

Audit Committee – 28 February 2011

External Audit Approach Memorandum – Final Accounts 2010/11

1. Summary of report

- 1.1 This report details the audit approach memorandum submitted by Grant Thornton, the council's external auditors, highlighting the key elements of the audit work to be undertaken on the 2010/11 statement of accounts.

2. Recommendations

- 2.1 Audit Committee are requested to note the Grant Thornton audit approach memorandum attached and comment as appropriate.



James Walsh
Chief Finance Officer
15 February 2011

3. Governance

- 3.1 Each year the council's external auditors, Grant Thornton, are required to report to the Audit Committee the key elements of audit work they will be undertaking on the council's 2009/10 statement of accounts. This is in line with International Standard on Auditing (ISA) 260 and their statutory responsibilities under the Code of Audit Practice.
- 3.2 The external audit approach memorandum (AAM) highlights 5 key audit matters which Grant Thornton have identified in their risk assessment as key areas of focus. This is based on national developments and the results of Walsall's 2009/10 audit.
- 3.3 The key audit matters are:
- a) Accounting for International Financial Reporting Standards (IFRS)
 - b) Financial Performance Measures
 - c) Equal Pay
 - d) Revaluation of non-current assets
 - e) Follow up of 2009/10 AAM findings
- 3.4 Further detail on the key issues is provided below, along with the councils plans for managing these. Grant Thornton, in their presentation of the report at Audit Committee, will advise on their audit approach for each one.
- 3.5 IFRS

Grant Thornton has highlighted a potential risk that councils may not be fully prepared for implementing the new IFRS requirement. Several briefings on IFRS have been provided to Audit Committee on the changes required to the accounts as a result of IFRS and the council's plans for managing this. A project team and plan is in place to manage the process and ensure successful conversion to this new accounting regime. Grant Thornton will review and report on these arrangements as part of their audit of the accounts.

3.6 Financial Performance Measures

The council has systems in place to monitor financial performance, including policies on use of reserves and corrective action planning where overspends are forecast. The council is currently forecasting a small overspend, which is a significant improvement on earlier forecasts.

External audit will review the council's financial performance for 2010/11 against its budget, including the use of reserves in year.

3.7 Equal Pay

The council is currently managing a large number of equal pay claims. Clearly given the potential financial impact, Grant Thornton has included this key issue within their audit plan. A programme board exists and a project team is in place to manage these issues. The council will keep Grant Thornton abreast of progress and discuss the financial treatment and entries in the account as they arise.

3.8 Revaluation of Non Current Assets

An annual rolling programme of valuations is undertaken. Grant Thornton will review the extent of valuations, consider the basis on which they have been performance and test compliance with IFRS requirements.

3.9 Follow up of 2009/10 AAM findings

Grant Thornton will review the findings from last year's audit and action taken to address these.

4. Resource and legal considerations

- 4.1 Interpretation of legislation and guidance is continually reviewed to ensure that the council meets its legal obligations outlined within the Accounts and Audit (Amendment No. 2) (England) Regulations 2009.

5. Performance and risk management issues

- 5.1 Staff and councillors have received briefings and training as appropriate on the new requirements highlighted, such as for IFRS. This is to ensure staff have the correct skill base to ensure the council meets its obligations within the set timescales, and to ensure Audit Committee councillor are able to discharge their obligations.
- 5.2 Risk management is embedded in the final accounts process. This informs the final accounts timetable and training requirements. There is also an IFRS timetable in place

to assist in managing the risks associated with the conversion to this new accounting regime.

6. Equality implications

6.1 None directly associated with this report.

7. Consultation

7.1 The report is prepared in consultation with finance and senior officers across the council. External consultation on revisions to the Accounts and Audit Regulations are currently being held by DCLG which are currently being assessed.

8. Background papers

8.1 Grant Thornton Audit Approach Memorandum 2010/11 (attached).

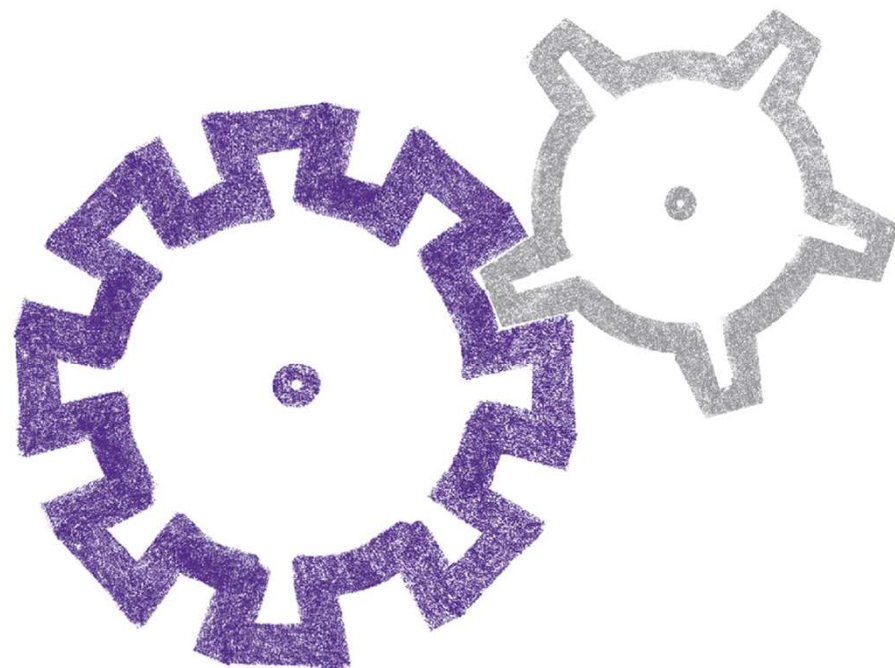
Author

Vicky Buckley – Head of Corporate Finance, ☎ 01922.652349, buckleyv@walsall.gov.uk

Walsall Metropolitan Borough Council

Audit Approach Memorandum 2010/11

January 2011



28 January 2011

Audit Committee
Walsall Metropolitan Borough Council
The Civic Centre
Walsall
West Midlands
WS1 1TP

Grant Thornton UK LLP
Enterprise House
115 Edmund Street
Birmingham
West Midlands
B3 2HJ

To the Audit Committee of Walsall Metropolitan Borough Council,

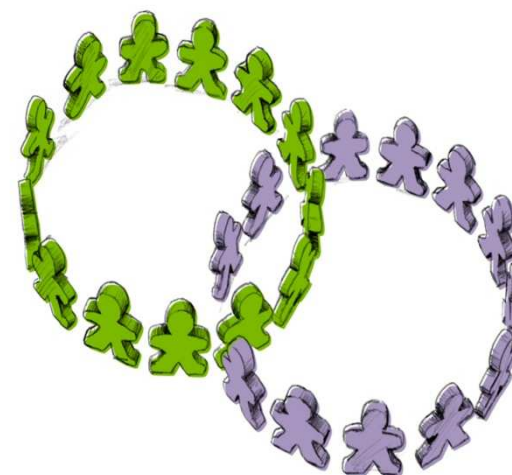
The purpose of this plan is to highlight the key elements of the audit work to be undertaken at Walsall Metropolitan Borough Council ('the Council') for the year ended 31 March 2011. This report has been written for the benefit of those charged with governance, in accordance with international auditing standards and the expectations of the Audit Commission.

We set out in this report our statutory responsibilities under the Code of Audit Practice, as they relate to our requirement to provide an opinion on the Council's financial statements and our conclusion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

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. This memorandum has been prepared in accordance with our engagement terms and the Audit Commission's Code of Audit Practice.

We look forward to working with you during the course of the audit.

Jon Roberts
Engagement Lead
Grant Thornton UK LLP



Contents

1 Introduction

2 Accounts audit

3 Value for Money

4 Logistics

5 Outputs

6 Appendices

An overview of your 2010/11 audit

This document sets out the work that we will carry out in discharging our responsibilities to give an opinion on the council's financial statements and a conclusion on the council's arrangements for achieving value for money.

We set an indicative fee in April 2010. In setting this fee, we assumed that, whilst the transition to IFRS is a significant change and challenge, the general level of risk in relation to the audit would not be significantly different from that identified for 2009/10. Following the completion of the 2009/10 audit we have updated our accounts audit risk assessment.

➔ See
Accounts audit

In August 2010 a new approach to local Value for Money audit work was introduced. From 2010/11 we will give our value for money conclusion based on two reporting criteria specified by the Audit Commission.

➔ See
Value for
money audit

Our main audit team remains unchanged from 2009/10. As in previous years, we will use specialists from across Grant Thornton to support our work and ensure that you are getting the required levels of expertise from us.

➔ See
Logistics - engagement
team

We have used the Audit Commission scale of fees work programme for 2010/11 to calculate your proposed audit fee.

➔ See
Logistics - Audit fee

You will receive a number of reports and plans from us throughout the year which will provide you with the detailed conclusions of our work culminating in the issue of our Annual Audit Letter to the Council.

➔ See
Outputs (and timeline)

We comply with the Audit Commission's requirements in respect of independence and objectivity.

➔ See
Appendix A

Contents

1 Introduction

2 Accounts audit

3 Value for Money audit

4 Logistics

5 Outputs

6 Appendices

Audit of your accounts

Introduction

This section of the plan sets out the work we propose to undertake in relation to the audit of the Council's 2010/11 Statement of Accounts. The plan is based on our risk-based approach to audit planning and is based on 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

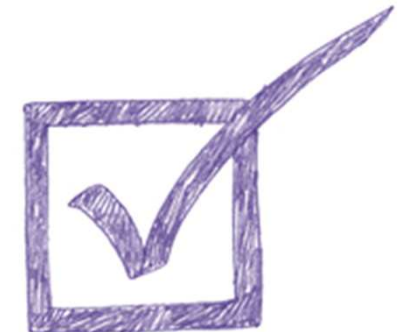
The Council's accounts are an essential means by which it accounts for the stewardship of resources and its financial performance in the use of those resources. It is the responsibility of the Council to:

- 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
- prepare accounts, which present a true and fair 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; and
- whether the Annual Governance Statement (AGS) 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.



Distinguishing characteristics – our audit approach



Phase I	Phase II	Phase III	Phase IV	Phase V
<p>We obtain an understanding of your operations, control environment, accounting and financial reporting systems.</p> <p>Together, we agree on a timetable for service delivery.</p>	<p>We use our understanding of the Council to identify financial statement risks.</p> <p>We customise our audit approach to focus our efforts on the financial statement risks we identify.</p>	<p>We evaluate whether your significant accounting applications and financial reporting systems are well-controlled and whether such controls are effective. Based on the result of this evaluation, we design appropriate audit tests.</p>	<p>We use electronic audit techniques (IDEA) perform testing and analyse your financial data files.</p> <p>Our audit programs call for the use of IDEA, which helps teams thoroughly and quickly execute tests.</p>	<p>In the concluding phase of the audit, we bring together all the work performed by the audit team. The most experienced team members confirm that the financial statements make sense, based on their understanding of the Council. They also ensure the delivery of a high-quality audit.</p>
<p>Benefits to you</p> <ul style="list-style-type: none"> • An agreed-upon timetable • Saves time • Lessens staff burden • On-time service • No surprises 	<ul style="list-style-type: none"> • Customised audit focused on risks • Issues identified early • Extent of audit effort commensurate with the level of risk, resulting in a more effective audit • Audit team with a deeper understanding of the Council to provide recommendations 	<ul style="list-style-type: none"> • Assessment of internal controls and suggestions for strengthening internal controls • Stronger internal control over time 	<ul style="list-style-type: none"> • Use of electronic audit programs, sampling techniques and IDEA software results in less time spent gathering and analysing data 	<ul style="list-style-type: none"> • Advice and recommendations to improve operations • An audit opinion from a firm with a reputation for high-quality audits

Our 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
Accounting under IFRS	All areas of the financial statements	<ul style="list-style-type: none"> Specialist technical support will be made available to the Council as required. We will review the implications of any developing issues through reference to IFRS guidance and the finalised IFRS Code and discuss matters with the Council accordingly.
Financial performance pressures	All areas of the financial statements	<ul style="list-style-type: none"> We will review the Council's financial performance for the year against its agreed budget and monitor financial performance through discussion with officers and reviews of minutes. We will consider the use of general reserves during the year
Back pay arising from unequal pay claims	Provisions and reserves	<ul style="list-style-type: none"> We will update our review of the Council's assessment of the likelihood of any such claims resulting in financial settlement and the associated treatment in the Statement of Accounts.
Revaluation of non-current assets	Property, plant and equipment and investments	<ul style="list-style-type: none"> We will review the extent of valuations undertaken by the Council, consider the basis on which these have been performed and ensure that these are in compliance with the requirements of IFRS. Where possible, this work will be performed at our interim visit. We will review the Council's arrangements for obtaining in-house and third party valuations to ensure appropriate expertise is applied.
Follow up of 2009/10 findings	All areas of the financial statements	<ul style="list-style-type: none"> We will follow up the Council's progress in implementing our agreed findings from last year's audit and will report our findings to the Audit Committee.

Other issues

Other issues

Annual Governance statement

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

Whole of Government Accounts

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

Elector challenge

The Audit Commission Act 1998 gives electors certain rights:

- the right to inspect the accounts
- the right to ask the auditor questions about the accounts; and
- the right to object to the accounts.

As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form a decision on the elector's objection if this arises. The additional work may be significant and could result in the requirement to seek legal representations on the issues raised. The costs incurred in responding to any questions or objections raised by electors are not part of the audit fee. In the event of costs being incurred as a result of elector's objections we will discuss these with the Council and, where appropriate, charge for this work in accordance with the Audit Commission's fee scales.

Certification of Grants and Returns

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

In carrying out work in relation to grant claims and returns, Grant Thornton UK LLP acts as an agent of the Audit Commission, on behalf of the grant paying bodies. The work that the auditor is required to undertake is specified in a Certification Instruction, issued by the Audit Commission for each scheme, following discussion with the grant paying body. As agents of the Audit Commission we are required to recover, in respect of each grant claim and return, a fee that covers the full cost of the relevant work undertaken. These rates are based on the hourly rates for certifying claims and returns set out in the Audit Commission's 'Work programme and scales of fees 2010/11.'

We will report in full to the Council on conclusion of our certification work.

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.

Contents

1 Introduction

2 Accounts audit

3 Value for Money audit

4 Logistics

5 Outputs

6 Appendices

Approach to Value for Money audit

Introduction

The Code 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 conclusion.

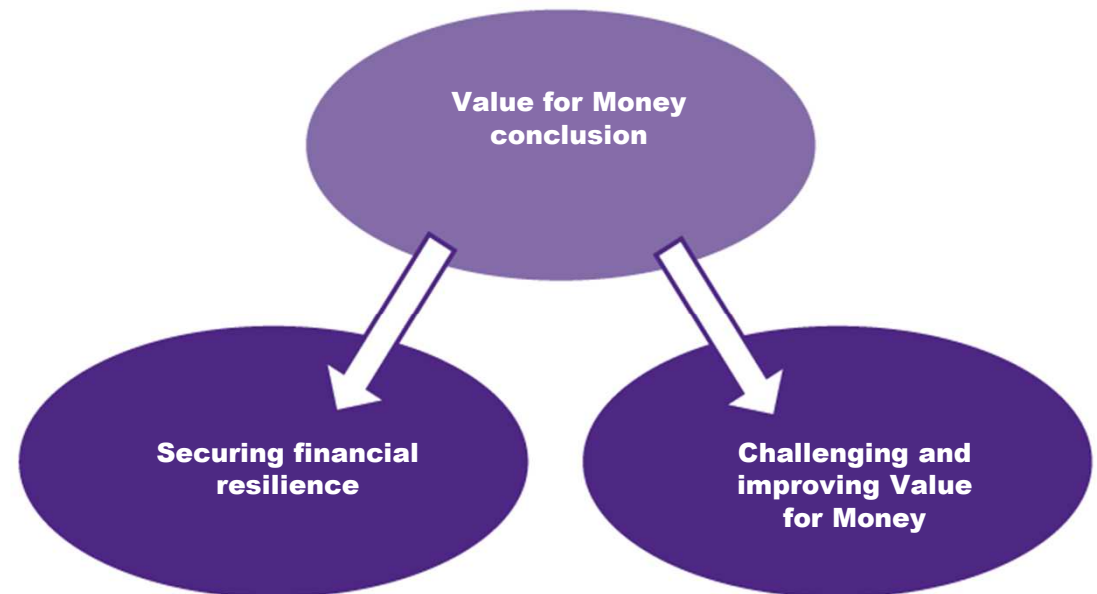
Since we issued our indicative fee letter, a new approach to local Value for Money (VFM) audit work has been introduced by the Audit Commission.

The criteria for the VFM Conclusion from 2010/11 will consider whether the Council has proper arrangements in place to:

- secure financial resilience; and
- challenge how it secures economy, efficiency and effectiveness.

The criteria for 2010/11 will focus on:

- the systems and processes in place to achieve sound financial health; and
- how the Council prioritises resources within tighter budgets.



Securing financial resilience

We will tailor our VFM work to ensure that, as well as addressing our high risk areas, it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance for officers and 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. These will be agreed with officers and presented to Audit Committee.

The results of all our local VFM audit work and key messages will be reported in our Report to Those Charged with Governance (ISA 260 report) and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

The Council has proper arrangements in place for securing financial resilience

We will consider whether the Council has robust financial systems and processes to manage effectively financial risks and opportunities and to secure a stable financial position that enables it to continue to operate for the foreseeable future

Work to be undertaken

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

Specifically we will:

- undertake an in-depth review of the Council's medium term financial plan and the impact and effectiveness of the council's 'Working Smarter' programme
- consider the Council's financial performance against Local Government financial ratios
- consider the Council's response to the Comprehensive Spending Review and the subsequent 2011-12 revenue grant settlement, and the impact that these will have on the Council's financial planning.

On completion of the initial risk assessment, we will agree with the Council specific pieces of work required to address any high risk areas identified.

Prioritising resources

Code criteria

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness

We will consider whether the Council is prioritising its resources within tighter budgets

Work to be undertaken

Risk-based work focusing on arrangements for prioritising resources and improving productivity and efficiency.

Specifically we will:

- apply VFM benchmarking tool to the Council's 2009/10 performance to establish how services performed during the year
- examine the Council's arrangements to manage sickness absence
- review the Council's progress in developing partnership capacity with focus on the role of the Local Enterprise Partnership
- consider how the Council will maintain services and effectiveness against reduced funding.

The overall approach is proportionate to the underlying risk we identified through our risk assessment process. This process is informed by regular meetings with key officers and a review of key documents.

We will agree with the Council specific pieces of work required to address any high risk area that we identify.



Contents

1 Introduction

2 Accounts audit

3 Value for Money audit

4 Logistics

5 Outputs

6 Appendices

Engagement team - key contacts

Your main audit team is based in Birmingham 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.

Jon Roberts (CPFA) Engagement Lead T 0121 232 5410 E jon.roberts@uk.gt.com	Jon is the Council's Engagement Lead, bringing his extensive local authority expertise to the Council. Jon will be a key contact for the Chief Executive, the Executive Director of Resources, other senior Council officers and the Audit Committee. Jon is responsible for the overall delivery of the audit including the quality of output and, signing the audit reports and conclusion.
Kyla Bellingall (ACCA) Senior Manager T 0121 232 5359 E kyla.bellingall@uk.gt.com	Kyla is responsible for the audit strategy, planning and liaison with key Council contacts to ensure the smooth running of the audit and the delivery of the overall audit plan. Kyla reviews the quality of audit outputs and ensures accuracy of reporting prior to presenting plans and reports to the Council's officers and members.
Nicola Coombe (CPFA) Assistant Manager T 0121 232 5206 E nicola.coombe@uk.gt.com	Nicola is responsible for delivering the audit of the financial statements and is the main contact for the Lead Accountant. Nicola will provide feedback to the Council throughout the audit process and is the first point of contact during the year for discussing and resolving technical accounting issues that may arise. She also liaises closely with the Council's Internal Audit department. She will be supported by a team of audit assistants, and together they will be responsible for the performance of the audit fieldwork and the day-to-day liaison with the Council's finance department.

Engagement team - specialist support

Ian Barber Senior Performance Manager T 0121 232 5357 E ian.m.barber@uk.gt.com	<p>Ian has significant experience as an advisor and performance manager for public sector bodies, including local authorities and NHS bodies.</p> <p>Ian's expertise will be used to support our work on the Council's Value for Money conclusion.</p>
Vivien Holland (FCMA) Performance Manager T 0121 212 4000 E vivien.holland@uk.gt.com	<p>Vivien advises public sector organisations ensuring they achieve value for money, combined with giving clients the tools and knowledge to continue this work for themselves.</p>
Negat Sultan IT Audit Manager T 0116 247 5590 E negat.sultan@uk.gt.com	<p>Negat is responsible for review of the Council's IT systems to complement the financial accounts process.</p> <p>Negat also takes the lead on any additional work required in areas such as data quality and security.</p>

Audit fee

What is the scale audit fee?

This is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice.

It represents the Audit Commission's best estimate of the fee required to complete an audit where the audited body has no significant audit risks and has a sound control environment.

How we calculate your scale audit fee

The Council's audit fee is calculated in accordance with the Audit Commission's scale of audit fees for 2010/11. For Walsall MBC, the scale calculation includes a fixed element for a metropolitan council and a percentage of planned gross expenditure, as determined by the Audit Commission.

Variations to the scale audit fee

Based on a thorough review by the audit team, which includes discussions with Council officers and members, we then tailor our work to reflect local circumstances. This may result in a variation upwards or downwards on the scale audit fee. Any variation to the scale fee must be approved by the Audit Commission.

2010/11 audit fee

As set out in our indicative Audit Fee Letter dated 7 April 2010, the total indicative fee for the audit for 2010/11 is £342,000 (exclusive of VAT), excluding provision for review of the accounting treatment of private finance initiative or public private partnership schemes required as a result of the transition to IFRS. This compares to a fee of £316,000 for 2009/10.

The scale audit fee for the Council has been calculated at £341,948. The planned fee is, therefore, consistent with the scale audit fee.

In setting the audit fee the following factors have been taken into account:

- ✓ the standard of support received from the Council's finance team in respect of the 2009/10 accounts audit;
- ✓ evidence of progress to date with the transition to IFRS; and
- ✓ improvements made in 2009/10 in respect of internal control arrangements.

However, the fee will be subject to continuous review and may be revised if significant new risks are identified either as part of our planning or during the audit or if we are unable to progress the audit 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 Associate Director of Finance.

Audit fee

A summary of the audit fee is shown in the table below:

Table 2: 2010/11 audit fee

Audit area	Planned fee 2010/11	Actual fee 2009/10
Financial statements, including WGA	242,000	196,000
VFM conclusion	100,000	120,000
Formal audit powers	-	90,960
IFRS conversion - PFI	8,000	-
Total audit fee	£350,000	£406,690
Certification of claims and returns*	£69,000	£68,980

* the quoted fee for grant certification work is an estimate only and will be charged at published hourly rates

In setting the fee, we have assumed that:

- the level of risk in relation to the audit of the financial statements is not significantly different from that identified for 2009/10
- Internal Audit will continue to meet appropriate professional standards and undertake work on all material systems that provide figures in the financial statements, sufficient that we can take assurance for the purposes of our audit

- the Council will inform us of significant developments impacting on our audit and prompt responses will be provided to draft reports
- good quality working papers and records will be provided to support the financial statements.

The planned fee for the financial statements, including WGA includes additional work undertaken as part of the requirement to account under International Financial Reporting Standards, as well as an increase in focus on our assessment of the Council's ability to continue as a going concern, which was previously reviewed under the Use of Resources framework.

Audit fee - VFM

New approach to local VFM work – impact on the 2010/11 audit fee

The Audit Commission wrote to all council chief executives in August 2010 to advise of the new approach to local Value for Money for audit work and the impact of this on the 2010/11 audit fee following the cessation of the Comprehensive Area Assessment.

The Audit Commission confirmed to councils in this letter that the new approach will mean a reduction in audit fees from 2011/12. However, for 2010/11, the Commission has already given a 6% rebate to mitigate the increases in audit fees arising from the transition to IFRS.

Further to the Audit Commission's correspondence in August, it has been announced that in relation to 2010/11 fees, the Commission will rebate:

- 1.5% of the 2010/11 scale fee for district councils, police and fire and rescue authorities
- 3.5% for single tier and county councils.

Contents

1 Overview

2 Accounts

3 Value for Money

4 Logistics

5 Outputs

6 Appendices

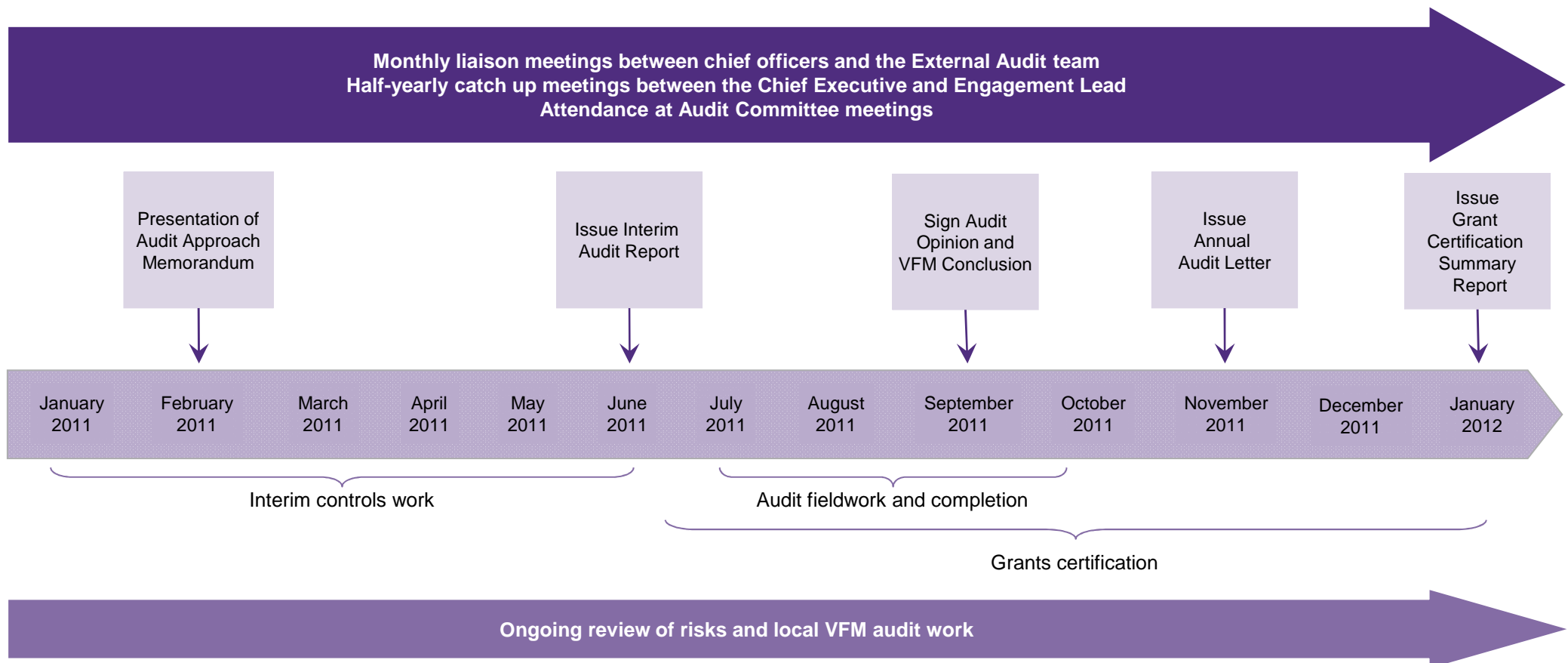
Outputs

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, and no responsibility is taken by auditors to any member or officer in their individual capacity, or to any third party.

Output	Purpose	Issue date
Audit Approach Memorandum	<ul style="list-style-type: none"> • Outline audit approach • Identify initial high risk areas and our planned response • Confirm Plan with Audit Committee 	February 2011
Interim Audit Report	<ul style="list-style-type: none"> • Outline our audit strategy on conclusion of controls work • Review risks and update planned response accordingly • Highlight focus areas for the audit • Confirm with senior officers and Audit Committee 	June 2011
Report to Those Charged with Governance (ISA 260)	<ul style="list-style-type: none"> • Highlight key issues arising from the audit and detail the resolution of these • Communication of adjusted and unadjusted audit differences • Improvement recommendations resulting from audit procedures 	September 2011
Auditor's Reports	<ul style="list-style-type: none"> • Report on 2010/11 financial statements • Report on 2010/11 value for money conclusion 	September 2011
Annual Audit Letter	<ul style="list-style-type: none"> • Summarise the key issues arising from our 2010/11 audit 	November 2011
Grants Claim Certification	<ul style="list-style-type: none"> • Highlights key issues arising from our grants certification work • Recommendations identified for improvement 	January 2012

Timeline



Contents

1 Overview

2 Accounts

3 Value for Money

4 Logistics

5 Outputs

6 Appendices

Independence and objectivity

We are not aware of any relationships that may affect the independence and objectivity of the audit team, which we are required by auditing and ethical standards to communicate to you.

We comply with the ethical standards issued by the Auditing Practices Board (APB) and with the Commission's requirements in respect of independence and objectivity as summarised below.

Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of my appointment. When auditing the financial statements auditors are also required to comply with auditing standards and ethical standards issued by the APB.

The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

International Standard on Auditing (UK and Ireland) 260
(Communication of audit matters with those charged with governance)
requires that the appointed auditor:

- discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client
- confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.

The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.

The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

The Standing Guidance for Auditors includes a number of specific rules. The key rules relevant to this audit appointment are as follows:

- Appointed auditors should not perform additional work for an audited body (i.e. work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the audit plan as being 'additional work' and charged for separately from the normal audit fee.
- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
- The Engagement Lead responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every five years
- The Engagement Lead and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.
- The Engagement Lead and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.



© 2011 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP,
a limited liability partnership.

Grant Thornton UK LLP is a member firm of
Grant Thornton International Ltd ('Grant Thornton International').
Grant Thornton International and the member firms are not
a worldwide partnership. Services are delivered by the member
firms independently.

This publication has been prepared only as a guide.
No responsibility can be accepted by us for loss occasioned
to any person acting or refraining from acting as a result of
any material in this publication.

www.grant-thornton.co.uk