



# The Audit Plan for Plymouth City Council

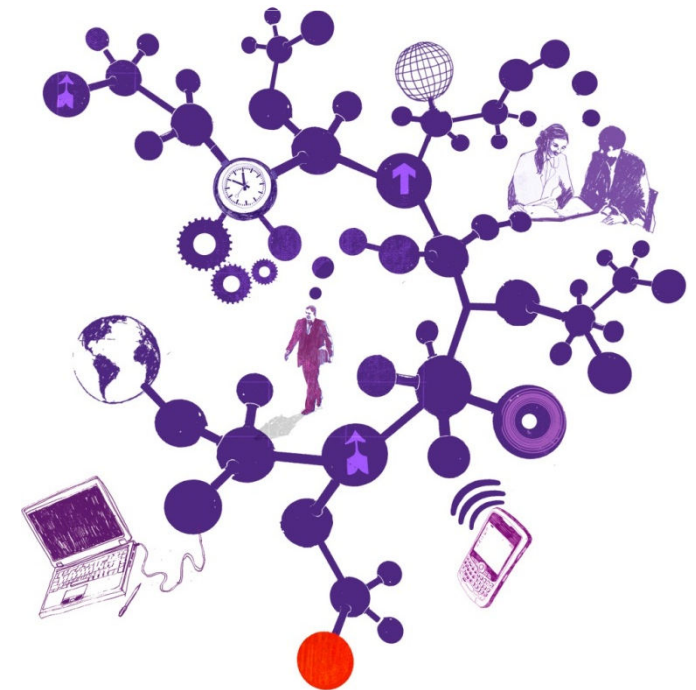
**Year ended 31 March 2013**

29 May 2013

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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 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 Council or any 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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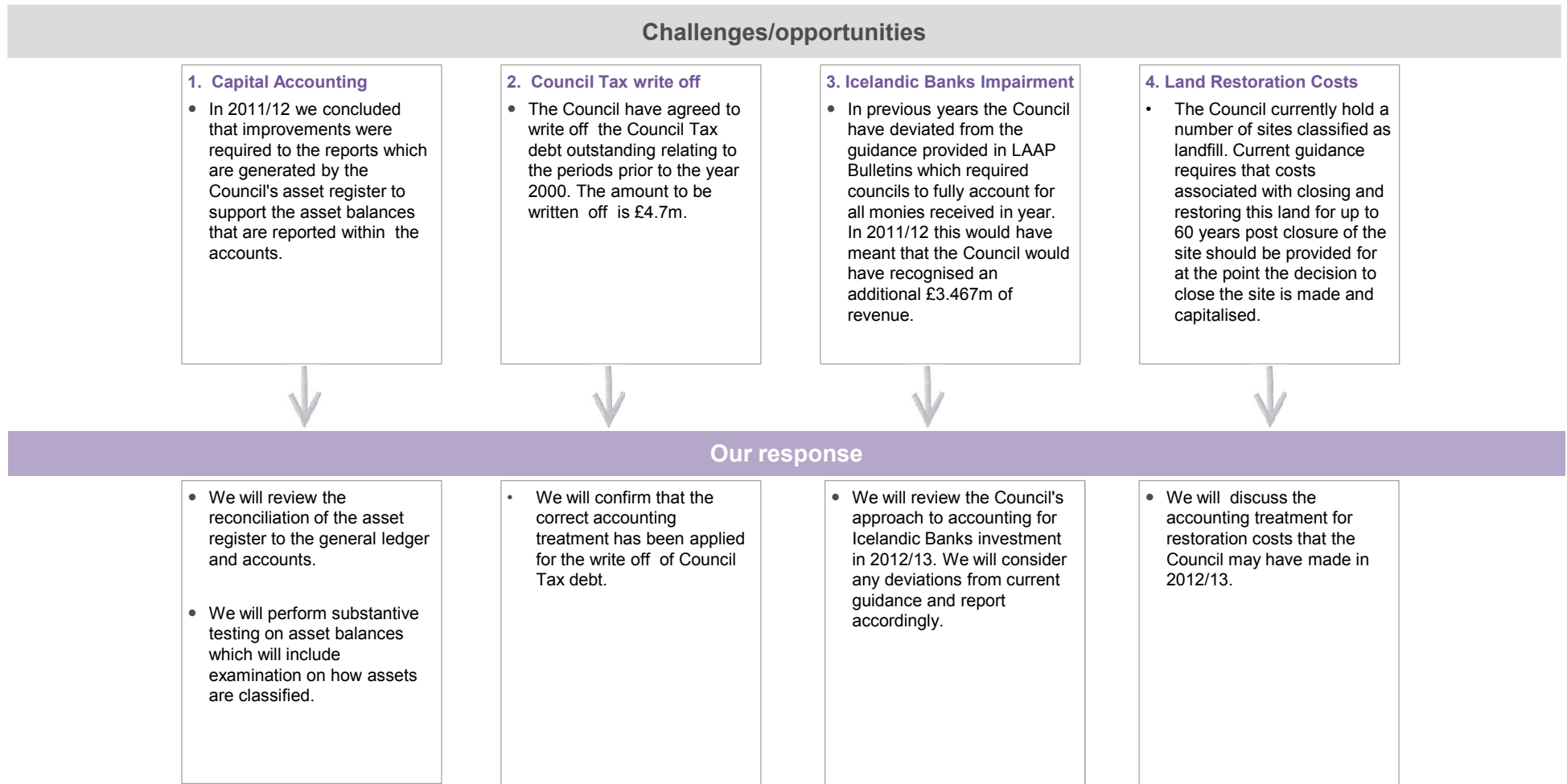
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# Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our current understanding below. We will continue to review the issues facing the Council throughout our audit and update our audit strategy accordingly.



# Understanding your business

## Challenges/opportunities

### 5. Waste Agreement

- The Council have entered into an arrangement with Torbay and Devon Councils to oversee and administer the build and operation of the Energy from Waste initiative in Plymouth.

### 6. Tamar Bridge Governance

- In 2011/12 we recommended that both Plymouth and Cornwall Councils consider the need for a memorandum of understanding to enhance the governance arrangements for the TB&TPF joint venture.

### 7. Mount Edgcumbe

- Both Plymouth and Cornwall Councils will need to account for the Mount Edgcumbe balances within both sets of accounts as single entity reporting.



## Our response

- We will consider the overall governance and accounting arrangements in place. We will review the accounting treatment of the financial transactions and discuss with the Council how these should be recorded within each of the participating Council's accounts in accordance with accounting standards.

- We have liaised closely with the two councils who have both agreed that a memorandum of understanding is required. Both Councils are in the process of drafting this.

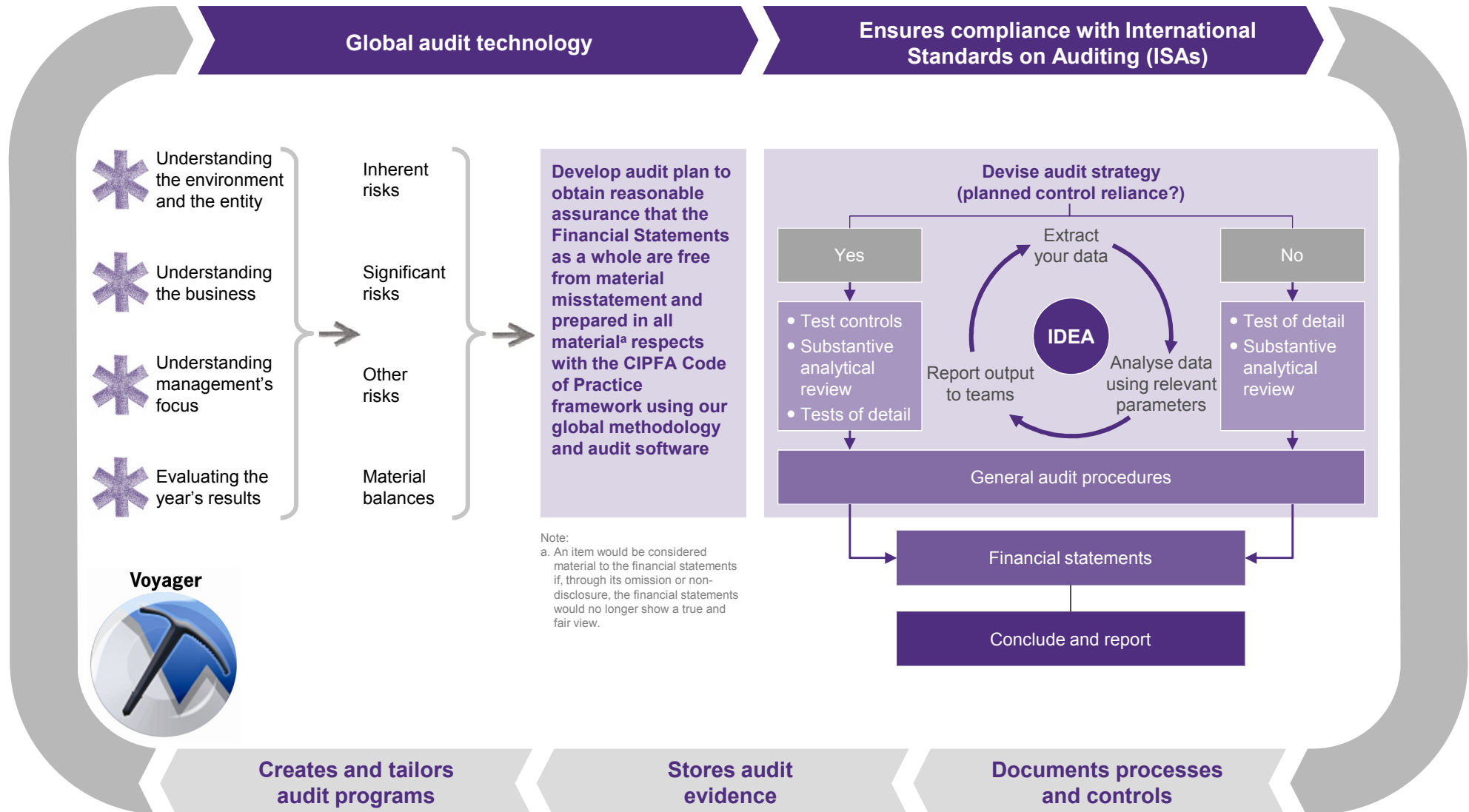
- We will review the accounting treatment for including the Mount Edgcumbe balances within Plymouth City's accounts.

# Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice and associated guidance . We link these to our current knowledge of the Council. These developments will be reviewed throughout our audit.

Developments and other requirements					
<p><b>1. Financial reporting</b></p> <ul style="list-style-type: none"> <li>• Changes to the CIPFA Code of Practice.</li> <li>• Transfer of school assets to Academies.</li> <li>• Recognition of grant conditions and income.</li> </ul>	<p><b>2. Legislation</b></p> <ul style="list-style-type: none"> <li>• Local Government Finance settlement 2012/13.</li> <li>• Welfare reform Act 2012.</li> </ul>	<p><b>3. Corporate governance</b></p> <ul style="list-style-type: none"> <li>• Annual Governance Statement (AGS).</li> <li>• Explanatory foreword.</li> <li>• Head of Internal Audit Opinion.</li> </ul>	<p><b>4. Pensions</b></p> <ul style="list-style-type: none"> <li>• Planning for the impact of 2013/14 changes to the Local Government pension Scheme (LGPS).</li> </ul>	<p><b>5. Financial Pressures</b></p> <ul style="list-style-type: none"> <li>• The Council has a net revenue budget of £203.76m. Budget monitoring information in September 2012 forecast a deficit of £3.5m. The Council have implemented a series of measures to address this. Current predictions indicate a deficit of £1.5m at year end.</li> </ul>	<p><b>6. Other requirements</b></p> <ul style="list-style-type: none"> <li>• The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion.</li> <li>• The Council completes grant claims and returns on which audit certification is required.</li> </ul>
Our response					
<p>We will ensure that</p> <ul style="list-style-type: none"> <li>• The Council complies with the requirements of the CIPFA Code of Practice through our substantive testing.</li> <li>• Schools are accounted for correctly and in line with the current guidance.</li> <li>• Grant income is recognised in line with the correct accounting standard.</li> </ul>	<ul style="list-style-type: none"> <li>• We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• We will review the arrangements the Council has in place for the production of the AGS.</li> <li>• We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge.</li> <li>• We will review the contents of the Head of Internal Audit Opinion and consider the conclusions made in light of our knowledge of the Council's systems.</li> </ul>	<ul style="list-style-type: none"> <li>• We will discuss how the Council is planning to deal with the impact of the 2013/14 changes through our meetings with senior management.</li> </ul>	<ul style="list-style-type: none"> <li>• We will review the Council's performance against the 2012/13 budget, including consideration of performance against the savings plan.</li> <li>• We will undertake a review of Financial Resilience as part of our VFM conclusion- please see the VFM section of this plan.</li> </ul>	<ul style="list-style-type: none"> <li>• We will carry out work on the WGA pack in accordance with requirements.</li> <li>• We will certify grant claims and returns in accordance with Audit Commission requirements.</li> </ul>

# Our audit approach



# An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

**Significant** – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

**Other** – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

**None** – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses not correct	✓
Costs of services – Housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	No	Property, Plant and Equipment	Low	None		×
Payments to Housing Capital Receipts Pool	No	Property, Plant & Equipment	Low	None		×
Precepts and Levies	No	Council Tax	Low	None		×



## An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	Yes	Borrowings	Low	None		✓
Pension Interest cost	Yes	Employee remuneration	Low	None		✓
Interest & investment income	No	Investments	Low	None		✗
Return on Pension assets	Yes	Employee remuneration	Low	None		✓
Impairment of investments	No	Investments	Low	None		✗
Investment properties: Income expenditure, valuation, changes & gain on disposal	No	Property, Plant & Equipment	Low	None		✗
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
PFI revenue support grant & other Government grants	Yes	Grant Income	Low	None		✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		✓

## An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		×
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	PPE activity not valid	✓
Property, Plant & Equipment	Yes	Property, Plant & Equipment	Medium	Other	Revaluation measurements not correct	✓
Heritage assets & Investment property	Yes	Property, Plant & Equipment	Low	None		✓
Intangible assets	No	Intangible assets	Low	None		×
Investments (long & short term)	No	Investments	Low	None		×
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		×
Inventories	No	Inventories	Low	None		×
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓

## An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	Yes	Debt	Low	None		✓
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	Yes	Provision	Low	None		✓
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

# Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Understanding of the system.</li> <li>• Walkthrough testing of the system.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Review and testing of revenue recognition policies.</li> <li>• Performance of attribute testing on material revenue streams.</li> </ul>
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Understanding of the methodology for accounting estimates, judgments and decisions made by management.</li> <li>• Testing of journal entries.</li> <li>• Review of unusual significant transactions, through issue of ISA 240 request letters.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Testing of significant accounting estimates, judgments and decisions made by management.</li> <li>• Further testing of year end journals.</li> <li>• Testing of unusual significant transactions.</li> </ul>

# Other risks

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Operating expenses understated	<ul style="list-style-type: none"> <li>Interim review has been undertaken and has incorporated walkthrough and controls testing.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing as part of the final accounts audit.</li> </ul>
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> <li>Interim review has been undertaken and has incorporated walkthrough and controls testing.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing as part of the final accounts audit.</li> </ul>
Employee remuneration	Remuneration expenses not correct	<ul style="list-style-type: none"> <li>Interim review has been undertaken and has incorporated walkthrough and controls testing.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing as part of the final accounts audit.</li> </ul>
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> <li>Interim review has been undertaken and has incorporated walkthrough testing and further testing where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing as part of the final accounts audit.</li> </ul>
Housing Rent Revenue Account	Revenue transactions not recorded.	<ul style="list-style-type: none"> <li>Interim review has been undertaken and has incorporated walkthrough testing and further testing where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing as part of the final accounts audit.</li> </ul>
Property, Plant & Equipment	PPE activity not valid	<ul style="list-style-type: none"> <li>Interim review has been undertaken and has incorporated walkthrough testing and further testing where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing as part of the final accounts audit.</li> </ul>
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> <li>Interim review has been undertaken and has incorporated walkthrough testing and further testing where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>Substantive testing as part of the final accounts audit.</li> </ul>

# Results of interim audit work

## Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we considered:

- reviewed the overall effectiveness of the Internal Audit function.
- reviewed Internal Audit's work on the Council's key financial systems – Operating Expenses and Employee Remuneration
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement – Property Plant and Equipment, Operating Expenses, Employee Remuneration and Welfare Expenses.
- controls testing in respect of Operating Expenses and Employee Remuneration.
- a review of information technology (IT) controls.
- a review of in year Journals (month 1 – 10) was undertaken.

	Work performed	Conclusion
Internal audit	<p>In preparation for our final accounts work, we reviewed Internal Audit's work on the financial systems. We received ten reports by 13 April 2013, of which four were still in draft format. Internal Audit had agreed the issues on site and were awaiting formal responses from the client. This is an improvement over 2011-12 where there was a delay in the completion of some work and the issue of draft reports, with the latest being received in July 2012.</p> <p>Internal Audit has reviewed and issued final reports prior to the 13<sup>th</sup> April 2013 as follows:</p> <ul style="list-style-type: none"> <li>• Revenues and Benefits</li> <li>• Payroll</li> <li>• Main Accounting</li> <li>• Risk Management</li> <li>• ICT Services</li> <li>• Care First.</li> </ul> <p>The Following reviews have been reported to the council in draft and are awaiting client response:</p> <ul style="list-style-type: none"> <li>• Loans and Investments</li> <li>• Capital Accounts</li> <li>• Creditor</li> <li>• Debtors.</li> </ul>	<p>Overall, we have concluded that the internal audit service continues to provide an independent and satisfactory service to the council and that we can take assurance from Internal Audit's work in contributing to an effective internal control environment.</p> <p>Whilst the audit plan did identify the quarters in which the work was planned to be undertaken the audits were not clearly aligned to the risks that had been identified. We recommend that transparency be improved over the risk assessment supporting the programme of work for the annual audit plan.</p>

## Results of interim audit work (continued)

	Work performed	Conclusion
<p><b>Internal audit (continued)</b></p>	<p>In assessing the effectiveness of Internal Audit work, we reviewed a sample of Internal Audit files against the CIPFA Public Sector Internal Audit Standards sections 5, 7 and 9 to ensure that:</p> <ul style="list-style-type: none"> <li>• work was adequately documented and reviewed</li> <li>• key controls had been identified and evaluated</li> <li>• key controls had been tested</li> <li>• results of testing supported the conclusions made, and</li> <li>• weaknesses had been reported to management.</li> </ul> <p>The results provided assurance over the reviews that have been undertaken by Internal Audit. As part of our audit strategy we have undertaken controls testing and have placed reliance on Internal Audit's work.</p> <p>The Internal Audit Progress reports to the Audit Committee were reviewed for Quarters 1, 2 and 3. These reports provide an update on the work that has been completed against the plan for the year. These updates are important to those charged with governance on the status of the work undertaken.</p> <p>As part of the financial resilience work in 2011-12 the Internal Audit Plan for 2012-13 was reviewed and rated amber. This was reported to the Audit Committee in December 2012. In particular, we identified that the Internal Audit Plan could have been improved by:</p> <ul style="list-style-type: none"> <li>• Outlining when the work was planned to be performed; and</li> <li>• Being more explicit on the risk that would be examined. This would provide the Council with more specific assurance over its management arrangements.</li> </ul>	

## Results of interim audit work (continued)

	Work performed	Conclusion
<b>Internal audit (continued)</b>	The Internal Audit Plan for (2013-14) has been reviewed to identify whether these improvements have been addressed. We found that whilst the audit plan did identify the quarters in which the work was planned to be undertaken the audits were not clearly aligned to the risks that had been identified. Consequently, whilst some of the improvements have been implemented, improved transparency over the risk assessment supporting the programme of work has yet to be developed to provide the Audit Committee with detailed information that would assist with the overall risk management arrangements of the Council.	
<b>Walkthrough testing</b>	Walkthrough tests were completed in relation to those areas where we consider there to be a risk of material misstatement within the financial statements. These areas are: <ul style="list-style-type: none"> <li>• Property Plant and Equipment (PPE);</li> <li>• Operating Expenses;</li> <li>• Employee Remuneration; and</li> <li>• Welfare Expenditure.</li> </ul>	No significant issues were noted as part of the walkthrough testing undertaken. We also tested the controls in operation within 2 of these systems – Operating expenses and Employee Remuneration. See details below. For the remaining two areas we will undertake substantive testing at year end as part of the final accounts visit.
<b>Review of Controls for Operating Expenses</b>	We undertook detailed testing of the key controls for Operating Expenses.	We concluded, from the work undertaken to date, that key controls are operating effectively. No significant issues were noted. The key controls were observed to be operating in accordance with our expectations.
<b>Review of Controls for Employee Remuneration</b>	We undertook detailed testing of the Key controls for Employee Remuneration..	We concluded, from the work undertaken to date, that key controls are operating effectively. No significant issues were noted. The key controls were observed to be operating in accordance with expectations.
<b>Review of information technology (IT) Controls</b>	A high level review has been undertaken in respect of the general IT control environment, as part of the overall review of the internal controls system. The results of this work are not available at the time of this report and will be reported to those charged with governance at a later time.	No conclusions have been drawn at the time of this report and therefore any issues identified will be reported in our ISA 260 report.



## Results of interim audit work (continued)

	Work performed	Conclusion
<b>Journal entry controls</b>	<p>We reviewed the Council's journal entry policies and procedures as part of determining our journal testing strategy.</p> <p>We identified a weakness which could adversely impact on the Council's control environment or financial statements, relating to the fact that the Council does not have a process in place to authorise journals prior to posting.</p> <p>We also noted that:</p> <ul style="list-style-type: none"> <li>two Senior members of the Council's finance team have the ability to post journals; and</li> <li>access levels in the General Ledger are reviewed annually by the Council's ICT department who would not have the relevant knowledge to assess whether that level of that access is appropriate.</li> </ul> <p>Whilst our testing confirmed that no journals had been posted by the senior officers, this still represents a control weakness.</p> <p>To date we have undertaken detailed testing on journal transactions recorded for the first 10 months of the financial year. The journals we tested were extracted using Computer Assisted Audit Techniques (CAATS). The results of our testing did not identify any issues of concern. Additional work will be undertaken during final accounts on the remaining two months of journal transactions and year end processing.</p> <p>As a result of the weaknesses identified above, additional examination was made on all large journals that were posted by members of the corporate finance team. The results of the examination did not identify any issues of concern.</p>	<p>A weakness has been identified as there is no authorisation process for journals prior to posting. In addition weaknesses over access controls mean that the control environment for journal processing is not as strong as it should be.</p> <p>Recommendations in respect of these issues are shown in the Action Plan appended to this report.</p> <p>Further testing of journals will be undertaken as part of the final accounts audit. This will include examination of the remaining two months of the financial year and year end journal processing.</p> <p>Additional work will be undertaken on other individuals that are able to post journals during the year end procedures, this will include both in year and year end journals that have been processed.</p>

# Value for Money

## Introduction

The Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

## 2012/13 VFM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to Audit Committee.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

## Code criteria

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources

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

## Work to be undertaken

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

Specifically we will:

- Perform a detailed review of Financial Resilience including an overview of the Adult Social Care budget,
- Perform an overview of the ICT new contract arrangements,
- Perform an overview of the Enterprise initiative entered into jointly with the Local Enterprise Partnership, and
- Follow up recommendations made in our 2011/12 VFM reports.

# Logistics and our team



Date	Activity
Dec- Feb 2013	Planning meetings with Senior officers
March – April 2013	Interim site work
June 2013	The audit plan presented to Audit Committee
July 2013	Year end fieldwork commences
September 2013	Audit findings clearance meeting
September 2013	Audit Committee meeting to report our findings
25 September 2013	Sign financial statements and VfM conclusion
October 2013	Issue Annual Audit Letter

## Our team

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# Fees and independence

## Fees

	2012/13	2011/12
Council audit	£181,428	£302,380
Grant certification	Indicative £23,900	£53,319
<b>Total</b>	<b>£205,328</b>	<b>£355,699</b>

## Fees for other services

Service	2012/13	2011/12
Plymouth City Airport Due Diligence review and presentation of findings.	£1,500	£16,900

### Our fee assumptions include:

- Our fees are exclusive of VAT
- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

### Independence and ethics

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 Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

# Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

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 communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Internal Audit plans and progress reports should clearly identify the risks that have been assessed.	Medium	The audit plan is put together based on discussions with senior managers and a detailed audit risk prioritisation process which considers a range of factors to determine a relative audit priority. Devon Audit Partnership will liaise with Grant Thornton to consider how the presentation of plans and progress reports can be improved further.	Target date – September 2013 Responsible Officers - Head of DAP / Audit Managers
2	Appropriate arrangements to review and authorise journals within set parameters prior to posting to the General Ledger, should be introduced.	High	<p>There is a Journal Working Practice which sets out the expectations regarding the processing of journals, including the evidence required to substantiate the transaction and the relevant approval required for the various journal types. However, the authorisation process does not extend to approval on the General Ledger system prior to posting.</p> <p>Full review of current working practices for virements and journals is currently on-going, including the option of implementing web-based approval of journals on the system. Revised working practices to be issued when complete.</p>	Target Date – August 2013 Responsible Officer – John Bougeard, Group Accountant

# Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
3	A review of access rights should be undertaken by appropriate members of the Corporate Finance team in order to ensure that these are legitimate.	Medium	Agreed. The working practices for this area have been reviewed and will be strengthened following this recommendation. The practice will now be to review all General Ledger Users who have more than 'read only' access on a quarterly basis. Each Senior Accountant will be asked to agree this level of access for users within their management account area. An annual review will be undertaken for all users.	Target Date – June 2013 Responsible Officer – Adrian Sluman, Senior Accountant Reviewing Officer – John Bougeard, Group Accountant
4	Senior finance staff should be provided with 'read only' access and should not have the ability to post journals.	Medium	Agreed. The permissions of the two Strategic Finance Managers, Chris Randall and Simon Arthurs, have been amended so that they now have 'read only' access to the General Ledger. This now reflects the same access level as the Head of Finance, David Northey,	Completed 28/05/2013 Requested by Chris Randall Actioned by Steve Brazier



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