# External Audit Plan

*Year ending 31 March 2018*

Warwickshire County Council

29 March 2018

# Contents


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# Introduction & headlines

### Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Warwickshire County Council ('the Council') for those charged with governance. We will report any updates or changes to our risk assessments arising from our interim audit visits as part of our 'Interim Progress Report''.

### 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 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 Warwickshire County 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:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit and Standards Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Standards Committee of your responsibilities. 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 audit approach is based on a thorough understanding of the Council's business and is risk based.

| | |
|---|---|
| **Significant risks** | Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:<br>• Management override of controls<br>• Valuation of property, plant and equipment<br>• Valuation of pension fund net liability<br>• Implementation of new payroll system<br>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. |
| **Materiality** | We have determined planning materiality to be £14.351m (PY £13.907m), which equates to 1.8% 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 £0.717m (PY £0.696m). |
| **Value for Money arrangements** | Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:<br>• Delivery of One Organisational Plan 2017-2020. |
| **Audit logistics** | Our interim work comprised visits in February and March 2018 and our final visit will take place in June 2018. Our key deliverables are this Audit Plan and our Audit Findings Report.<br>Our fee for the audit will be no less than £94,539 (PY: £94,539) for the Council. |
| **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 |

# Deep business understanding

## Changes to service delivery

### Commercialisation

The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation.

These investments are often discharged through a company, partnership or other investment vehicle. In September 2017 the Council launched Educaterers, a wholly owned subsidiary, which provides catering to schools and colleges.

Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with MHCLG's updated investment regulations issued in February 2018 and CIPFA's Prudential Code, a new version was published in December 2017.

### Devolution

The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas.

Warwickshire County Council is a non-constituent member of the West Midlands Combined Authority, which came in to being in June 2016 and has devolved powers over transport, economic development and regeneration.

## Changes to financial reporting requirements

### Accounts and Audit Regulations 2015 (the Regulations)

The Ministry of Housing, Communities and Local Government (MHCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed but it is now not anticipated until 2018/19 so they are unlikely to apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to bring forward the approval, audit and publication of their accounts by 31 July 2018. In the last 2 years progress has been made in preparing draft accounts to an earlier timetable and the authority is well placed to meet the required deadlines in 2017/18.

### Minimum Revenue Provisions (MRP)

The Council has opted to change the way it calculates its MRP. The Council reached its conclusions on amending the methodology based upon the statutory guidance currently in force. We have considered this and are not minded to challenge. On 2 February 2018 MHCLG issued updated guidance in respect of MRP with earliest provisions applying in 2018/19. From our review of the consultation, we have not identified any factors that would make us reconsider our view but we will maintain a watching brief.

### Changes to the CIPFA 2017/18 Accounting Code

CIPFA introduced minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.

## Key challenges

### Financial pressures and delivery of the One Organisational Plan 2017-2020

The Council has a "One Organisation Plan 2017-2020" (updated from the previous plan which covered the period 2014-2018) in place which identifies the need to make significant savings (£67m) by 2020.

The One Organisational Plan 2014-2018 included a requirement to achieve £97m of savings which the Council had delivered by 2017. However further changes to the LG finance settlement in 2015/2016 led to a need for the Council to update this plan to extend it to 2020 and include new savings targets.

The Council budget setting meeting on the 6 February 2018 agreed the financial plan for the authority for 2018/19, as well as approving the second year of the One Organisational Savings Plan for 2017-20.

Business Unit budgets were reduced by £33.3 million for savings to be delivered in the first year of the OOP 2017-20, £8.9m is planned for 2018/19 and a further £16.2 million of savings are expected to be delivered by the end of 2019/20.

The Council continues to receive quarterly progress reports on delivery of the One Organisational Plan. As at December 2017 this progress report highlighted some challenges relating to delivery of agreed savings plans, but forecast that the overall net revenue budget for 2017/18 would be delivered.

## 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.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 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 2017/18 CIPFA Code, and the impact of impairment assessments and the adequacy of provisions in relation to essential work on high rise buildings.

# Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| **The revenue cycle includes fraudulent transactions** | Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.<br><br>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. | 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:<br>• there is little incentive to manipulate revenue recognition<br>• opportunities to manipulate revenue recognition are very limited<br>• the culture and ethical frameworks of local authorities, including Warwickshire County Council, mean that all forms of fraud are seen as unacceptable<br><br>Therefore we do not consider this to be a significant risk for Warwickshire County Council. |
| **Management over-ride of controls** | 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. .<br><br>Management over-ride of controls is a risk requiring special audit consideration. | We will:<br>• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness<br>• review of journal entry process and the control environment around journal entries<br>• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness<br>• evaluate the rationale for any changes in accounting policies or significant unusual transactions. |

# Significant risks identified

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
| --- | --- | --- |
| **Valuation of property, plant and equipment** | The Council revalues its land and buildings on a rolling basis over a five year period to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.<br><br>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.<br>. | We will undertake:<br>• Review of management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work<br>• Consideration of the competence, expertise and objectivity of any management experts used.<br>• Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions.<br>• Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.<br>• Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register<br>• Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. |
| **Valuation of pension fund net liability** | The Council's pension fund asset and liability as reflected in its balance sheet represent  a significant estimate in the financial statements.<br><br>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration. | We will:<br>• Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement<br>• Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out<br>• Undertake procedures to confirm the reasonableness of the actuarial assumptions made<br>• Testing on accuracy of data provided to the actuary<br>• Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. |

# Significant risks identified

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| **Implementation of new payroll system** | Payroll expenditure represents a significant percentage (35%) of the Council's operating expenses.<br>The Council is rolling out a new payroll system during 2017/18.<br>As a key change to a material financial system we will need to ensure we obtain sufficient assurance on the effective operation of the system throughout 2017/18. | • Documentation of our understanding of the processes and key controls for payroll.<br>• Documentation of our understanding of the management of the changeover process.<br>• Review of monthly payroll figures produced by the payroll system in the periods before and after the date of changeover and investigation of any significant variances.<br>• Performance of analytical procedures on the total payroll figures for 2017/18. |

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 Report in July 2018.

# Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

| Risk | Reason for risk identification | Key aspects of our proposed response to the risk |
|---|---|---|
| **Employee remuneration** | Payroll expenditure represents a significant percentage (35%) of the Council's operating expenses.<br><br>As the payroll expenditure comes from a number of individual transactions and an interface with a number of different sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention | We will:<br>• evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness;<br>• gain an understanding of the Council's system for accounting for payroll expenditure  and evaluate the design of the associated controls;<br>• perform substantive analytical procedures, disaggregated by month;<br>• obtain year-end payroll reconciliation and ensure amount in accounts can be reconciled to ledger and through to payroll reports. Investigate significant adjusting items.<br>• agree payroll related accruals to supporting documents and review any estimates for reasonableness. |
| **Operating expenses** | Non-pay expenses on other goods and services also represents a significant percentage (65%) of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.<br><br>We identified completeness of non- pay expenses as a risk requiring particular audit attention: | We will:<br>• evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness;<br>• gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;<br>• review the accruals process;<br>• test a sample of operating expenses recorded in year;<br>• test the completeness of the subsidiary system interfaces and control account reconciliations;<br>• test a sample of year end creditor balances;<br>• test a sample of payments immediately prior to and after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period. |

# 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 carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- 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 the Act and the Code, as and when required, including:
    - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
    - issue of a report in the public interest; and
    - making a written recommendation to the Council, copied to the Secretary of State.
- 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 entity'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 propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £14.351m (PY £13.907m), which equates to 1.8% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

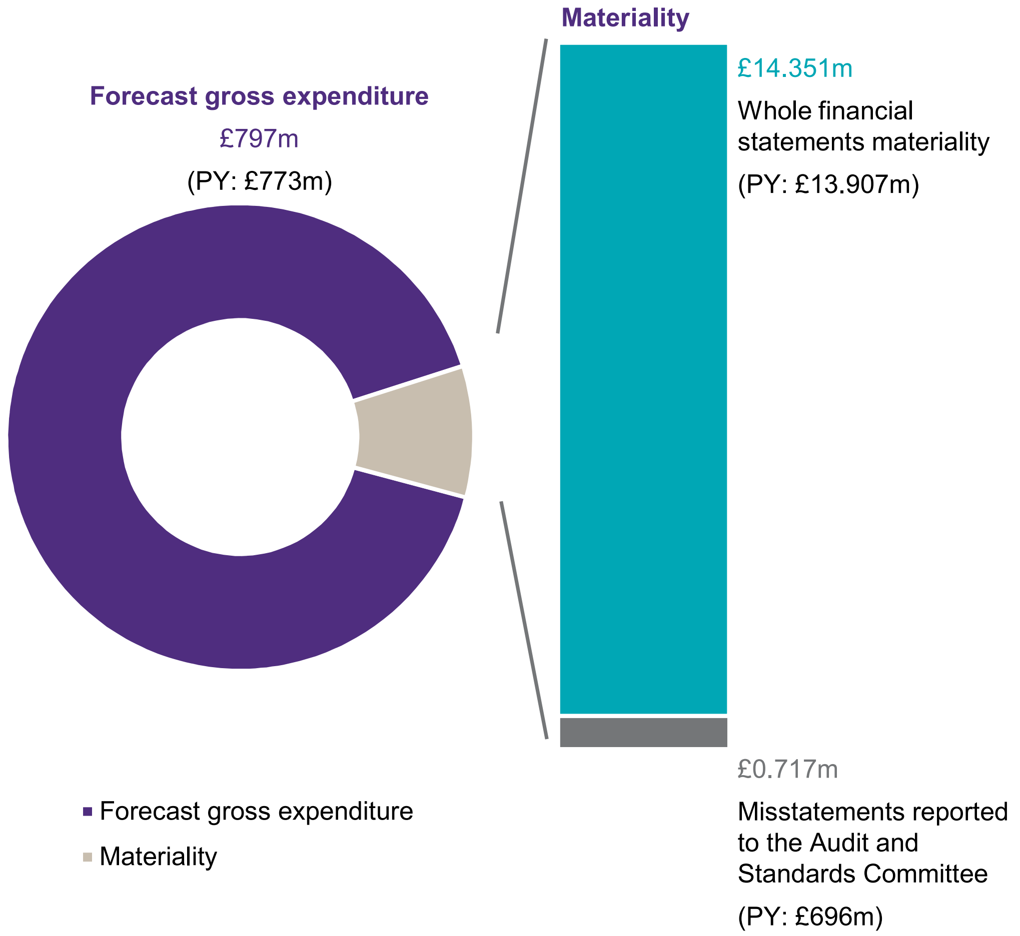
We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

ISA (UK and Ireland) 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have decided to have a lower level of materiality for £100k for the disclosure of senior manager salaries and allowances in the remuneration disclosures due to the public interest in these disclosures and the statutory requirement for these to be made.

## 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 and Standards 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 Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.717m (PY £0.695m).

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 and Standards Committee to assist it in fulfilling its governance responsibilities.



# Group audit scope and risk assessment

For 2017/18, the Council has two trading subsidiary companies – Educaterers Ltd and Warwickshire Legal Services Trading Ltd.

The Council does not propose to prepare group accounts consolidating the results of these companies for 2017/18 on the basis that their activities are not material to the Council as a whole. Based on current information available we are not minded to challenge this approach.

# Value for Money arrangements

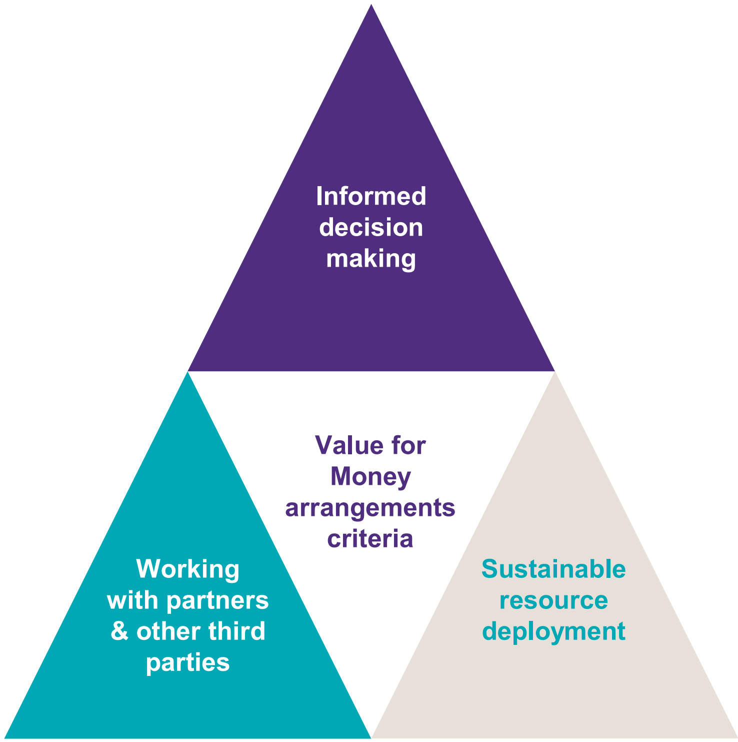
### Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 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.

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

**Sustainable resource deployment**

The Council has a "One Organisation Plan 2017-2020" in place which identified the need to make significant savings. The Council has a good track record of savings delivery for the previous One Organisational Plan 2014-2018 but the update to 2020 in 2017 identified the need for a further £67m of savings by 2020.

Response – we will review

- the extent to which the medium term financial plan (One Organisation Plan) remains robust and was based on reasonable assumptions
- arrangements for agreement and approval of 2018/19 budgets
- progress made in identification and agreement of plans to deliver savings of £67m by 2020
- outturn against the plan for 2017/18 and progress made in 2018/19 by the date of the issue of our opinion.

# Audit logistics, team & audit fees


### Grant Patterson, Engagement Lead

Grant's role will be to lead our relationship with you. He will take overall responsibility for the delivery of a high quality audit, meeting the highest professional standards, and adding value to the Council..

### Andrew Reid, Senior Audit Manager

Andrew's role will be to be a key contact with the Head of Finance and the Audit and Standards Committee.

### Ellena Grant-Pearce, Audit Incharge

Ellena's role will be to be the day to day contact for Council finance staff. She will take responsibility for ensuring there is effective communication and understanding by the finance team of audit requirements.

### Audit fees

The planned audit fees are no less than £94,539 (PY: £94,539) for the financial statements audit. Fees in respect of other work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

### 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 early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face 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 are satisfied that, if all these plans are implemented, we will 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 (as detailed on page 13). Where the elapsed time to complete an audit exceeds that agreed due to a client not meetings 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. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

### Non-audit services

The following non-audit services were identified/ No non-audit services were identified

| Service | Fees £ | Threats | Safeguards |
|---|---|---|---|
| **Audit related** | | | |
| Certification of Teachers Pension return | 4,200 | Self-Interest | 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 £4,200 in comparison to the total fee for the audit of £94,539 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 mitigate the perceived self-interest threat to an acceptable level. |
| **Non-audit related** | | | |
| CFO Insights | 0* | Self interest | A £30,000 for a three year subscription to CFO insights was paid by the Council in 2015/16 and reported in our 2015/16 Audit Findings Report.<br>This is a recurring fee and therefore a self interest threat exists. However, the level of this recurring fee taken on its own is not considered to be a significant threat to independence as the fee for this work in comparison to the total fee for the audit (£94,539) for the Council and in particular to Grant Thornton UK LLP overall turnover. Furthermore, the work relates to non-audit related services for which there is a fixed fee and no contingent element to the fee.<br>These factors are deemed to adequately 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. 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.

# Appendices

# Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

| Section of the auditor's report | Description of the requirements |
|---|---|
| **Conclusions relating to going concern** | We will be required to conclude and report whether:<br>• The directors use of the going concern basis of accounting is appropriate<br>• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern. |
| **Material uncertainty related to going concern** | We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements.<br>Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report. |
| **Other information** | We will be required to include a section on other information which includes:<br>• Responsibilities of management and auditors regarding other information<br>• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation<br>• Reporting inconsistencies or misstatements where identified |
| **Additional responsibilities for directors and the auditor** | We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern. |
| **Format of the report** | The opinion section appears first followed by the basis of opinion section. |

# Appendix B: Communication with the Audit and Standards Committee

We are required to consider the following in our discussions with those charged with governance (the Audit Committee)

| Area of consideration | Current understanding based on planning and interim work to date |
|---|---|
| **Awareness of fraud or suspected fraud** | There are no material instances of fraud that have been identified during the year. Any significant suspected or alleged fraud are investigated by Internal Audit and reported to the Audit and Standards Committee on a regular basis. |
| **Views about the risks of fraud** | Although there is an on-going risk of fraud being committed against the Council, arrangements are in place to both prevent and detect fraud. These include the regular review of arrangements and work carried out by Internal Audit as part of their annual plan. The risk of material misstatement of the accounts due to undetected fraud is low and this is consistent with the risk management processes that are in place within the Trust. |
| **Awareness of 'whistleblower' tips or complaints** | Internal Audit are involved in the investigation of 'whistleblower' referrals or complaints with a potential financial impact. There are no material instances of fraud that have been identified during the year arising from 'whistleblower' tips or complaints. |
| **How the Audit Committee provide oversight of management's fraud risk assessment process** | The Annual Governance Statement and Head of Internal Audit Opinion are formally presented to the Audit and Standards Committee on an annual basis.<br>The system of internal control is reviewed annually as part of the annual governance statement. The work plan of Internal Audit includes reviewing the operation of internal controls and appropriate segregation of duties. Internal Audit include fraud risk in their planning process. |

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