statements to determine whether they give a true and fair view
- Determining an audit opinion
- Reporting to the Audit Committee through our ISA 260 report



# Accounts audit - other issues

## Internal audit

During the first year of our appointment we will review the Council's internal audit function against CIPFA's Code of Practice to identify areas for improvement, and ensure that we can place reliance on their work.

## Certification of Grants and Returns

In addition to our audit of the Council's financial statements and the Best Value audit, we are required to certify grant claims and returns above predetermined thresholds.

In carrying out work in relation to grant claims and returns, we act as an agent of Audit Scotland, on behalf of the grant paying bodies. The work that the auditor is required to undertake is specified in a Grant Note, issued by Audit Scotland for each scheme. In 2011/12 we anticipate certifying the following grants:

- Housing and Council Tax Benefit subsidy claim
- Criminal justice social work services grant
- Non-domestic rate income return
- Education maintenance allowance grant

In order to gain sufficient assurance to support our opinion on each grant claim, we are required to carry out reviews of:

- the Council's arrangements for the preparation of each claim submitted for audit
- internal audit, to determine the extent of reliance we can place on it for the purposes of our audit
- the effectiveness of the internal control framework for key financial systems relevant to each grant claim
- the materiality of balances and transactions impacting on each grant claim
- the key risks relevant to the preparation and audit of each grant claim.

## National Fraud Initiative (NFI)

The Council participates in the National Fraud Initiative, the Audit Commission's data-matching exercise designed to prevent and detect fraud in public bodies. We will review the Council's progress and actions in following up the matches identified.

## Whole of Government Accounts

We will also review the Whole of Government Accounts (WGA) consolidation pack prepared by the Council for consistency with the Council's accounts.

# Governance

## Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of the organisation. The Council is responsible for putting in place arrangements for the conduct of its affairs, including compliance with applicable guidance, ensuring the legality of activities and transactions and monitoring the adequacy and effectiveness of these arrangements in practice. The Council's Audit Committee has a key role in monitoring these arrangements.

The Code gives the auditor a responsibility to review and, where appropriate, report findings on the Council's corporate governance arrangements as they relate to:

- the Council's review of its systems of internal control, including its reporting arrangements
- the prevention and detection of fraud and irregularity
- standards of conduct, and arrangements in relation to the prevention and detection of corruption
- the financial position of the Council.

## External Reporting

As part of our work on the accounts audit we will review the Statement of Internal Control (SIC) or Annual Governance Statement as appropriate, to determine if it is consistent with our knowledge of the Council.

We will assess the Council's external reporting of governance, through the 2011/12 Statement on the System of Internal Financial Control and explanatory foreword to the accounts, against best practice and will use our benchmarking tool, containing data from over 200 UK local authorities, to measure the Council against existing sector practice. This will enable us to identify areas where the Council is performing well and areas where there is scope to improve external reporting to move towards 'best in class' in 2011/12 and beyond.

# Governance risk assessment

**Table 2: Governance risks and planned audit response**

Key audit area	Risks identified	Audit response
Operating Model	The Council is in the process of developing a customer service centre bringing together a number of transactional based processes within the Council. This was delayed due to internal disciplinary matters. The project was expected to save £3.1million between 2010-14 and incurred significant one-off costs.	The Council's Chief Executive submitted an Operating Model Review to Council for review in December 2011, outlining the events to date and the next steps to progress the project. We will follow up and assess the Council's systems and processes for implementing the recommendations of this review and ensuring the proposed savings are delivered.
Shared Services	The Council has agreed to participate in the Clyde Valley Shared Support Services. Of the 8 local councils in Clyde Valley, 4 have decided to participate pending consideration of the proposed governance agreements. Whilst it is likely the investment requirements of this scheme will be reduced, the reduced membership may not deliver sufficient savings.	We understand the proposed savings from this scheme have not yet been factored into Inverclyde Council's budget projections. Currently, a review of the Detailed Business Case is on-going and this review will identify the updated investment requirements and savings potential and further develop governance proposals. We will assess the outcomes of this review.

# Governance risk assessment

**Table 2: Governance risks and planned audit response**

Key audit area	Risks identified	Audit response
2012 Council Elections	Local authority elections will take place in May 2012. It is important that the Council is prepared for the transition to a new council and ensure that any new members receive appropriate induction training.	We will consider the Council's political arrangements with regards to governance. This will include plans and preparations for the 2012 elections and arrangements in place for new member inductions and training. Grant Thornton is able to offer induction training to new members on the external audit process.
Following the Public Pound	<p>We also note that the Council is involved with a number of Arms Length Organisations, and must therefore ensure that 'following the public pound' arrangements are in place.</p> <p>Audit Scotland raised concerns regarding the lack of appropriate risk management practices at Inverclyde Leisure Limited. In addition it was noted there was no signed service level agreement between the Council and Inverclyde Leisure.</p>	We are aware that a signed service level agreement is now in place. In our 2011/12 audit, we will consider the Council's funding and governance arrangements with Inverclyde Leisure and how they monitor performance of the organisation.

# Best Value and Performance audit

## Introduction

The Local Government in Scotland Act 2003 established Best Value as a statutory requirement for all Councils. The Act defines Best Value as 'continuous improvement in the performance of the authority's functions'. The objective of Best Value is to ensure that Councils deliver better and more responsive public services by:

- balancing the quality of services with cost
- continuously improving the services provided
- being accountable and transparent, by listening and responding to the local community
- achieving sustainable development in how the Council operates
- ensuring equal opportunities in the delivery of services.

## Audit Approach

Audit Scotland's Best Value report on the Council was published in June 2005. Since then there have been a number of follow up reports the latest published in January 2009. The follow up report concluded that significant progress and improvements had been made by Inverclyde Council as a result of its work to address the issues raised in its initial Best Value audit report and the follow up reports. We will draw on the conclusions made to identify risks and review the Council's approach to continuous improvement.

## Local Area Network

Under the National Scrutiny Plan for Local Government 2011/12, Scotland's scrutiny agencies work together to develop a shared risk assessment and Assurance and Improvement Plan (AIP) for each Council area. During 2011/12, the LAN has followed up the progress made by the Council, both in areas identified during the Best Value audit and against specific areas of risk or uncertainty identified by scrutiny partners.

## Risk Assessment

On the basis of our preliminary work to date, we have identified the audit risks outlined in Table 3 in relation to the performance aspects of our work. Any further work will be determined by the updated risk assessment and AIP for 2011/12, due in April 2012.

# Performance risk assessment

**Table 3: Performance audit issues and planned audit response**

Issue	Risks identified	Audit approach
<p><b>Capital Programme</b></p>	<p>The level of slippage against the Council's capital programme has increased year on year from 13% in 2007/08 to 45% in 2010/11. Across local authorities in Scotland, capital grants will reduce by £151m (18%) by 2013/14. From 2014/15 it is the Council's intention to fund capital spending from grant receipts and capital disposals only.</p>	<p>The Council prepares a rolling three year capital programme and will prepare a 2012-15 programme for consideration in February 2012. We will review this revised programme and consider the impact of the revised budget on the Council's asset base. We will compare slippage in 2011/12 against prior years, considering specific relevant factors, to determine if the Council can deliver its current programme timeously.</p>
<p><b>Impact of National Reports on the Council</b></p>	<p>To maximise the impact of Audit Scotland's national performance audit work programme, we are required to follow up national reports affecting the Council around 6 months following publication. Audit Scotland has also asked us to carry out a detailed follow up of the Maintaining Scotland's Roads report.</p>	<p>We will produce a local report on the progress the Council has made against the Maintaining Scotland's Roads - follow up report. The key finding of the report was that nationally the condition of Scotland's roads has worsened since 2004 and only 63% are in acceptable condition.</p> <p>We will also review the progress that the Council has made in implementing recommendations from other recent national reports. Where necessary, we will report on any weaknesses in our final audit report.</p>
<p><b>Statutory Performance Indicators</b></p>	<p>The SPI direction incorporates two requirements that Councils report: a range of sufficient information to demonstrate best value in relation to corporate management, and a range of information sufficient to demonstrate best value in relation to service performance.</p>	<p>We will review the Council's arrangements for meeting SPI reporting requirements. Specifically, we will consider whether the range of performance information reported locally is sufficient to demonstrate whether the Council is achieving Best Value. We will also consider whether arrangements are in place to ensure the reliability and accuracy of the information to be reported.</p>

## Engagement team - key contacts

Your main audit team is based in Edinburgh and Glasgow and are all public sector specialists.

However, we operate as a national practice, coordinating the work of all our offices to ensure that new ideas, good practice experiences and services are developed and disseminated to all, irrespective of location.



**Gary Devlin (ACA, CPFA)**  
**Engagement Lead**  
T 0131 659 8554  
E gary.j.devlin@uk.gt.uk

Gary is the Council's Engagement Lead and brings his extensive local authority expertise to the audit. Gary will be a key contact for the Chief Executive, Chief Financial Officer, Corporate Director Regeneration and Environment and the Audit Committee. Gary is responsible for the overall delivery of the audit including the quality of output and, signing the audit reports and conclusion.



**Claire Bailey**  
**Manager**  
T 0131 223 0727  
E claire.bailey@uk.gt.com

Claire is responsible for the audit strategy, planning and will be the key day to day contact to ensure the smooth running of the audit and the delivery of the overall audit plan. Claire reviews the quality of audit outputs and ensures accuracy of reporting prior to presenting plans and reports to the Council's officers and Members.



**Terence Brown (ACA)**  
**Audit Executive**  
T 0141 223 0662  
E terence.brown@uk.gt.com

Terence is responsible for managing the audit of the financial statements and is the main contact for the Finance Team. Terence will provide feedback to the Council throughout the audit process and is the first point of contact for resolving technical accounting issues. Terence will also liaise closely with the Council's internal audit department to minimise duplication of work.

**Colin Millar**  
**Audit Associate**  
T 0141 223 0764  
E colin.millar@uk.gt.com

Reporting to Claire, Colin is responsible for the performance of the audit fieldwork and day-to-day liaison with the Council's finance department.

## Engagement team - specialist support



**Raul Rodriguez**  
**IT Audit Manager**  
T 0131 659 8534  
E raul.rodriguez@uk.gt.com

Raul is a specialist computer auditor and provides specialist expertise to the audit team in reviewing the Council's IT systems to complement the financial accounts process.



**Paul Spinks (ACA)**  
**Technical Manager**  
T 0113 200 2554  
E paul.spinks@uk.gt.com

Paul will deliver our technical training both internally, and as an annual technical update for your staff.

The update for 2011/12 will be held on 7 March 2012.



**Bob Anderson (ACA)**  
**IFRS and LG Specialist**  
T 020 7728 2245  
E bob.anderson@uk.gt.com

Bob is responsible for the provision of specialist technical support to the audit team.

Bob will be used to provide support and advice to the Council throughout the year as it prepares its accounts for 2011/12.



**Kerry Alexander**  
**Advisory Specialist**  
T 0131 659 8548  
E kerry.alexander@uk.gt.com

Kerry has extensive public sector experience specialising in financial, efficiency and performance reviews and transformation and change management.

Kerry will support the audit team in reviews of Best Value and performance.



# Audit fee

## What is the indicative audit fee range?

The indicative fee range is set by Audit Scotland each year for each audit. It represents Audit Scotland's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment.

## How your audit fee is calculated

The audit fee is calculated in accordance with guidance issued by Audit Scotland for determining the fee level for local government bodies. The fee is based on our professional assessment of the level of audit risk associated with a particular body. Audit Scotland requires that the agreed fee is within the limits of the indicative fee range.

## 2011/12 audit fee

Your external audit fee for 2011/12 is £270,000 (£283,100 in 2010/11). This represents a 5% reduction on last year.

The fee will be subject to continuous review and may be revised if significant new audit risks are identified during the audit or if we are unable to progress as planned due to the timing or quality of information provided by the Council. In the event that we consider it necessary to revise the Council's audit fee upwards, we will discuss this with the Chief Financial Officer.

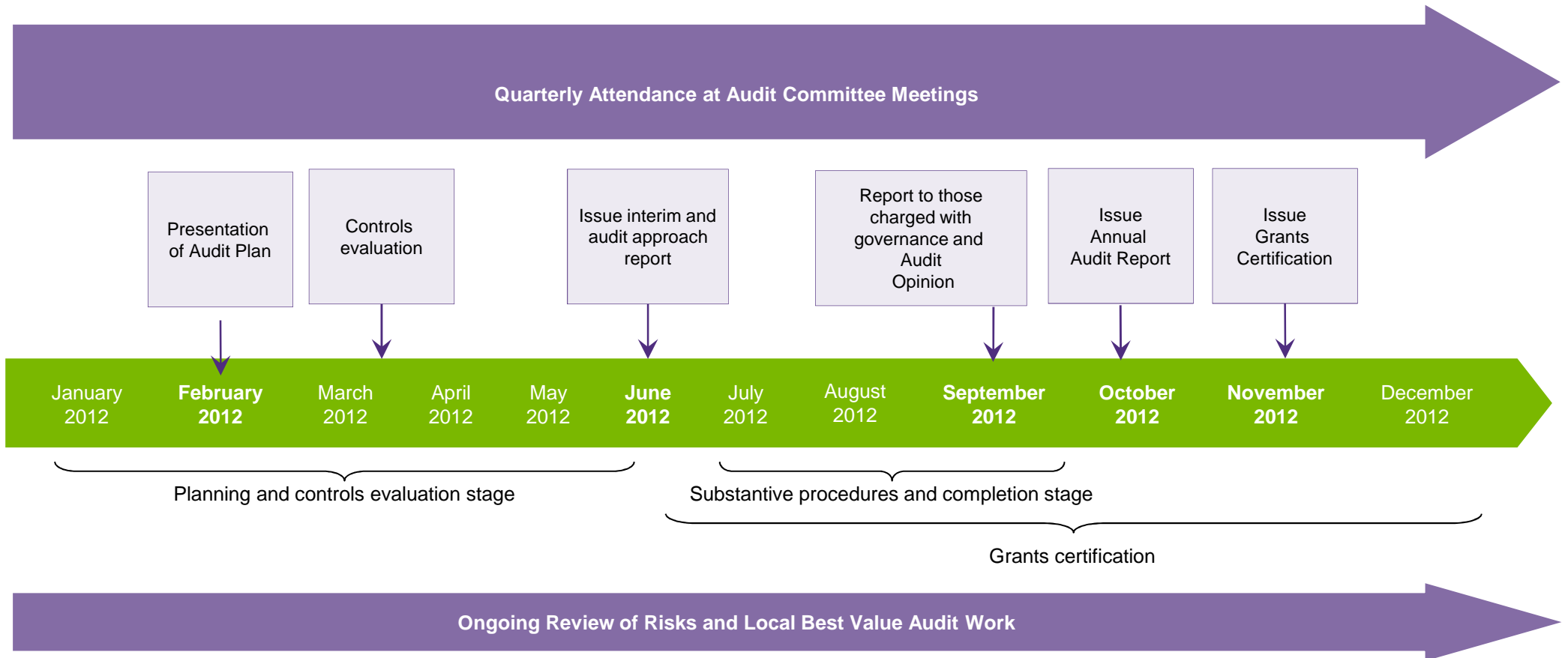
# Outputs

Reports will be discussed and agreed with the appropriate officers before being issued to the Audit Committee.

Reports are addressed to the Audit Committee and management and are prepared for the sole use of the Council. No responsibility is taken by the auditors to any member or officer in their individual capacity, or to any third party.

Output	Purpose	Issue date
<b>Audit Approach Memorandum</b>	<ul style="list-style-type: none"> <li>• Outline audit approach for the accounts and Best Value audits</li> <li>• Identify initial high risk areas and our planned response</li> <li>• Confirm audit approach with Audit Committee</li> </ul>	February 2012
<b>Interim Report</b>	<ul style="list-style-type: none"> <li>• Report the results of the control evaluation of our audit and its impact on our planned audit approach</li> <li>• Confirm focus areas for the audit of the accounts based on updated risk assessment</li> <li>• Confirm with Senior Officers and Audit Committee</li> </ul>	June 2012
<b>Maintaining Scotland's Roads</b>	<ul style="list-style-type: none"> <li>• Local report to follow up progress locally against Audit Scotland's national report on the condition of Scotland's roads.</li> </ul>	June 2012
<b>Report to those charged with Governance (ISA 260)</b>	<ul style="list-style-type: none"> <li>• Highlight key issues arising from the audit and the resolution of the key audit risks affecting the financial statements.</li> <li>• Communication of adjusted and unadjusted audit differences</li> <li>• Improvement recommendations resulting from audit procedures</li> <li>• Report to go Audit Committee</li> </ul>	September 2012
<b>Annual Audit Report</b>	<ul style="list-style-type: none"> <li>• Our final audit report will summarise the key issues arising from our 2011/12 audit across each areas of the Code of Audit Practice.</li> <li>• The report will be presented to the Full Council.</li> </ul>	October 2012

# Timeline



# Appendices

# Appendix A

## Independence and objectivity

### Engagement terms

The purpose of this memorandum is to highlight the key elements in the proposed strategy for the audit of Inverclyde Council for the year ended 31st March 2012. The document is also used to report to management in order to meet the mandatory requirements of International Standard on Auditing (UK and Ireland) 260.

### Ethical standards

We have implemented policies and procedures to meet the requirements of the Code of Audit Practice and Auditing Practices Council's Ethical Standards.

### Roles and responsibilities

In planning our work, we have due regard to the Statement of Responsibilities issued by Audit Scotland, which sets out the respective roles and responsibilities of the Council and its auditors.

As Section 95 Officer, the Treasurer is responsible for the preparation of the financial statements which show a true and fair view of the Council's affairs and for making available to us all the information and explanations we consider necessary.

The Treasurer is also responsible for putting proper arrangements in place to ensure that public business is conducted in accordance with the law and proper standards, public money is safeguarded and properly accounted for, and ensuring that economy, efficiency, effectiveness and Best Value are achieved in use of resources.

### Communication of adverse or unexpected findings

We will communicate any adverse or unexpected findings affecting the audit on a timely basis with those charged with governance, currently the Council and the Audit Committee.

The actual or potential resolution of significant audit and accounting issues will be discussed and agreed with management and documented for the Audit Committee's consideration.

### Audit quality assurance

Grant Thornton's government audit practice is currently monitored by Audit Scotland. We also comply with Grant Thornton's internal quality standards and the firm is inspected by the Audit Inspection Unit, an arm of the Financial Reporting Council which has responsibility for monitoring the firm's public interest audit engagements. The audit practice is also monitored by the Quality Assurance Directorate of the ICAEW. Grant Thornton UK LLP also conducts internal quality reviews of engagements.

We would be happy to discuss further the firm's approach to quality assurance.

### Independence and robustness

To maintain our independence as auditors we ensure that:

- Grant Thornton, its partners and the audit team have no family, financial, employment, investment or business relationship with the Council.
- any non-audit fees do not represent an inappropriate proportion of total fee income for either the firm, office or individual partner.

At all times during the audit, we will maintain a robustly independent position in respect of key judgement areas.

### Audit and non-audit services

Our audit fees for 2011/12 are set out on page 15.

We have not charged any non-audit fees during the year

### Communication with those charged with Governance

Communication with those charged with governance is an essential element of the audit. We will discuss with management and the Audit Committee the scope of our work in advance. We propose that we meet with them following the conclusion of our procedures in order to communicate the matters arising.

# Appendix B

## Keeping you up to date...

The collage features several Grant Thornton publications:

- Spending Review 2010 Headlines**: A document with a green and yellow header, discussing the financial challenges of the spending review.
- The Bribery Act 2010**: A document with a white background and a photo of a man, detailing the new UK Bribery Act.
- Sustainable cities**: A document with a colorful illustration of a city and the subtitle 'A vision of our future landscape'.
- Asset management**: A document with a white background, focusing on the challenges of managing local authority assets.
- Surviving the storm: how resilient are local authorities?**: A document with a white background and a graphic of a storm, discussing the resilience of local authorities.
- Annual Governance Statement: adding real value?**: A document with a white background, discussing the value of governance.



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This proposal is made by Grant Thornton UK LLP and is in all respects subject to the negotiation, agreement and signing of a specific contract/letter of engagement.

The client names quoted within this proposal are disclosed on a confidential basis. All information in this proposal is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP