

# External Audit Plan

*Year ending 31 March 2019*

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Kent County Council  
Kent County Council Superannuation Fund  
April 2019



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority and Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

## Our Team



### **Paul Dossett, Engagement Lead**

Responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Authority.



### **Tina James, Audit Manager for Kent County Council and Pension Fund**

Responsible for overall audit management, quality assurance of audit work and output and liaison with the Authority.



### **Andy Conlan, Audit Manager for Kent County Council**

Responsible for overall audit management, quality assurance of audit work and output and liaison with the Authority.



### **Nicholas Burton, Audit Incharge**

Nicholas will lead the onsite team and will be the day to day contact for the audit. Nicholas will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Nicholas will undertake the more technical aspects of the audit, coach members of the team and review the team's work.

## Purpose

This document provides an overview of the planned scope and timing of the statutory audits of Kent County Council ('the Authority') and the Kent County Council Superannuation Fund ('the Fund') for those charged with governance.

## Respective responsibilities

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

## Scope of our audits

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

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

The audit of the financial statements does not relieve management or the Governance and Audit Committee of your responsibilities.

Our audit approach is based on a thorough understanding of the Authority and Fund's business and is risk based.

# Headlines

<b>Significant risks</b>	<p>Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:</p> <p><b>Kent County Council</b></p> <ul style="list-style-type: none"><li>• Management override of controls</li><li>• Valuation of property, plant and equipment</li><li>• Valuation of pension fund net liability</li><li>• Valuation, classification and ownership of investments</li></ul> <p><b>Kent County Council Superannuation Fund</b></p> <ul style="list-style-type: none"><li>• Management override of controls</li><li>• Valuation, classification and ownership of investments</li></ul> <p>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.</p>
<b>Materiality - Authority</b>	<p>We have determined planning materiality to be £43m (PY £44m) for the Authority, which equates to 1.95% of your prior year 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 £2.15m (PY £2.2m).</p>
<b>Materiality – Pension Fund</b>	<p>We have determined materiality at the planning stage of our audit to be £58m (PY £52m) for the Fund, which equates to 1% of your net assets for the year.</p> <p>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 £2.9m (PY £2.9m).</p>
<b>Value for Money arrangements (Authority Only)</b>	<p>Our risk assessment regarding the Authority's arrangements to secure value for money have identified the following VFM significant risks:</p> <ul style="list-style-type: none"><li>• Overall Financial Position – Medium Term Financial Plan</li><li>• Brexit</li><li>• Subsidiaries</li></ul>
<b>Audit logistics</b>	<p>Our interim visits took place in February and March and our final visits will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report.</p> <p>Our fee for the audit will be £120,062 (PY: £155,925) for the Authority and £23,537 (PY: £30,568) for the Fund, subject to management meeting our requirements set out on page 13.</p>
<b>Independence</b>	<p>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..</p>

# Key matters impacting our audit of the Authority

## External Factors

### The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. Kent County Council has an excellent track record of budgetary discipline, but the task of staying in budget will be increasingly challenging and you have increased council tax by 2.99% as part of your Medium Term Financial Plan. At November 2018, the Authority was forecasting an overspend of £1.9m but expected to reduce this by the end of the year

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

### Brexit

On 29 March 2019, the United Kingdom (UK) is set to leave the European Union (EU).

The impact of this is uncertain and has the potential to affect a number of areas relevant to the Authority including staffing, investment valuations and property valuations.

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

The most significant changes relate to the adoption of:

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

The impact from both is being assessed by the authority.

## Internal Factors

### Local issues

A significant portion of the Authority's finance, IT and HR functions were transferred into a new subsidiary in the year, Cantium Business Solutions.

From 1 September 2018, certain education services were transferred to another new subsidiary, EDSECO Ltd (The Education People), to provide services to Kent schools on behalf of the Authority, as well as traded services.

## 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 material uncertainty about the going concern of the Authority and will review related disclosures in the financial statements.

- We will discuss preparations with the client and their assessment of the risk
- We will consider the impact on property and investments valuations as part of our significant risk assessments
- We will review any related disclosures in the financial statements and Annual Report to ensure these are sufficient.

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

- We will review the assessment on whether consolidated group accounts are required with the new subsidiaries.
- We will obtain and review the contracts with the new subsidiaries as new service organisations.
- Although the said functions are now operated by subsidiaries, we will still ensure we understand the processes and controls as they relate to the Authority and Pension Fund.

# Key matters impacting our audit of the Fund

External Factors			Internal Factors
<p><b>SI 493/2018 – LGPS (Amendment) Regulations 2018</b></p> <p>Introduces a new provision for employers to receive credit for any surplus assets in a fund upon ceasing to be a Scheme employer. This could potentially lead to material impacts on funding arrangements and the need for updated of Funding Strategy Statements.</p> <p><b>Guaranteed Minimum Pension (GMP)</b></p> <ul style="list-style-type: none"> <li>Pension funds are continuing to work through the GMP reconciliation process.</li> <li>In January 2018 the government extended its “interim solution” for indexation and equalisation for public service pension schemes until April 2021. Currently the view is that the October 2018 High Court ruling in respect of GMP equalisation is therefore not likely to have an impact upon the LGPS.</li> </ul>	<p><b>Changes to the CIPFA 2018/19 Accounting Code</b></p> <p>The most significant changes relate to the adoption of IFRS 9 Financial Instruments. In practice, IFRS 9 is anticipated to have limited impact for pension funds as most assets and liabilities held are already classed as fair value through profit and loss.</p> <p>The Authority is reviewing the classification and accounting treatment of investments in light of the change in the standards.</p> <p><b>The Pensions Regulator (tPR)</b></p> <p>tPRs <a href="#">Corporate Plan</a> for 2018-2021 includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes and TPR has chosen the LGPS as a cohort for proactive engagement throughout 2018 and 2019.</p>	<p><b>Brexit</b></p> <p>On 29 March 2019, the United Kingdom (UK) is set to leave the European Union (EU).</p> <p>The impact of this is uncertain and has the potential to affect the valuations of investments held by the Fund.</p>	<p><b>Local issues</b></p> <p><b>Pooling</b></p> <p>The ACCESS pool was launched with the first sub-fund in November 2018, after years of preparation. The Kent Superannuation Fund joined the next sub-funds in January and February 2019 with £2.5bn. The Fund anticipates adding to this over time.</p>
Our response			
<ul style="list-style-type: none"> <li>We will continue to monitor the position in respect of GMP equalisation and reconciliation. For pension funds the immediate impact is expected to be largely administrative rather than financial.</li> </ul>	<ul style="list-style-type: none"> <li>We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.</li> <li>As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.</li> <li>We will keep under review any interaction the Fund has with tPR and tailor our audit approach where necessary.</li> </ul>	<ul style="list-style-type: none"> <li>We will consider the impact on investments valuations as part of our significant risk assessment</li> <li>We will review any related disclosures in the financial statements to ensure these are sufficient</li> </ul>	<ul style="list-style-type: none"> <li>We consider the transfer of assets to the pool as part of our significant risk in regard to investments and we will tailor our approach to gain assurance over the completeness and accuracy of the transactions, and the year end valuations.</li> </ul>

# Significant risks identified

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

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>The revenue cycle includes fraudulent transactions</b>	Authority & Fund	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council and the Pension Fund, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• The culture and ethical frameworks of local authorities, including Kent County Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk.</p>	
<b>Management over-ride of controls</b>	Authority & Fund	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore consider management over-ride of controls, in particular journals, management estimates and transactions outside the normal course of business as a significant risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness</li> <li>• obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness</li> <li>• evaluate the rationale for any changes in accounting policies or significant unusual transactions</li> </ul>

# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation of property, plant and equipment</b>	Authority	<p>The Council revalues its land and buildings on an quinquennial basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>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</li> <li>Evaluate the competence, expertise and objectivity of any management experts used.</li> <li>Discuss with the valuer the basis on which the valuation is carried out and challenge the key assumptions.</li> <li>Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>Test revaluations made during the year to ensure they are input correctly into the Authority's asset register</li> <li>Evaluate 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</li> <li>Consider the implications of Brexit on the valuations of the Authority's asset portfolio</li> </ul>
<b>Valuation of pension fund net liability</b>	Authority	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>Undertake procedures to confirm the reasonableness of the actuarial assumptions made.</li> <li>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</li> <li>Consider the implications of Brexit on the valuations related to the fund's asset portfolio</li> </ul>

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 2019.



# Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
<b>Valuation, classification and ownership of investments</b>	Fund / Authority	<p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters.</p> <p>Investments held by both the Authority and the Pension Fund are often complex and require judgment. Level 3 investments by their very nature require a particularly high degree of judgement, but there is risk to reach an appropriate valuation at year end for all the investments,</p> <p>There is also the risk of investments being classified incorrectly due to the accounting requirements changing under the new IFRS 9.</p> <p>With the Pension Fund having moved a portion of its investments into the new ACCESS pool, this creates additional risk.</p>	<p>We will</p> <ul style="list-style-type: none"> <li>gain an understanding of the Fund's process for valuing investments and evaluate the design of the associated controls</li> <li>review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments.</li> <li>consideration of the competence, expertise and objectivity of any management experts used.</li> <li>review the qualifications of the Fund Managers to value investments at year end and gain an understanding of how the valuation of these investments has been reached.</li> <li>for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2019 with reference to known movements in the intervening period.</li> <li>Assess the Authority's and Fund's policy undertaken in regard to the new accounting standard and ensure all investments are subsequently categorised correctly.</li> <li>We will also carry out the above work particularly in relation to the ACCESS pool to ensure good governance and competent management and that the Fund's investments are correctly identified and valued.</li> <li>Consider the implications of Brexit on the valuations of the Authority's and Fund's investments portfolios</li> </ul>

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 2019.

# Other matters

## Other work

The Fund is administered by the Authority, and the Fund's financial statements form part of the Authority's financial statements.

Therefore, in addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities in respect of the Authority and the Fund, as follows:

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

## Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

## Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the Authority or the Fund's '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 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.

Matter	Description	Planned audit response
1	<p><b>Calculation and determination</b></p> <p>We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgment in the context of our knowledge of the Authority and the Fund, including consideration of factors such as stakeholder expectations, financial stability and reporting requirements for the financial statements.</p> <p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> <li>– estimate the tolerable level of misstatement in the financial statements</li> <li>– assist in establishing the scope of our audit engagement and audit tests</li> <li>– calculate sample sizes and</li> <li>– assist in evaluating the effect of known and likely misstatements in the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>• For the Authority, we have determined 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. Materiality at the planning stage of our audit is £43m (PY £44m) for the Authority, which equates to 1.95% of your prior year gross expenditure for the year.</li> <li>• For the Fund, we have determined financial statement materiality based on a proportion of the Fund's net assets. In the prior year we used the same benchmark. Our materiality at the planning stage is £58m (PY £52m) which equates to 1% of your net assets for the year.</li> </ul>
2	<p><b>Reassessment of materiality</b></p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<ul style="list-style-type: none"> <li>• 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 materiality</li> </ul>
3	<p><b>Matters we will report to the Governance and Audit Committee</b></p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts, 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.</p>	<ul style="list-style-type: none"> <li>• In the context of the Authority, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.15m (PY £2.2m).</li> <li>• In the context of the Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2.9m (PY £2.9m).</li> <li>• If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance and Audit Committee to assist it in fulfilling its governance responsibilities.</li> </ul>

# Value for Money arrangements

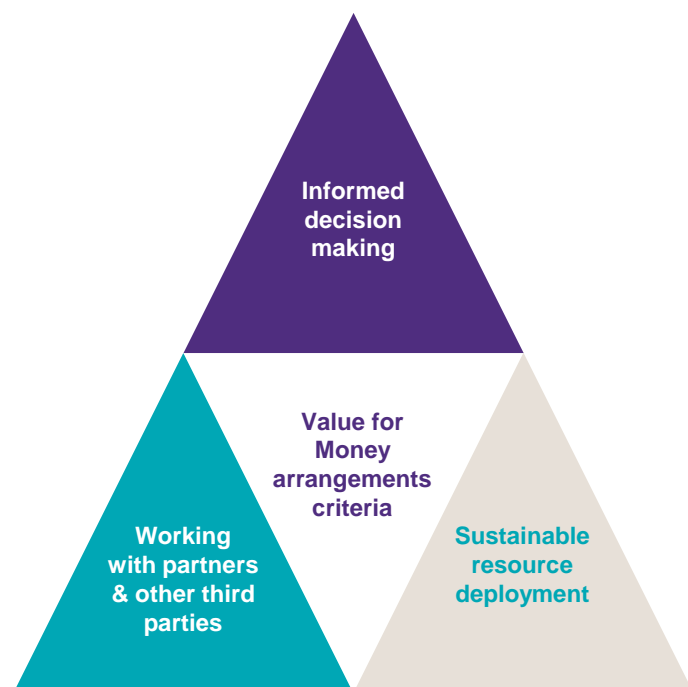
## Background to our VFM approach

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

The guidance identifies one single criterion for auditors to evaluate:

*“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”*

This is supported by three sub-criteria, as set out below:



## Significant VFM risks

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



### Overall Financial Position – Medium Term Financial Plan

You have a strong track record of delivering to your budgeted spend at the year end. However as reported at Month 8 you were anticipating a outturn deficit pressure of £1.9m for the year. There is a requirement for a considerable level of savings of the life of the Medium Term Financial Plan (MTFP).

In response to this risk we will:

- Review the assumptions behind the latest MTFP
- Review savings plans and revenue generating schemes.
- Discuss your plans and outcomes with management, as well as reviewing how finances are reported to Councillors.



### Brexit

With the UK due to leave the European Union on 29 March 2019, there will be national and local implications resulting from Brexit that will impact on the Authority and which it will need to plan for.

In response to this risk we will:

- Review your arrangements and plans to mitigate any risks on Brexit. Our review will focus on areas such as workforce planning, supply chain analysis, regulatory impact and impacts on finances including investments.



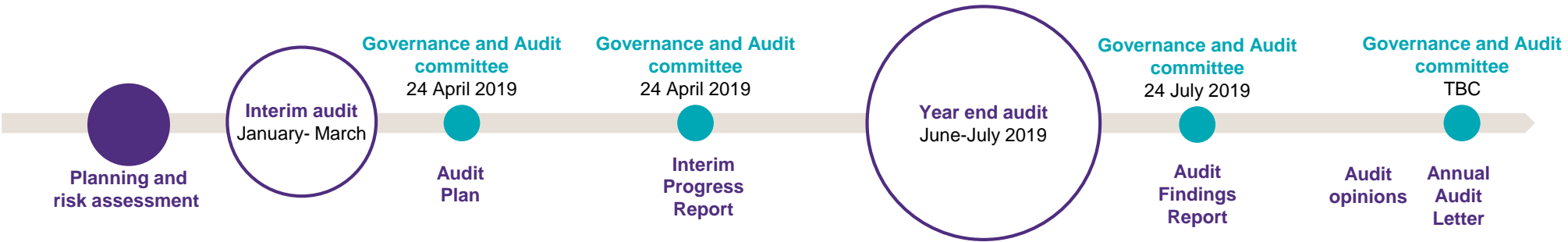
### Subsidiaries

Kent County Council has a number of subsidiaries, including 2 new companies set up in 2018/19. With an increasing level of functions being performed by these bodies, the risk of financial commitments and ongoing support increases if they are not able to generate income to become self sufficient.

In response to this risk we will:

- Review your arrangements to monitor the activities of the subsidiaries

# Audit logistics & fees



## Audit fees

The planned audit fees are £120,062 (PY: £155,925) for the financial statements audit of the Authority, and £23,537 (PY: £30,568k) for the financial statements audit of the Fund, completed under the Code, which are inline with the scale fees published by PSAA. In setting your fee, we have assumed that the scope of the audits, and the Authority and Fund and its activities, do not significantly change.

Where we are required to respond to requests received from other auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis

## 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.

Any proposed fee variations will need to be approved by PSAA.

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# Independence & non-audit services

## Auditor independence

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

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

# Independence & non-audit services

## Other services provided by Grant Thornton

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

Service	£	Threats	Safeguards
<b>Non - audit related</b>			
Teachers Pensions Return certification work	£4,250	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,250 in comparison to the total fee for the audit of the authority of £120,062 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.
CFO Insights	£10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of the authority of £120,062 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.
RGF grant certification work	2,500	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 quoted at £2,500 in comparison to the total fee for the audit of the authority of £120,062 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
ACCESS admin fee review (Pension Fund)	nil		There is no fee attached to this piece of work and as such taken on its own is not considered a significant threat to independence. Further, there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
<b>Audit related</b>			
Resolution of objections to the 2015-16 statutory accounts	£29,218	Self-Interest Self-Review	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 £42,780 (fees relating to 2017-18 objection resolution yet to be confirmed) in comparison to the total fee for the audit of the authority of £120,062 and in particular relative to Grant Thornton UK LLP's turnover overall. The work we do on this and the level of the fee is also closely scrutinised and challenged by Public Sector Audit Appointments to ensure that they consider this to be reasonable and consistent at a national level.
Resolution of objections to the 2016-17 statutory accounts	£13,490	Self-Interest Self-Review	The work to resolve objections is carried out subsequent to the issuance of our audit opinion and is not considered to have an impact on our opinion for 2018-19 as a separate accounting period.

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.

# Audit approach

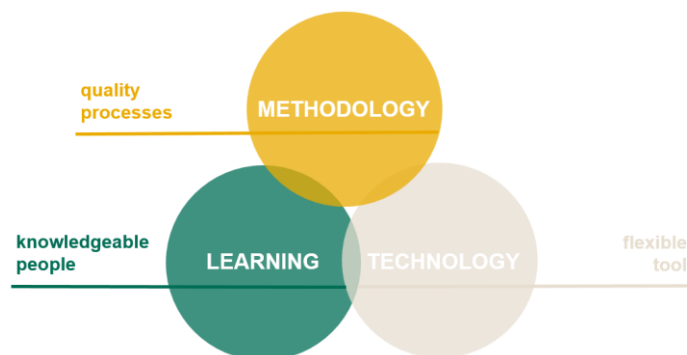
## Use of audit, data interrogation and analytics software

### LEAP



#### Audit methodology

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



### IDEA



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

### Appian



#### Business process management

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

### Inflo



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



#### REQUEST & SHARE

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



#### ASSESS & SCOPE

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



#### VERIFY & REVIEW

- Automate sampling requests
- Download automated work papers



#### INTERROGATE & EVALUATE

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



#### FOCUS & ASSURE

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



#### INSIGHTS

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



