Grant Thornton

External Audit Plan

Year ending 31 March 2019

Telford & Wrekin Council

March 2019

Contents

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Telford & Wrekin Council ('the Council') 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 Telford & Wrekin 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:

- Council's and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit 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 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. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

Group Accounts	The Council is required to prepare group financial statements that consolidate the financial information of it's housing company NuPlace Limited We will consider the consolidation process and whether the group accounts include all necessary disclosures.
Significant risks	Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as: • Management override of controls – Under ISA 240, there is a presumed risk of management override of controls present in all entities; • Valuation of property, plant and equipment – The Council's revaluation of its assets in line with its rolling plan may lead to a material misstatement; • Valuation of the pension fund net liability – The estimate of the valuation of the pension fund's net liability may be materially misstated. 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 £7.4 million for the Authority and £7.5 million for the Group, which equates to approximately 1.75% 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 £375,000. A specific materiality of £100,000 has been set for senior officer remuneration.

Introduction & headlines (continued)

Value for Money arrangements	Our risk assessment regarding your arrangements to secure value for money has identified two VFM significant risks, as follows: **Financial resilience over the medium to long term** The Service and Financial Planning Strategy 2019/20 – 2021/22 identifies a potential funding gap of £31 million by 2021/22 driven predominantly by cuts in government funding and increased costs in delivering statutory services. This projection is in addition to the £117.5 million of savings already delivered since 2009/10. The Council has set a savings target for 2019/20 of £6.064 million but is committed to investing further in statutory services and so has included £2.961 million of reserves to cushion the impact of the reducing Government funding and allow the level of investment required. **Delivery of core statutory services, particularly Adult Social Care and Children's Safeguarding and Family Support Services** The Council has identified growth in demand for key services, particularly Adult Social Care and Children's Safeguarding and Family Support Services. There is a recognition that there needs to be a review and redesign of services to enable delivery at the level required, whilst maintaining quality standards all within a reduced funding envelope. The Council are starting to identify solutions for this.
Audit logistics	Our pre-accounts visits has taken place between January and March 2019. Our final visit will take place in June and July 2019. Our key deliverables are this Audit Plan, our Audit Findings Report and our Annual Audit Letter. We will provide the Council with an opinion on its financial statements and a conclusion on its value for money arrangements. Our audit approach is detailed in Appendix A. Our fee for the audit will be £90,182, subject to the Council meeting our requirements set out on page 14.
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..

Key matters impacting our audit

Key Matters

The wider economy and political uncertainty

Local Government funding continues to be stretched with increasing cost pressures and demand from residents. At a national level, the Government continues to consider the timing and form of Brexit. Future arrangements remain uncertain. The Council will need to ensure that it is prepared for all outcomes, including the impact on contracts, on service delivery and on its support for local people and businesses.

There is also continuing uncertainty about the Local Government funding framework from 2020/21. The outcomes of the Fair Funding Review and the potential Business Rate Reset could have a major financial impact on the Council.

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.

Given the nature of the entity, we expect the impact of these changes on the Council to be minor. However, we will be obtaining and assessing management's assessment of that impact during our audit.

Delivering challenging savings, statutory services and capital investment

The Council has a strong track record of sound financial management delivering a financial outturn within budget for over 10 consecutive years despite having to deliver £117.5 million annual budget savings since 2009/10.

The Council set challenging savings target of £7.568 million in 2018/19. As at January 2019 the net projected outturn position for 2018/19 was estimated to be within budget after using £0.3 million of the centrally held contingency, leaving £5.28 million available to meet any unforeseen costs or further pressures.

Children's Safeguarding & Early Help continues to be a key area of focus and there are a number of strategies underway to reduce costs and deliver savings. A cost improvement plan is in place, as is also the case with Adult Social Care. These are monitored on a regular basis by senior managers and Cabinet Members.

The Council's Capital Strategy balances austerity against the objective of being a Co-operative Council, working in partnership to shape the locality for the future generations.

Our response

The wider economy and political uncertainty:

- We will consider your arrangements for managing and reporting your future financial resources as part of our work in reaching our Value for Money conclusion. This will include consideration of your medium term service and financial planning strategy.
- We will consider whether your financial position leads to material uncertainty about the going concern of the Council and will review related disclosures in the financial statements.

Changes to the CIPFA 2018/19 Accounting Code:

- 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.

Delivering challenging savings, statutory services and capital investment:

- We will review the Council's arrangements for ensuring that the in year financial position is monitored and reported clearly and appropriately.
- We will assess the delivery of savings planned for 2019/20 and the assumptions made within the budget to assess the robustness of your financial position in the short term.
- We will consider the arrangements in place for delivering key statutory services, particularly those with significant financial challenges.
- We will also consider the delivery of the Council's Capital Strategy in 2018/19 and whether this has achieved progress against the local priorities set out.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Telford & Wrekin Council	Yes		See pages 7 to 9	Full scope UK statutory audit performed by Grant Thornton UK LLP
NuPlace Limited	No		None	Analytical review performed by Grant Thornton UK LLP
West Mercia Energy	No		None	Analytical review performed by Grant Thornton UK LLP

Key changes within the group:

- No significant changes during 2018/19

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to significant risks of material misstatement of the group financial statements
- Analytical procedures at group level

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	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. 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: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Telford & Wrekin Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Telford & Wrekin 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. . We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	The Council's pension fund net liability represents a significant estimate in the financial statements and group accounts. The pension fund net liability is considered a significant estimate due to the value involved (£264 million in the Council's balance sheet as at 31 March 2018) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We will: • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtain assurances from the auditor of Shropshire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	The Council revalues its land and buildings on a five-yearly basis. To ensure the carrying value in the Council and group financial statements is not materially different from the current value at the financial statements date, the Council requests a desktop valuation from its valuation expert. This valuation represents a significant estimate by management in the financial statements due to the value involved (£472 million) and the sensitivity of this estimate to changes in key assumptions. We have therefore identified valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	We will: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out to ensure that the requirements of the Code are met • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Council's asset register

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 read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and consistent with our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued by CIPFA.
- 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 legislation and the Code, as and when required, including:
    - Giving electors the opportunity to raise questions about your 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 Council 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.

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 Council'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

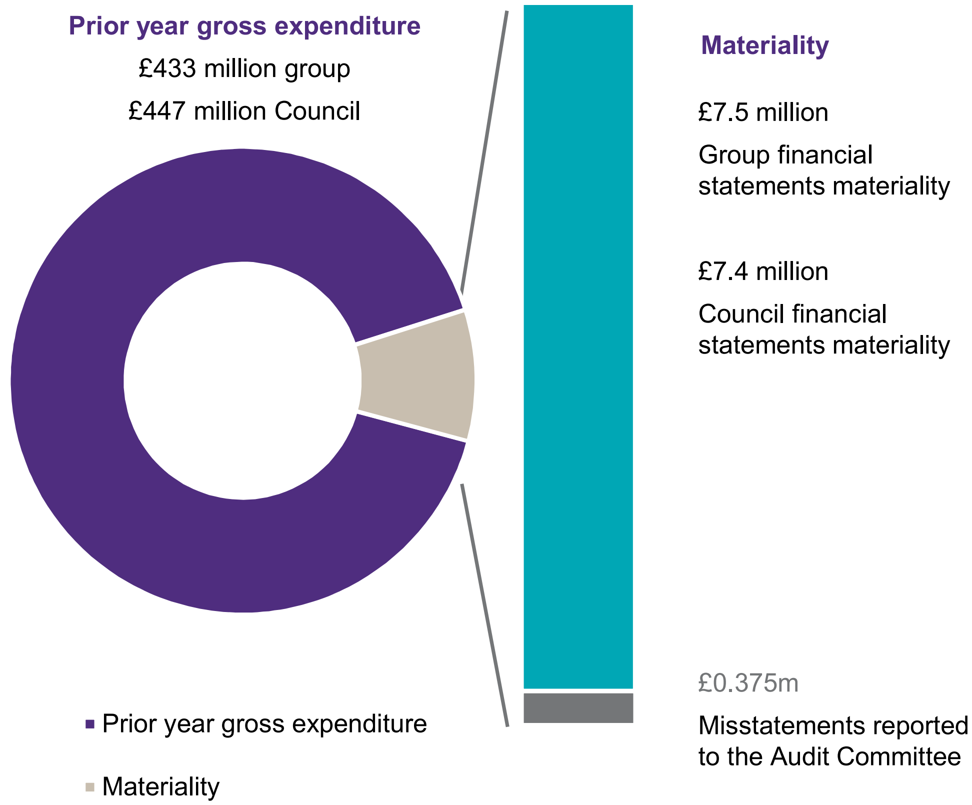
We have determined financial statement materiality based on a proportion of the gross expenditure of the Council and Group for the previous financial year. Materiality at the planning stage of our audit is £7.4 million for the Council and £7.5 million for the group. This equates to approximately 1.75% of your prior year gross expenditure. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be £100,000 for disclosures of senior officer remuneration.

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.

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 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 group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £375,000.

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 Committee to assist it in fulfilling its governance responsibilities.



Value for Money arrangements

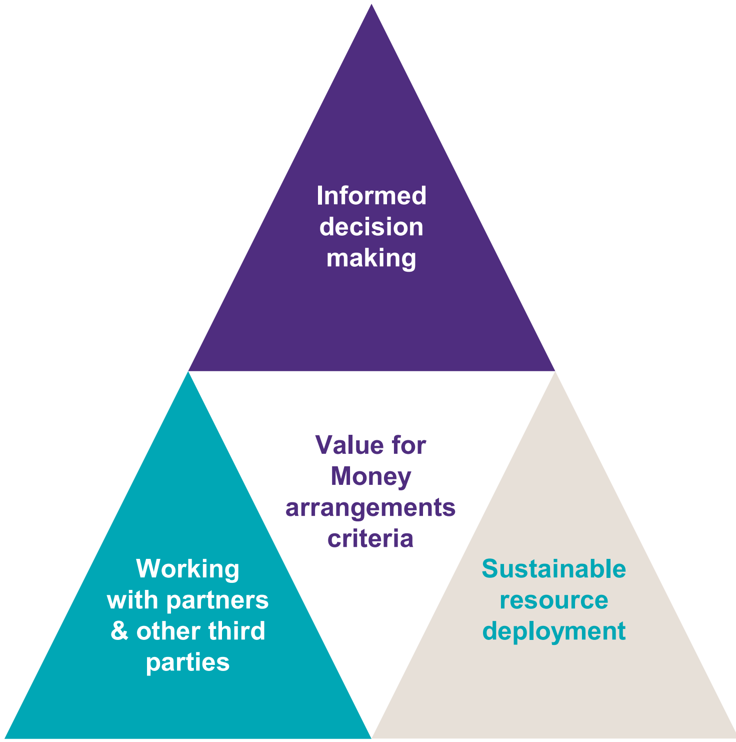
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, auditors are required to give a conclusion on whether the Council 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:



Value for Money arrangements significant risks

Significant VFM risks

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

Financial resilience over the medium to long term

The Service and Financial Planning Strategy 2019/20 – 2021/22 identifies a potential funding gap of £31 million by 2021/22 driven predominantly by cuts in government funding and increased costs in delivering statutory services. This projection is in addition to the £117.5 million already delivered since 2019/10.

The Council is committed to investing further in Adult Social Care and Children's Safeguarding and Family Support Services whilst also delivering £6.064 million of savings. The budget includes the use of £2.961 million of reserves to cushion the impact of the reducing Government funding and allow the level of investment required in statutory services.

The Council's approach to Service and Financial Planning is underpinned and informed by a Co-operative Council ethos, working together with the community and partners to collectively deliver the best outcomes with the combined resources in the local area.

Response to the risk

We will review the Council's arrangements for ensuring that the in year financial position is monitored and reported clearly and appropriately.

We will review the Council's Medium Term Service and Financial Planning Strategy assessing the assumptions used. We will also consider the Council's delivery and any reported key variances from the Financial Strategy.

We will assess the delivery of savings planned for 2019/20 and the assumptions made within the budget to assess the robustness of your financial position in the short term.

We will also consider the delivery of the Council's Capital Strategy in 2018/19 and whether this has achieved progress against the local priorities set out.

Delivery of core statutory services, particularly Adult Social Care and Children's Safeguarding and Family Support Services

The Council has identified growth in demand for key services, particularly Adult Social Care and Children's Safeguarding and Family Support Services.

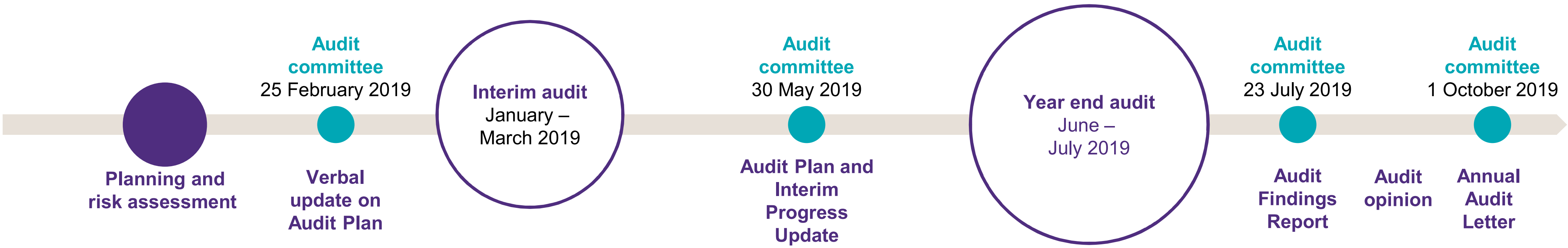
In order to respond to the growth in demand for Adult Social Care whilst continuing to deliver high quality support to those who meet the Care Act eligibility threshold, the Council has identified the need to radically change the approach to delivery of the provision to build a more sustainable system that promotes and maintains greater independence for most people and which maximises the support available within local communities.

Pressures in children's services come from is reflective of both demand, complexity and demographic pressures, where rising numbers of children particularly in areas of deprivation, continue to grow. In spite of this, the Council has recognised the need to respond creatively by reviewing and re-modelling services and finding new and innovative ways of doing more for less. Whilst doing so, the foremost priority is to promote the wellbeing and safeguarding of vulnerable children and young people, and to meet statutory responsibilities.

Response to the risk

We will consider the arrangements in place for delivering key statutory services, particularly those with significant financial challenges.

Audit logistics, team & fees



Richard Percival, Engagement Lead

Richard will be the main point of contact for the Chair, s151 Officer and Committee members. He will share his wealth of knowledge and experience across the sector providing challenge and sharing good practice. Richard will ensure our audit is tailored specifically to you, and he is responsible for the overall quality of our audit. Richard will sign your audit opinion.

Emily Mayne, Audit Manager

Emily will work with the Assistant Director: Finance & HR (CFO) and senior finance team ensuring audit work is delivered and any accounting issues are addressed on a timely basis. She will attend Audit Committee with Richard and supervise Aaron in leading the on-site team. Emily will undertake reviews of the team's work and draft clear, concise and understandable reports as well as completing the work for the value for money conclusion.

Aaron Smallwood, Audit In-charge

Aaron will be the day to day contact for the audit, organising our visits and liaising with Council staff. He will lead the on-site team and will monitor deliverables, manage our query log ensuring that any significant issues and adjustments are highlighted to management as soon as possible.

Audit fees

The planned audit fees are £90,182 + VAT for the financial statements audit completed under the Code, which are in line with the scale fee published by PSAA. In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Where additional audit work is required to address risks we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management and require PSAA approval.

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 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously.

This is the first year we are delivering our opinion for your Council. We have undertaken considerable work to liaise with your finance team and discuss the closedown process. To date, our work with your finance team has been largely positive and we currently anticipate that we will be able to deliver our opinion within the deadline.

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.

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 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

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 Council. The following other services were identified.

Service	£	Threats	Safeguards
Audit related			
Certification of Teachers' pension Return	4,800 estimate TBC	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 £4,800 in comparison to the total fee for the audit of £90,182 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 all mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
Audit of the Council's Housing subsidiary NuPlace Limited	11,000	Self-Interest (because this is a recurring fee)	See above

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 group's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. 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

A. Audit Approach

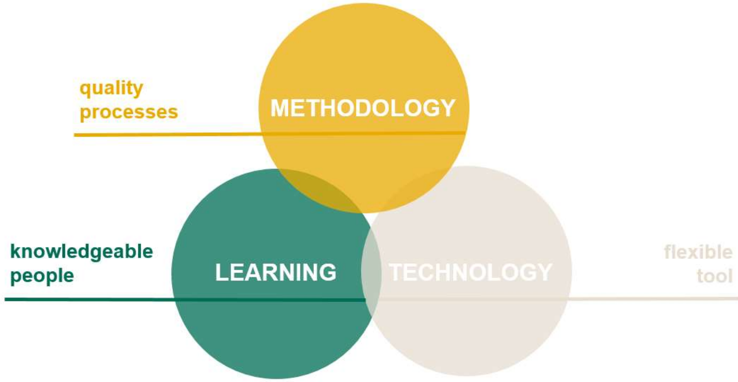
Audit approach

Use of audit, data interrogation and analytics software

LEAP

Audit software

- A globally developed ISA-aligned methodology and software tool 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
- A cloud-based industry-leading audit tool developed in partnership with Microsoft



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

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 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

Grant Thornton

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