



Argyll and Bute Council

Audit Approach Memorandum 2009-10

11 February 2010

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1 Executive summary

1.1 Introduction

Grant Thornton UK LLP has been appointed by the Accounts Commission for Scotland as the external auditor of Argyll and Bute Council (the Council) for the five year period commencing 2006-07. This Memorandum outlines how we will approach the audit of the Council in the fourth year of our appointment, and reflects our statutory duties and risk based approach.

Specific duties for external auditors are contained principally in the Local Government (Scotland) Act 1973, the Code of Audit Practice and in the audit engagement letter issued to auditors by Audit Scotland. These include undertaking the audit in accordance with relevant legislation and Statements of International Auditing Standards and applicable Practice Notes issued by the Auditing Practices Board.

1.2 Summary of audit objectives

In accordance with the Code we have the following audit objectives:

Table 1: Summary of audit objectives

Area	Audit objectives
Financial statements	To provide an opinion on the Council's financial statements for the year ending 31 March 2010.
Governance	To review and report on the Council's corporate governance arrangements, including systems of internal control, arrangements for the prevention and detection of fraud and corruption, standards of conduct and the Council's financial position.
Performance	To review and report on the Council's arrangements to achieve Best Value, other aspects of arrangements to manage performance as they relate to economy, efficiency and effectiveness in the use of resources and arrangements for preparing and publishing statutory performance indicators. Auditors' responsibilities in relation to Best Value are primarily discharged by Audit Scotland.
Grants	To provide an independent auditor's report on specified grant claims in accordance with Audit Scotland guidelines.

1.3 Role and responsibilities

The Code of Audit Practice is issued by Audit Scotland on behalf of the Auditor General for Scotland and the Accounts Commission for Scotland. The Code defines responsibilities of appointed auditors when auditing public sector bodies.

The Code requires us to take a risk based approach and our risk assessment, together with planned audit outputs, in relation to each of the above areas is summarised in the following sections of this plan. We will keep our initial risk assessments under review and discuss any significant changes to the nature and scope of our audit with you.

In planning and carrying out the audit we will also have due regard to the Statement of Responsibilities, issued by Audit Scotland, which sets out the respective roles and responsibilities of the Council and its auditors.

1.4 Independence and robustness

We confirm that, in our professional opinion, Grant Thornton UK LLP will be independent under regulatory and professional rules. In addition, the objectivity of Gary Devlin, the audit engagement lead, and all audit staff is, and will not be, impaired.

To maintain our independence as auditors we ensure that:

- engagement leads are rotated off the audit every five years and audit managers every seven years
- Grant Thornton UK LLP, its partners and the audit team have no family, financial, employment, investment or business relationship with the Council or its Group
- our fees do not represent an inappropriate proportion of total fee income for either the firm, office or individual engagement lead. We do not undertake non-audit work for the Council.

At all times during the audit, we will maintain a robustly independent position in respect of key judgement areas.

1.5 Other matters

We set out in Section 6 details of our audit team and our proposed fee, based on our responsibilities and risk assessment.

A summary of planned audit outputs and reports for the 2009-10 audit is set out in Appendix A and our planned reliance on internal audit is set out in Appendix B.

2 Financial statements

2.1 Introduction

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

- ensure the regularity of transactions by putting in place systems of internal control to ensure that financial transactions are in accordance with the appropriate authority
- maintain proper accounting records
- prepare financial statements which give a true and fair view of the financial position of the Council and its expenditure and income in accordance with the Statement of Recommended of Practice (SORP).

The auditor is required to audit the financial statements and to give an opinion as to:

- whether they give a true and fair view of the financial position of the Council and its expenditure and income for the period in question
- whether they have been prepared properly in accordance with relevant legislation, applicable accounting standards and other reporting requirements
- whether the Statement on Internal Control has been presented in accordance with relevant requirements and to report if it does not meet these requirements, or if the statement is misleading or inconsistent with our knowledge.

2.2 Overall approach

In order to gain sufficient assurance to support our opinion on the financial statements, we will carry out a review of:

- internal audit, to determine the extent of reliance we can place on it for the purposes of our audit (Appendix B summarises the areas of internal audit work we plan to place reliance on)
- the internal control framework for key financial systems
- review of computerised controls operating across major IT systems
- the materiality of balances and transactions impacting on the financial statements
- the key risks relevant to the preparation and audit of the financial statements
- the Council's arrangements for the preparation of its financial statements and for the Whole of Government Accounts consolidation pack.

2.3 Risk assessment and response

Our audit work is risk based and proportionate. On the basis of our preliminary work to date, we have identified the following audit risks in relation to the financial statements aspect of our audit:

Table 2: Risk assessment (financial statements)

Key risk area	Our response
<p><i>The 2009 SORP- changes in the accounting arrangements for PFI schemes</i></p> <p>Local authorities have a duty under section 12 of the Local Government in Scotland Act 2003 (the 2003 Act) to observe proper accounting practices. The <i>Code of practice on local authority accounting in the United Kingdom – A statement of recommended practice</i> (the SORP) constitutes proper accounting practice for the purposes of section 12 and, therefore, authorities are required to comply with the SORP when preparing their accounts.</p> <p>The most significant change to the SORP for 2009-10 is in respect of the accounting requirements for private finance initiative and similar contracts which are no longer based on Financial Reporting Standard 5 but on an interpretation of IFRIC 12 'Service concession arrangements' contained in the Government Financial Reporting Manual.</p> <p>The Council currently has 2 schemes which will be impacted by this change: the Waste Management PPP Scheme and the School's NPDO Scheme. It is expected the impact of the changes will be that the associated assets and liabilities of each scheme will now be included in the Council's balance sheet</p>	<p>Section 99 of the Local Government (Scotland) Act 1973 (the 1973 Act) places a duty on external auditors to be satisfied that authorities have observed proper accounting practices in the preparation of their accounts. We are therefore required to confirm that the Council has prepared their accounts in compliance with the 2009 SORP in all material respects.</p> <p>The Council has already started work on reviewing its PPP/PFI schemes and we plan to review this work at an early stage before the accounts are prepared.</p> <p>In addition, a joint Council/Grant Thornton workshop covering the 2009 SORP and accounts closedown and audit arrangements will take place on 9 March 2010. This gives us the opportunity to discuss in more detail the key changes to the accounts arising from the 2009 SORP.</p>
<p><i>International Financial Reporting Standards (IFRS)</i></p> <p>Local government bodies will be required to prepare their accounts on the basis of IFRS from 2010-11. A transition period is currently underway whereby the Council is preparing a shadow balance sheet under IFRS as at 31 March 2009. In addition, the 2009-10 accounts will be restated under IFRS.</p> <p>The Council has set up an IFRS project team, and has engaged the services of Pricewaterhouse Coopers-CIPFA to assist in the IFRS restatement exercise. An initial assessment of the key areas for the Council to consider has already been prepared and an action plan for future actions has been developed.</p> <p>The transition to IFRS is complex process, and requires detailed project planning to ensure the Council is able to fully implement the standard in line with the planned timetable. It should also be noted that the process requires Council wide co-operation, which will be critical for the success of the project.</p>	<p>We held a planning meeting with the Corporate Finance team to discuss the Council's progress in implementing IFRS and the results from the initial assessment.</p> <p>During the 2009-10 audit year, we intend to review the Council's arrangements for the transition to IFRS and review the key accounting judgements and journal entries for the shadow balance sheet as at 31 March 2009.</p> <p>In addition, we will address key IFRS accounting issues in the workshop arranged for 9 March 2010.</p>

Key risk area	Our response
<p><i>Specific accounting issues</i></p> <p>The following specific accounting issues were identified at the conclusion of the 2008-09 audit:</p> <ul style="list-style-type: none"> • The new police and fire pension schemes are not covered by the Local Government Pension Reserve Fund (Scotland) Regulation 2003. As a result, Councils were unable to reverse out the pension costs applicable under FRS 17, Retirement Benefits, and replace them with the actual pension contributions paid out of the general fund. The Scottish Government were looking to pass legislation to remedy this situation, although it is not clear if this will be resolved for the 2009-10 financial year, • We noted that no formal impairment reviews had been undertaken for assets held for sale. This increases the risk of misstatement if asset prices have declined due to the current economic conditions. • There were some discrepancies in the accuracy of the fixed asset register. The Council identified £0.3 million of fixed assets disposed of in the year that were not initially recorded in the fixed asset register. In addition, audit work on fixed asset disposals noted assets sold in previous periods and assets that had never been the property of the Council. 	<p>We will follow up the progress of agreed audit action points in our 2009-10 audit and report on the progress of implementation.</p>
<p><i>Financial position</i></p> <p>The impact of the credit crunch on the global economy has led to a significant deterioration in the financial position of the UK government. This will translate into reduced public sector funding across all public services for the foreseeable future, with the likely impact taking effect on the Council's funding from 2010-11 onwards. The Council is aware of this issue and is in the process of bringing forward plans to contain costs and safeguard core services.</p> <p>The Council has projected that it is likely to face a significant budget shortfall in the 3 year period to 2011-12. In response, the Council is currently identifying proposals to increase income and reduce expenditure to meet the expected budget shortfall. Although the Council has sufficient general fund reserves, the level of unearmarked reserves may not cover budget shortfalls.</p>	<p>We will follow up the Council's progress in implementing agreed recommendations to improve financial planning and budgetary control arrangements. This will take into account the improvements to financial arrangements as a result of the best value review of Strategic Finance.</p>
<p><i>Single Status Appeals</i></p> <p>During 2007-08, the Council implemented a new Pay and Grading Model and also revised staff</p>	<p>We will review the Council's progress in settling single status appeals and consider the valuation</p>

Key risk area	Our response
<p>terms and conditions. Each role within the council was reviewed, and given a grade within the new structure. Where the new grade resulted in an increase in pay, this was backdated to 1 April 2006.</p> <p>A number of staff have exercised their rights to appeal the determination of their allocated grade under single status arrangements. If an appeal is successful then any pay differential is normally backdated to 1 April 2006, and the Council is also required to honour the new salary scale increase for the particular individual or staff group. A provision of £0.8m was recognised in the 2008-09 accounts for all appeals known at that date. In addition, the Council recognised a contingent liability for those cases under appeal but where no final decision has been taken.</p> <p>There is a risk that the costs of the single status appeals will be significant and increase the pressure on the budgetary position.</p>	<p>of any provision as at 31 March 2010.</p>

2.4 Audit timetable and planned outputs

Table 3 summarises the audit timetable and planned outputs from the financial statements audit.

Table 3: Audit timetable and planned outputs

Audit output	Fieldwork	Target Delivery
Interim Report- core financial systems & governance	March 2010	31 May 2010
Interim Report- preparations for IFRS	February to May 2010	30 June 2010
Report on the 2009-10 financial statements audit	July to September 2010	10 September 2010

3 Governance

3.1 Introduction

Corporate governance is concerned with structures and processes for decision-making, accountability, control and behaviour at the upper levels of the organisation. The Council is responsible for putting in place arrangements for the conduct of its affairs, including compliance with applicable guidance, ensuring the legality of activities and transactions and monitoring the adequacy and effectiveness of these arrangements in practice. The Council's Audit Committee should have a role in monitoring these arrangements.

Commensurate with the wider scope of a public sector audit, the Code gives the auditor a responsibility to review and, where appropriate, report findings on the Council's corporate governance arrangements as they relate to:

- the Council's review of its systems of internal control, including its reporting arrangements
- the prevention and detection of fraud and irregularity
- standards of conduct, and arrangements in relation to the prevention and detection of corruption
- the financial position of the Council.

3.2 Overall Approach

We will assess the adequacy of the Council's governance arrangements by:

- reviewing the Council's overall arrangements in relation to each of the above areas
- reviewing the extent of compliance with the Code of Practice for Internal Audit in Local Government
- evaluating the Council's approach to risk management, including arrangements to address the key risks identified in this section of the audit plan.

3.3 Risk assessment and response

Our audit work is risk based and proportionate. On the basis of our preliminary work to date, we have identified the following audit risks in relation to the financial statements aspect of our audit:

Table 4: Risk assessment (governance)

Key risk area	Our response
<p><i>National Fraud Initiative</i></p> <p>The Council is currently participating in the 2008-09 NFI cycle. We have previously reported that although the Council has improved the planning and monitoring procedures for the NFI process, there continued to be a lack of progress in processing data matches.</p> <p>The NFI process is a key control in preventing and detecting fraud and irregularities.</p>	<p>We have followed up the Council's progress in processing NFI matches, and all the relevant matches have now been assigned.</p> <p>We will report on the Council's performance in the NFI cycle and summarise our findings in the interim management report.</p>
<p><i>Contract management</i></p> <p>The Council spends significant sums annually on its capital programme and needs effective contract management arrangements.</p> <p>In 2008-09, we reported on the Council's contract management arrangements, particularly in relation to the management of the Argyll Air Services Project. Our report noted several significant weaknesses in the Council's processes.</p> <p>Since then, the Council has made significant revisions to the arrangements for contracts and tendering with the aim of improving contract management.</p>	<p>We will carry out a follow up review of the Council's contract management arrangements, and will perform a detailed review on a sample of key contracts.</p>
<p><i>Internal audit</i></p> <p>The Council's internal audit section is a key part of the Council's governance arrangements. If internal audit is to be effective, it must be independent, properly resourced and comply with relevant best practice in planning and undertaking its work.</p> <p>The Council has not yet finalised a clear strategy setting out its vision for the future role, remit and structure of the internal audit section that meets the new challenges facing local government. A benchmarking exercise is currently underway, and the results of this will be used to assess the Council's options on the future of the service.</p>	<p>We will review the Council's progress in developing a future strategy and vision for the provision of internal audit.</p>

Key risk area	Our response
<p><i>Corporate restructuring</i></p> <p>The Council is currently undergoing a significant restructuring of the Senior Management Team and service heads. This will involve a reduction in the number of Directors from four to three, and a reduction in the number of heads of service from 15 to 12.</p> <p>This is a significant change in the corporate structure of the Council and will involve careful planning to ensure it does not disrupt the delivery of services. In addition, the Council will need to ensure it is in compliance with relevant legislation and guidance on redundancies.</p>	<p>We will review the Council's process for undergoing the restructure process to ensure it is in compliance with relevant legislation and guidance.</p> <p>Our review will also consider the costs of the scheme and whether they offer best value to the Council.</p>

3.4 Audit timetable and planned outputs

Table 5 summarises the audit timetable and planned outputs from the financial statements audit.

Table 5: Audit timetable and planned outputs

Audit output	Fieldwork	Target Delivery
Interim Report- core financial systems & governance	March 2010	31 May 2010
Interim Report- contract management follow up	February to May 2010	30 June 2010

4 Performance

4.1 Introduction

The Local Government in Scotland Act 2003 established Best Value as a statutory requirement for all councils. The Act defines Best Value as ‘continuous improvement in the performance of the authority’s functions’. The objective of Best Value is to ensure that councils deliver better and more responsive public services by:

- balancing the quality of services with cost
- continuously improving the services provided
- being accountable and transparent, by listening and responding to the local community
- achieving sustainable development in how the council operates
- ensuring equal opportunities in the delivery of services.

4.2 Audit Approach

There will be two significant changes to the way we discharge our audit responsibilities in relation to the Council's performance in 2009-10. Firstly, the *Crerar* report on the independent review of regulation, audit, inspection and complaints handling of public services in 2007 contained a series of recommendations designed to streamline the scrutiny landscape in Scotland. In their response to the report, Scottish Ministers asked the Accounts Commission to establish a single audit framework to reduce the burden of scrutiny for local authorities. The Accounts Commission has also made a significant change to its approach to auditing Statutory Performance Indicators.

Streamlining Scrutiny

Work has now begun on creating a more co-ordinated approach to audit and inspection. Local area networks (LANs) have been established at each council, which bring together local scrutiny bodies including Audit Scotland, HM Inspectorate of Education, the Scottish Housing Regulator and the Social Work Inspection Agency. Auditors are key members of the LAN for each council.

The LAN will develop a single corporate assessment and shared risk assessment for each local authority. From this, an assurance and improvement plan (AIP) will be prepared which would cover all scrutiny activity over a three year period for each council.

The LAN will agree what the appropriate scrutiny response should be over the next 3 years, based on the result of the shared risk assessment. This should be proportionate and aligned to the assessed level of risk. The Argyll & Bute LAN is scheduled to prepare a draft AIP at its meeting on 15th January. The draft AIP will be subject to review by a Quality and Consistency Review Panel, before being submitted to the Council for discussion and agreement.

Table 6: Risk assessment (performance)

Key risk area	Our response
<p><i>Best Value Follow Up / BV2</i></p> <p>A key component of the shared risk assessment will be the extent to which implementation of the existing BV Improvement Plan has had the anticipated impact.</p> <p>The timing of a BV2 audit visit is dependent on the results of the shared risk assessment undertaken by the LAN. This will be communicated in the agreed Assurance Improvement Plan.</p>	<p>We will continue to assess the progress that the Council is making against its agreed improvement priorities.</p> <p>We will report our findings locally and results will feed into future risk assessments.</p> <p>We will work with the Council, the local area network, and Audit Scotland to deliver a shared risk assessment and develop and assurance and improvement plan tailored to the Council.</p>
<p><i>Statutory Performance Indicators</i></p> <p>The SPI direction for 2009-10 incorporates two main requirements:</p> <ul style="list-style-type: none"> • that councils report a range of sufficient information to demonstrate best value in relation to corporate management (SPI 1); and • that councils report a range of information sufficient to demonstrate best value in relation to service performance (SPI 2). <p>In reporting against SPIs 1 and 2, the Councils will be required to report performance against 25 indicators specifically defined by the Accounts Commission. However, this provides a key opportunity to develop and report on locally determined indicators that reflect how the Council is performing as a whole. It is essential that these indicators are developed from existing performance management measures and that arrangements are in place to ensure the reliability and accuracy of the information to be reported.</p>	<p>We will review the Council's arrangements for meeting the revised requirements. Specifically, we will consider where the range of performance information reported locally is sufficient to demonstrate that the Council is achieving Best Value.</p> <p>We will draw upon internal audit's work on the PPMF in undertaking this assessment.</p>
<p><i>Impact of National Performance Audit Reports</i></p> <p>As part of the development of joint scrutiny and shared risk assessment, Audit Scotland's national audit work will increasingly be informed by local risk assessments, with future studies programmes being more</p>	<p>We will review the progress that the Council has made in implementing recommendations from national reports. Where necessary, we will report on any weaknesses in the final audit report.</p>

Key risk area	Our response
<p>responsive to information and intelligence generated through local audit work.</p> <p>To maximise the impact of the national audit work programme, we are required to follow up national reports affecting the Council 3 and 12 months following publication.</p>	

4.3 Audit timetable and planned outputs

Table 7 summarises the audit timetable and planned outputs from the financial statements audit.

Table 7: Audit timetable and planned outputs

Audit output	Fieldwork	Target Delivery
Assurance and Improvement Plan	November 2009 - March 2010	30 April 2010
Statutory Performance Indicators	March to August 2010	30 September 2010
Best Value Follow Up	June to July 2010	31 August 2010
Response to national studies	Throughout the year	As required by Audit Scotland

5 Grant claims

5.1 Introduction

We will audit the grant claims notified to us by the Council at the start of the audit, and authorised for audit by Audit Scotland, which currently are:

- housing and council tax benefit subsidy
- education maintenance allowances
- non-domestic rates.

5.2 Overall approach

Audit Scotland issue guidance to auditors on the audit of grant claims authorised for audit in agreement with the Scottish Government. Audit Scotland's guidance determines the extent of audit testing required for each specific grant claim.

In order to gain sufficient assurance to support our opinion on each grant claim, we are required to carry out reviews of:

- the Council's arrangements for the preparation of each claim submitted for audit
- internal audit to determine the extent of reliance we can place on it for the purposes of our audit (Appendix B summarises the areas of internal audit work we plan to rely on)
- the effectiveness of the internal control framework for key financial systems relevant to each grant claim
- the materiality of balances and transactions impacting on each grant claim
- the key risks relevant to the preparation and audit of each grant claim.

Additional grant claims submitted for audit not listed above will be audited in agreement with Audit Scotland and subject to additional fee arrangements in negotiation with the Council.

5.3 Audit timetable and planned outputs

The following table sets out the submission and certification deadlines and planned timetable for each of the grant claim audits to be undertaken. We will provide an overview report on the outcomes from the grant audits at the end of the audit year.

Table 8: Key deadlines for the grant claim audits

Grant claims	Submission for audit	Timetable	Certification deadline
Housing Benefit and Council Tax Benefit Subsidy	31 May 2010	August-October 2010	30 November 2010
Education maintenance allowance	30 June 2010	July 2010	31 July 2010
Non domestic rates	30 September 2010	January 2011	February 2011

6 Logistics and administration

6.1 Audit team and contact details

Name and contact details	Role
<p>Gary Devlin Engagement lead</p> <p>gary.j.devlin@gtuk.com 0131 659 8554</p>	<p>Gary is responsible for the overall delivery of the audit.</p>
<p>Stephen Vallely Audit Manager</p> <p>stephen.vallely@gtuk.com 0141 223 0759</p>	<p>Stephen is responsible for the day to day management of the audit.</p>
<p>Julia Robson Assistant Audit Manager</p> <p>julia.robson@gtuk.com 0131 659 8563</p>	<p>Julia is responsible for the onsite management of the audit team.</p>
<p>Grace Scanlin Assistant Audit Manager</p> <p>grace.scanlin@gtuk.com 0131 659 8526</p>	<p>Grace will be responsible for undertaking the performance aspects of the audit</p>
<p>Paul Spinks Senior Technical Manager</p> <p>paul.spinks@gtuk.com 0113 200 2554</p>	<p>Paul provides technical advice to the audit team on the financial statements, including advice on the 2009 SORP and IFRS and also leads the accounts workshop.</p>

The core audit team will call on other specialist and support staff, as necessary, during the course of the audit.

If at any time you wish to discuss how our services may be improved or if you are in any way dissatisfied with the audit service you are receiving please contact Sarah Howard, our National Head of Government Audit Services (sarah.howard@gtuk.com, 0113 200 2530).

6.2 Audit Fee

Our audit fee is calculated in accordance with the guidance issued by Audit Scotland for determining the fee level for local government bodies. The fee is based on our professional assessment of the level of audit risk associated with a particular body. Audit Scotland requires that the agreed fee for the audit is set within the limits of the indicative fee range. Placement within the range depends on the level of work we consider necessary to perform the audit and is influenced by the number and level of risks facing the Council. In addition to the fee for the audit, Audit Scotland charges a fixed central overhead fee to meet its central running costs.

For our 2009-10 audit, we are proposing a decrease of £2,100 (1%) on the 2008-09 fee level. In the context of additional audit requirements around the implementation of BV2 and IFRS, the proposed fee reduction rewards the continued improvement in the Council's internal control systems and reflects the need for greater audit efficiency in challenging financial circumstances for the public sector.

The quoted audit fee includes:

- VAT and all travel and subsistence costs
- all of the work and outputs described in this plan, including additional work associated with the transition to IFRS
- attendance at audit committees and other key meetings
- access to advice and information on relevant audit issues
- access to workshops/seminars on topical issues

The table below shows the proposed audit fee, plus Audit Scotland's fixed charge for the year ending 31 March 2010.

Table 9: Audit fee

	2009-10 £	2008-09 £	% difference
Grant Thornton UK LLP fee	208,000	210,100	-1%
Audit Scotland fixed charge	94,200	93,800	+0.4%
Total	302,200	303,900	-0.5%

Our fee is based on a number of assumptions, in particular:

- an effective and smooth closedown and audit of the accounts, in accordance with an agreed timetable
- availability of working papers at the commencement of the audit in accordance with our client working paper request list
- the completion by internal audit of reviews of the areas set out in Appendix B.

Where we are required to undertake additional work not outlined in this plan, any work directed by Audit Scotland, and grant claims not listed in Section 5, we will agree an additional fee with the Council in advance.

A- Planned audit outputs and timings

Audit area	Target Delivery
Financial statements Interim report- core financial systems Interim report- implementation of IFRS Report on the 2008-09 financial statements audit Audit opinion on the 2009-10 financial statements Whole of Government accounts return	31 May 2010 30 June 2010 10 September 2010 30 September 2010 30 September 2010
Governance Report to Audit Scotland on the National Fraud Initiative Interim report - governance follow up Interim report- contract management follow up	28 February 2010 31 May 2010 31 May 2010
Performance audit Shared Risk Assessment Audit and Assurance Improvement Plan Statutory Performance Indicators Best Value Follow Up National Performance Studies - impact assessments	30 April 2010 30 April 2010 30 September 2010 31 August 2010 Throughout the year
Grant claim audits Education maintenance allowance Housing Benefit and Council Tax Benefit subsidy Non Domestic Rates Grant overview report	31 July 2010 30 November 2010 15 February 2011 31 March 2011
Overall audit Report to members and the Accounts Commission for Scotland	31 October 2010

Our reports are prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Audit Scotland. Reports are addressed to Members or officers and are prepared for the sole use of the audited body, and no responsibility is taken by auditors to any Member or officer in their individual capacity, or to any third party.

B- Planned areas of reliance on internal audit

Auditing standards require internal and external auditors to work closely together to make optimal use of available audit resources. We seek to rely on the work of internal audit wherever possible and as part of our planning process, we carry out an annual assessment of the internal audit function.

The Council operates with a small internal audit section which has undergone a period of significant change in recent years. We will review the work of internal audit to determine the extent of reliance we can place on it for the purposes of our audit. This avoids unnecessary duplication of audit work, and minimises any disruption to the Council caused by the audit process.

Based on a review of the internal audit plan for 2009-10, we will plan to place reliance on the work of internal audit in the following areas:

- Capital accounting
- Capital contracting
- Cash income and banking
- Council tax and non domestic rates
- Creditor payments
- Debtors
- Housing Benefit and council tax benefit
- Asset management
- General ledger
- Payroll
- Treasury management
- Tendering procedures
- Stocktaking
- ICT applications
- Business continuity planning



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