External Audit Plan

Year ending 31 March 2019

London Borough of Islington and Islington Pension Fund

28 January 2019

Contents

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.

Introduction

Our Team

Paul Grady - Engagement Lead

Paul will be the main point of contact for the Chair and the Chief Executive and Board Members. Paul will share his wealth of knowledge and experience across the sector providing challenge, sharing good practice, providing pragmatic solutions and acting as a sounding board with Senior Board Members and the Audit Committee and Audit Committee Advisory. Paul will ensure our audits are tailored specifically to you and is delivered efficiently. Paul will review all reports and the team's work focussing his time on the key risk areas to your audit.

Ade Oyerinde - Senior Manager

Ade is responsible for overall audit management, quality assurance of the audit work and its outputs, and liaison with the Audit Committee and Audit Committee Advisory and Trust Senior Management. Ade will work with the senior members of the finance team ensuring early delivery of testing and agreement of accounting issues on a timely basis. Ade will attend Audit Committee and Audit Committee Advisory meetings, undertake reviews of the team's work and draft reports, ensuring they remain clear, concise and understandable to all. Ade will work with Internal Audit to secure efficiencies and avoid duplication, providing assurance for your Annual Governance Statement

Marc Chang - Audit In-charge

Marc will lead the onsite team and will be the day to day contact for the audit including pension fund. Marc will monitor the deliverables, manage the query log with your finance team and highlight any significant issues and adjustments to senior management. Marc will undertake the more technical aspects of the audit, coach the junior 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 the London Borough of Islington ('the Authority' or 'you') and the London Borough of Islington Pension 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 Audit Committee and Audit Committee Advisory); 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 Audit Committee and Audit Committee Advisory of your responsibilities.

Our audit approach is based on a thorough understanding of your business including the Fund account and is risk based.

Headlines

Significant risks	Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as: • Valuations of Property, Plant and Equipment being materially misstated (Authority) • Valuation of the Pension Fund Net Liability being materially misstated (Authority) • Accuracy and the presentation of the Private Finance Initiative (PFI) liability and associated disclosures being materially misstated (Authority) • Management override of controls (Authority and Fund) • Valuation of 'hard to value' Investments being materially misstated (Fund). 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 - Authority	We have determined planning materiality to be £22 million 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 £1.1 million.
Materiality – Pension Fund	We have determined materiality at the planning stage of our audit to be £13 million for the Fund, which equates to 0.99% of your net assets for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.65 million.
Value for Money arrangements (Authority Only)	Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks: • Medium-term financial planning • Change and Transformation programmes and governance.
Audit logistics	Our interim visit will take place between January and February and our final visit will take place during June and July. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be £156,179 for the Authority and £16,170 for the Fund, subject to you delivering a good set of financial statements and comprehensive and accurate supporting working papers, and responding to audit queries promptly.
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 of the Authority

External Factors

The wider economy and political uncertainty

You have already made savings of £225 million since 2010 as a result of on-going and significant funding cuts and unavoidable demographic and inflationary cost pressures. Further reductions in funding are expected over the next two years, with particular strain on Children's Services. You forecast another £50 million over the next three years.

You opted to voluntarily participate in the London Business Rates Retention Pilot Pool for 2018-19; this will see Revenue Support Grant and Top-up Grant replaced by a greater retained share of business rates income. Increasing demographic and inflationary pressures will further be met by an annual RPI increase in fees and charges and a 2.99% increase in core council tax.

You recognise the need for Partnership working; you continue to develop joined-up health, care and support services with NHS partners, including the CCG, Whittington Health and Camden and Islington NHS Trust to deliver more joined up health and care services arranged around people's lives

New accounting standards effective 2018/19

The 2018-19 financial year will be the first year in which IFRS 9: Financial Instruments and IFRS 15: Revenue From Contracts with Customers will come into effect.

Interpretation of the effects of these new standards has been set out in the publicly available Code of Practice on Local Authority Accounting in the United Kingdom for 2018-19.

Accounting policies, transactions, and balances presented in the 2018-19 financial statements will need to appropriately reflect the provisions of IFRS 9 and 15 as interpreted by the Code.

Internal Factors

Change and transformation

You are embarking on some significant transformation programmes, including within Adults and Children's social care. Your plans are ambitious and complex and require robust arrangements. You are seeking to transform the way the organisation is working in terms of new technology, new structures, new ways of working and shifting focus to meet the needs of the diverse population which the organisation serves, whilst maintaining financial balance. You have brought in senior resource to provide experience and leadership in programme development and delivery, business case development and benefits realisation.

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 Council. You will need to review your workforce plans, analyse your supply chains and model potential impacts on your finances, including investment and borrowing as well as any potential impact on the valuation of Council and Pension Fund assets.

Audit tools

We will be making comprehensive use of the 'Inflo' audit management tool throughout the audit. This tool has already been introduced to your financial reporting team and will be rolled out fully for the interim and final accounts visits.

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 and will review related disclosures in the financial statements.
- We will also consider your arrangements for delivering transformation and change across the organisation in order to meet the changing demands of Islington going forward in
- We will discuss with you any recommendations arising from our work and will monitor implementation of any action points.
- We will ensure that our resources and testing are best directed to address your risks in an effective way.
- 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 follow up on the work of our IT specialists during our interim audit visit, and continue to work closely with you and the audit teams for your partners to ensure the audit process is delivered efficiently.

Key matters impacting our audit of the Fund

External Factors

SI 493/2018 – LGPS (Amendment) Regulations 2018

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.

Guaranteed Minimum Pension (GMP)

- Pension funds are continuing to work through the GMP reconciliation process.
- 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.

Changes to the CIPFA 2018/19 Accounting Code

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.

The Pensions Regulator (tPR)

tPRs Corporate Plan 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.

Internal Factors

New audit methodology

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 and more easily incorporate our knowledge of the Pension Fund into our risk assessment and testing approach.

Pooling

You continue to invest funds in the London Collective Investment Vehicle (CIV) as part of the Government's agenda for pooling the investments of local government pension schemes. You will look to transition assets into the London CIV at such a time as you are satisfied that this would ensure maximum benefit in terms of return, management costs and the appropriateness of governance arrangements. As at 31 March 2018, the value of funds invested in CIV was £107 million which represents 8% of investment assets.

Our response

- 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.
- 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 keep under review any interaction the Fund has with tPR and tailor our audit approach where necessary.
- The terminology we use in our reports that will align closely with the ISAs
- We will be testing your controls over member data
- We will ensure that our resources and testing are best directed to address your risks in an effective way.
- Whilst we do not consider the transfer of assets to the pool as a significant risk we will tailor our approach to gain assurance in respect of the completeness and accuracy of the transactions should you take up any of the future mandates utilised by CIV.

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
Management over-ride of controls	**Authority and Fund**	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 and Fund face external scrutiny of spending and activity, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement for both the Authority and Fund.	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.
The revenue cycle includes fraudulent transactions (rebutted)	**Authority and Fund**	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 Authority and the Fund, 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 the London Borough of Islington and the London Borough of Islington Pension Fund, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for the London Borough of Islington and the London Borough of Islington Pension Fund.	

Significant risks identified - continued

Risk	Risk Relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuations of Property, Plant and Equipment	**Authority**	You revalue your HRA assets on a rolling five-yearly basis, operational land and buildings on a rolling three-yearly basis and Investment Properties on a yearly basis. The valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved (£4 billion) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the financial statements is not materially different from the current value, or the fair value (for surplus assets), at the financial statements date where a rolling programme is used. Valuations are given as at 1 April, and are updated to the 31 March with reference to assumptions within market update reports provided by the respective valuers. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk of material misstatement.	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 experts • write to the valuers to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuers to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into your asset register • evaluating 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 at year end.
Accuracy and presentation of the Private Finance Initiative (PFI) liabilities and associated disclosures	**Authority**	You have six schemes to be accounted for as PFI arrangements. These include two Housing PFI schemes, two Schools schemes, a Street Lighting scheme and a Care Homes scheme. As these PFI transactions are significant, complex and involve a degree of subjectivity in the measurement of financial information, we have categorised them as a significant risk of material misstatement.	We will • review your PFI models and assumptions contained therein. • compare your PFI models to previous year to identify any changes. • review and test the output produced by your PFI models to generate the financial balances within the financial statements. • review the PFI disclosures to assess whether they are consistent with the Manual For Accounts and the International Accountancy Standard IFRIC12. We will check additional disclosures that you include within the financial statements to the PFI models.

Significant risks identified - continued

Risk	Risk Relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	**Authority**	Your pension fund net liability, as reflected in your balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£803 million in your balance sheet as at 31 March 2018) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of your pension fund net liability as a significant risk of material misstatement.	We will: • gain an understanding of the processes and controls put in place by management to ensure your 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 pension fund valuation; • assess the accuracy and completeness of the information provided 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; and • obtain assurances from our audit of the 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	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of 'hard to value' Investments	**Fund**	The Fund revalues its investments on an annual basis to ensure that the carrying value is not materially different from the fair value at the financial statements date. By their nature 'hard to value' investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Hard to value investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2019. We therefore identified valuation of hard to value investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • evaluate management's processes for valuing hard to value investments • 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; to ensure that the requirements of the Code are met • for sample of investments, test the valuation by obtaining and reviewing the audited accounts of the hard to value Funds, (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, and • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert.

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 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 your Narrative Report, the Annual Governance Statement and the Pension Fund Annual Report 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.
- 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 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.

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	**Calculation and determination** 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. We determine planning materiality in order to: – estimate the tolerable level of misstatement in the financial statements – assist in establishing the scope of our audit engagement and audit tests – calculate sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.	• For the Authority, we have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £22m for the Authority, which equates to 1.95% of your prior year gross expenditure. • 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 £13m which equates to 0.99% of your net assets for the year ended 31 March 2018.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements. We design our procedures to detect errors in specific accounts at a lower level of precision which we deem to be relevant to stakeholders.	• For the Authority and Fund we have not determined specific lower materiality.
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	• 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.
4	**Matters we will report to the Audit Committee and Audit Committee Advisory** 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 and Audit Committee Advisory 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.	• 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 £1.1m • 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 £0.65m. • 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 and Audit Committee Advisory to assist it in fulfilling its governance responsibilities.

Value for Money arrangements

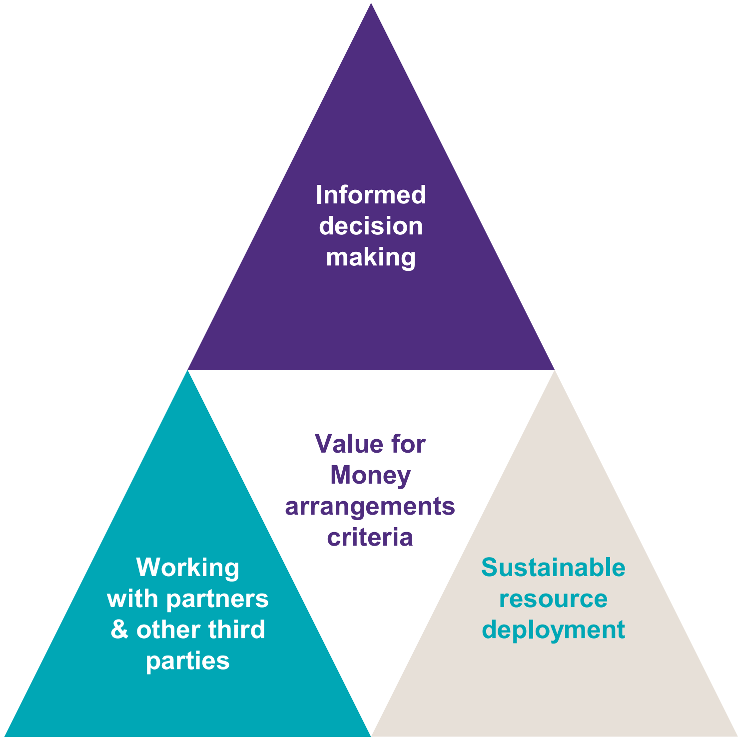
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, 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 risk

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.

Medium-term financial planning

In the context of tightening central government funding over recent years and rising demand for your services, you have identified the need to close your revenue budget gap of £50 million over the next three years. You will be required to make significant savings in areas where these have not previously been necessary, in order to close the budget gap in the medium term.

We will review your Medium Term Financial Strategy and examine underlying assumptions and dependencies for robustness. We will examine in detail the savings plans aimed at reducing future funding gaps, including whether these are aligned to realistic outcomes from your strategic change programmes.

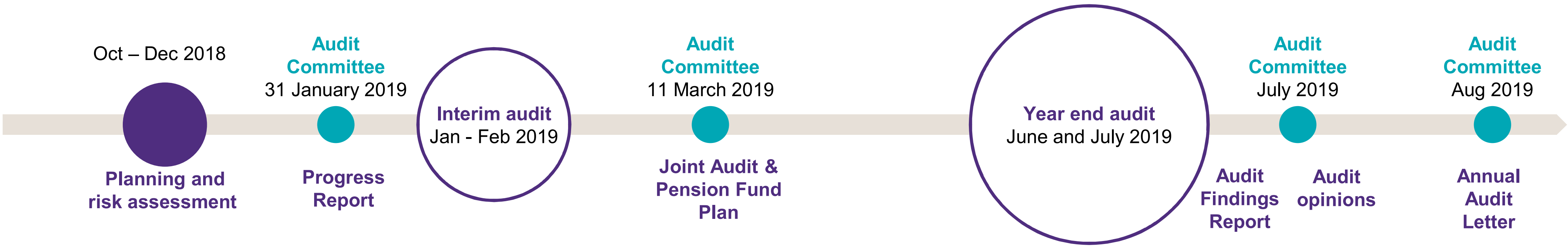
Change and transformation programmes and governance

You are embarking on some significant transformation programmes, including within Adults and Children's social care. Your plans are ambitious and complex and require robust arrangements. You are seeking to transform the way the organisation is working in terms of new technology, new structures, new ways of working and shifting focus to meet the needs of the diverse population which the organisation serves, whilst maintaining financial balance. You have brought in senior resource to provide experience and leadership in programme development and delivery, business case development and benefits realisation.

In response to this risk we will:

- Review your overarching programme management and governance arrangements
- Review your arrangements for designing, approving, implementing and monitoring transformation and change programmes and ensuring that these are aligned to your strategic objectives.
- Assess the robustness of arrangements for supporting effective business case development and identification of benefits
- Assess the extent to which planned transformation outcomes are reflected within the MTFS
- Assess how well prepared you are for identifying and measuring the benefits realised once these programmes are embedded, including monitoring how well potential non-financial benefits are converted into measurable organisational improvements.

Audit logistics, team & fees



Audit fees

The planned audit fees are £156,179 for the financial statements audit of the Authority, and £16,170 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, you must ensure that:

- All audit queries in our interim and final work are responded to in a timely manner and all required samples provided to enable completion of the interim audit prior to the March Audit Panel.
- The draft accounts are provided to us by 31 May and are fully accurate with minimal errors. Supporting schedules to all figures in the accounts and other working papers are provided to us by 31 May and in accordance with the agreed upon information request list. This must include all notes, the narrative report and AGS.
- 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. All supporting schedules are clearly presented and agree to figures in the accounts.
- Key management and accounting staff identified in our information request list are available throughout the duration of our audit visits to help us locate information and to provide explanations.
- All audit queries are resolved promptly and fully and within agreed timescales.

If any of the above requirements are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

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 Authority and the Fund. The following other services were identified:

Service	£	Threats	Safeguards
Audit related			
Certification of grants: Housing capital receipts, Housing Benefit Subsidy, claim and Teachers' Pensions claim	TBC	Self-Interest (because this is a recurring fee)	The terms of engagements are being agreed. The level of the expected fee individually or in aggregate taken on their own is not considered a significant threat to independence in comparison to the total fee for the audit of £156,179 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			
Place analytics – CFO Insights subscription	10,000	None identified	Not applicable – no independence threats identified

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 your policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee and Audit Committee Advisory Committee except the certification claims for which cannot commence until we receive your approval. 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.

Independence & non-audit services - continued

Non-audit services provided prior to appointment

Ethical Standards require us to draw your attention to relevant information on recent non-audit / additional services before we were appointed as auditor. In the table below we have set out the previous services we have provided to the Authority and the Fund.

Service	Date of service	Fees £	Would the service have been prohibited if we had been auditor?	Has the outcome of the service been audited or reviewed by another firm?	Commentary
Place analytics – CFO Insights subscription	2017/18	10,000	N	N	This work was completed prior to our appointment as your auditors

We do not believe that the previous service detailed above will impact our independence as auditors.

Grant Thornton

grantthornton.co.uk