Grant Thornton

Argyll and Bute Council

Report on the 2009-10 Accounts Audit

31 March 2010

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To the Audit Committee of Argyll and Bute Council

The purpose of this memorandum is to highlight the key issues affecting the results of the Council and the preparation of the Council's financial statements for the year ending 31 March 2010. It is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.

We take responsibility for this memorandum, which has been prepared on the basis of the limitations set out in 'The small print' (Appendix B).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

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1 Executive summary

1.1 Introduction

This report has been prepared for the benefit of discussion between Grant Thornton UK LLP and the Audit Committee of Argyll and Bute Council (the Council). The purpose of this report is to highlight the key issues arising from the audit of the Council's financial statements for the year ending 31 March 2010.

This report meets the mandatory requirements of International Standard on Auditing 260 (ISA 260) to report the outcome of the audit to 'those charged with governance', designated as the Audit Committee. The requirements of ISA260, and how we have discharged them, are set out in more detail at Appendix A.

The Council is responsible for the preparation of financial statements which record its financial position as at 31 March 2010, and its income and expenditure for the year then ended. We are responsible for undertaking an audit and reporting whether, in our opinion, the Council's financial statements present a true and fair view of the financial position.

1.2 Financial Results

The Council reported a surplus on the Income and Expenditure account for 2009-10 of £3.1 million (2009: £6 million). The net decrease on the general fund was £0.4 million.

The total net worth of the Council at 31 March 2010 was £48.4 million (2009 restated: £108.5 million). The significant decrease in the net worth position is due to the actuarial loss on the pension fund for the year of £74.3 million, offset by a gain on asset revaluation of £11.1 million.

For the year ending 31 March 2010, the Council had a total general fund reserve balance of £33.2 million, of which £28.5 million was earmarked for specific purposes. Unearmarked reserves of £4.5 million were equal to 1.7% of net operating expenditure, which is in line with the Council's reserves policy.

1.3 Financial Statements

We expect to give an unqualified opinion on the Council's 2009-10 financial statements and conclude that the financial statements are prepared in accordance with Part VII of the Local Government (Scotland) Act 1973 and the 2009 SORP.

The main change to the financial statements this year has been the introduction of accounting requirements for the private finance initiative and similar contracts which are no longer based on Financial Reporting Standard 5, *Reporting the substance of transactions*, but on an interpretation of IFRIC 12, *Service concession arrangements* as contained within the Government Financial Reporting Manual.

The main impact for the Council has been that the School's NPDO project is now classified as 'on-balance sheet', and as such the five schools under the scheme are now accounted for within the Council's balance sheet as from 1 April 2008.

The waste management PPP scheme remains off-balance sheet, as the Council is not deemed to control the services and prices charged by the provider in 3rd party transactions, and as there is no qualifying asset being built up over the contract.

1.4 Audit Adjustments

Our audit identified a number of adjustments that have been processed by management. The adjustments relate to:

- an error in the split of PFI short and long term liabilities
- correcting an error in the unitary charge input to PFI model
- adjusting to remove the grossing up of interest payable and receivable in the I&E
- removing a provision for road repairs that we assessed was not in compliance with accounting standards.

There was one unadjusted audit difference relating to the failure to process a prepayment which was settled prior to the year end. There would be no impact on the reported surplus for the year, or the general fund if the misstatement was to be corrected.

1.5 Design effectiveness of internal controls

We have applied our risk methodology to the audit, which allows us to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit identified 4 findings, of which two were considered to be medium risk:

- the reconciliation performed of Council tax debtors to the ledger at the balance sheet date was not available for review

- the bad debt provision methodology should be reviewed on an annual basis, including a review of significant individual debtors for impairment.

Our detailed findings are contained at Section 5 of this report.

2 Financial results

2.1 Income and Expenditure Account

The Council reported a surplus on the Income and Expenditure account for 2009-10 of £3 million (2009: £6 million). The net increase on the general fund was £0.4 million.

Table 1: Financial results for 2009-10

	2010 £'000	2009 £'000 (restated)
Net Cost of Services	239,617	231,025
Non operating income/expenditure	21,546	17,881
Net Operating Expenditure	261,163	248,906
Income	264,251	254,916
Surplus for the year	**3,088**	**6,010**
Net Additional amount required by statute or non-statutory proper practice to be (debited) or credited to the General Fund for the year	(2,695)	(4,389)
Increase in the General Fund Balance for the year	**393**	**1,621**

Source: Argyll and Bute Council

There was a small underspend on departmental expenditure in the year of £0.3 million. The financial results also reflect lower interest payable and receivable as a result of falling interest rates.

2.2 Balance Sheet

The total net worth of the Council at 31 March 2010 was £48.4 million (2009 restated: £108.5 million). The significant decrease in the net worth position is due to the actuarial loss on the pension fund for the year of £74.3 million, offset by a gain on asset revaluation of £11.1 million.

The significant increase in the pension liability reflects a change in the discount rate used to adjust the pension fund's liabilities for the time value of money which is based on the rates paid on corporate bonds. The discount rate for 31 March 2010 is 5.5% compared to 6.9% used in the prior year. The fall in the discount rate increases the estimated value of the pension liability.

The other significant changes in the balance sheet reflect the implementation of IFRIC 12 in the 2009 SORP, whereby the assets held under the School's NPDO scheme are now held on the Council's balance sheet. Accordingly, the 2010 balance sheet includes £84.6 million of assets related to the five schools under the scheme which were previously considered 'off-balance sheet'.

2.3 General Fund

For the year ending 31 March 2010, the Council had a total general fund reserve balance of £33 million, of which £28.5 million was earmarked for specific purposes, leaving £4.5 million available for new expenditure or to meet the costs of contingencies and unforeseen events.

The unearmarked proportion of the general fund at 31 March 2010 is 1.7% of net operating expenditure, and within the Council's current reserves policy of maintaining unearmarked reserves of at least 1.5%.

3 Financial statements

3.1 Matters identified at the planning stage

In the conduct of our audit, we have not had to alter or change our audit plan, which we communicated to you in our Audit Approach Memorandum dated 11 February 2010

Our response to the matters identified at the planning stage are detailed below.

Status of audit

Our audit is substantially complete although we are finalising our procedures in the following areas:

- receipt of third party loan confirmations
- completion of the finalised group accounts and associate financial statements
- receipt of the signed letter of representation

3.2 Matters identified at the planning stage

	Issue	Auditor response
1	**The 2009 SORP- changes in the accounting arrangements for PFI schemes** 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 Code of practice on local authority accounting in the United Kingdom – A statement of recommended practice (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. 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.	We have reviewed the Council's analysis of the waste management PPP scheme, and consider the treatment as off-balance sheet to be appropriate. We have reviewed the accounting for the restatement of the Schools NPDO scheme , and noted the following:. **Liability disclosures** We noted an error in the split of current and long term liability outputs from the CIPFA-PWC model. An updated version of the model has been produced and the split has now been corrected **Unitary charge** The unitary charge inputs into the model had been made net of service deductions (in all but one instance), effectively reducing the interest charge calculated by the model. Service deductions should reduce the service charge rather than interest. The model inputs were adjusted to correctly show unitary charge before deductions.

	Issue	Auditor response
	The Council currently has 2 schemes which will be impacted by this change: the Waste Management PPP Scheme and the School's NPDO Scheme. The waste management PPP scheme remains off balance sheet, as the Council is not deemed to control the services and prices charged by the provider in 3rd party transactions, and as there is no qualifying asset being built up over the contract which will transfer back to the Council when the scheme ends. The School's NPDO has been brought on balance sheet as the control tests have been met. The Council has used the CIPFA-PWC model to calculate its accounting entries.	**Rolled up interest** Rolled up interest has not been included in the costs capitalised on initial recognition. The SORP states that "the fair value of the property (the cost to purchase the property) determines the amount to be recorded as an asset with an offsetting liability" but does not specify what should be included in the cost. The estimated value of rolled up interest for the Schools NPDO project is approximately £8 million. Our view is that the amount to be paid for the property is the total capital cost charged by the operator to the authority for the asset. This would normally include all costs they incurred on constructing the asset and as such would include finance costs incurred during the construction period. This would be the amount the authority is effectively borrowing and will have to pay off over the life of the NPDO contract (in addition to ongoing finance and service costs). This would be consistent with International Accounting Standard 17, *Leases*, on initial recognition. The Council has considered whether rolled up interest should be included in the construction costs, but has determined that the SORP does not require such finance costs to be included. We have agreed that this approach is reasonable and consistent with the approach adopted by other local authorities, although it does not wholly capture the full economic costs of the project.
2	**Specific accounting issues** • 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	These issues have now been cleared: • The Scottish Ministers have passed Regulations, the Local Government Pension Reserve Fund (Scotland) Amendment Regulations 2010, which have now regulated the accounting treatment of the police and fire pension schemes. • We have reviewed the valuations of assets held for sale. Of the assets valued in the period there is no evidence of impairment.

	Issue	Auditor response
	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.	We are therefore satisfied that assets are fairly stated • The value of assets disposed of in the year not on the asset register was £28,000. The Council carried out an initial review of the title deeds held in the archives and have not identified any significant asset omissions.
3	**Single Status Appeals** During 2007-08, the Council implemented a new Pay and Grading Model and also revised staff 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. 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. There is a risk that the costs of the single status appeals will be significant and increase the pressure on the budgetary position.	We have reviewed the councils provision calculations and are satisfied that the current provision of £571,000 provides a reasonable estimate of the Councils remaining liability.

3.3 Matters identified during the course of the Council audit

	Issue	Auditor response
1	**Cash and overdraft balances** We noted that deposits and overdraft facilities held with the same institution were not off-set to report a net position in the balance sheet.	The correct accounting treatment would be to off set cash and overdraft balances where they are held with the one institution. However, we recognise that this would result in year on year fluctuations of cash and overdraft amounts depending on which

	Issue	Auditor response
	The SORP states that amounts should only be off set where there is a formal off-set agreement in place. The institution has previously stated that all accounts held with them by the Council can be offset. Under case law precedents, accounts are automatically off-sett unless this is restricted by a contracted agreement. The technically correct treatment would be to off-set these accounts at the same institution.	institutions hold deposits at the balance sheet date. It should be noted that under IFRS, the inclusion of overdrafts is considered integral to a body's cash management system and as such should be included within cash and cash equivalents in the balance sheet. Likewise deposits where these considered to be short term, highly liquid investments are treated as cash equivalents. The Council should review their existing policy for the 2010-11 financial statements, to ensure balances are correctly treated under IFRS. **Management response:** Under IFRS the Council will show its bank overdraft position as part of the "Cash and Cash Equivalents" category in its 2010-11 Balance Sheet.
4	**Roads and lighting repairs provision** Poor weather over the Winter of 2009-10 had a significant impact on the road network in Argyll and Bute and the quality of repair work carried out in that period. A provision of £900,000 had been recognised in the draft accounts in respect of future repairs that will be required to rectify the work carried out in poor weather conditions . The provision has therefore been made within the Trading Account (Contractor side) to reflect the work required to rectify faults which, as a client, we would be expecting any external contractor to fulfil at their own cost.	The internal expectation that this work will be carried out does not in itself constitute a present obligation. However, as a roads authority Argyll and Bute have an obligation to maintain the roads network. A present obligation will therefore only be deemed to have arisen if the poor weather has resulted in the roads falling below acceptable standards. If the roads were still in a good state of repair, albeit with a shorter lifespan, no obligation will have arisen. The costs would therefore be recognised at the point the rectification work was carried out. If a provision were to be recognised, it could only be applied into work related to rectification work relating to damage done prior to the year end. We recommended that the Council review the basis for the provision and consider whether it met the criteria set out in Financial Reporting Standard 12, *Provisions, Contingent Liabilities and Contingent Assets*. Following their review, the Council decided to reverse the accrual and the underspend in the department will

	Issue	Auditor response
		be reallocated to the general fund balance and earmarked for spending on roads maintenance in the 2010-11 financial year.
5	**Trading Accounts** The Local Government in Scotland Act 2003 places a statutory requirement on significant trading operations to break even over a three year rolling period. In previous years, the Council's catering and cleaning trading operation failed to achieve the statutory break even financial requirement with a cumulative deficit of £1.1 million at the last three year rolling period as at 31 March 2009.	For the year to 31 March 2010, both the Council's trading operations (Roads and Lighting, and Catering and Cleaning) achieved their statutory break even target.

4 Audit adjustments

4.1 Misstatements

Misstatements with a total impact of £47,000 on the income statement were identified by the management team during the course of the audit and subsequently adjusted, decreasing the reported surplus and the general fund for the year.

The following misstatements were identified by Grant Thornton and have been adjusted for:

- PFI short long term liability error
- impact of error in unitary charge input to PFI model
- grossing up of interest
- provision for road repairs

The adjustment to the PFI model gave rise to prior year adjustments in 2007, 2008, and 2009, in addition to the current period impact.

All adjusted misstatements are set out in section 4.2 below. The net impact of the adjusted misstatements are to increase the surplus on the income and expenditure account for 2009-10 by £1.4 million, and to increase the general fund balance by £0.9 million. Prior year adjustments increase the surplus on the income and expenditure for 2008-09 by £202,000, with no impact on the general fund balance for that year.

The auditor is required to communicate all uncorrected misstatements, other than those considered to be clearly trivial, to the entity's management and to request that management corrects them. There is one unadjusted misstatements which is set out in section 4.3

There would be no impact from the unadjusted misstatement on reported surplus for the year, or on the general fund balance were it to be processed.

4.2 Adjusted misstatements

		I&E/ SMGFB		Balance sheet	
		Dr £000	Cr £000	Dr £000	Cr £000
Roads contingency Adjustment to remove a general provision in respect of road works contingency .	DR Accruals CR I&E roads and transport	- -	- 900	900	- -

		I&E/ SMGFB		Balance sheet	
		Dr £000	Cr £000	Dr £000	Cr £000
Interest gross up Adjustment to gross up credit balances in interest payable.	DR I&E interest payable CR I&E interest receivable	654 -	- 654	- -	- -
2007/08 Unitary charge adjustment Adjustment to correct Unitary charge included in PFI model.	CR Lease creditor < 1yr DR Lease creditor > 1yr CR CAA	- - -	- - -	- 442 -	414 - 28
2008/09 Unitary charge adjustment Adjustment to correct Unitary charge included in PFI model.	DR I&E interest payable CR I&E education CR I&E education DR SMGFB CR Lease creditor < 1yr DR Lease creditor > 1yr CR CAA	130 - - 202 - - -	- 130 202 - - - -	- - - - - 875 -	- - - - 673 - 202
2009/10Unitary charge adjustment Adjustment to correct Unitary charge included in PFI model.	DR I&E interest payable CR I&E education CR I&E education DR SMGFB DR Lease creditor < 1yr CR Lease creditor > 1yr CR CAA	109 - - 530 - - -	- 109 530 - - - -	- - - - 1141 - -	- - - - - 611 530
2007/08 PFI liability split Adjustment to correct error in PFI model in respect of split of short and long term liabilities	DR Lease creditor < 1yr CR Lease creditor > 1yr	- -	- -	1039 -	- 1039
2008/09 PFI liability split Adjustment to correct error in PFI model in respect of split of short and long term liabilities	DR Lease creditor < 1yr CR Lease creditor > 1yr	- -	- -	319 -	- 319

		I&E/ SMGFB		Balance sheet	
		Dr £000	Cr £000	Dr £000	Cr £000
2009/10 PFI liability split Adjustment to correct error in PFI model in respect of split of short and long term liabilities	DR Lease creditor < 1yr CR Lease creditor > 1yr	- -	- -	81 -	- 81

4.3 Unadjusted misstatements

		I&E/ SMGFB		Balance sheet	
		Dr £000	Cr £000	Dr £000	Cr £000
Recognition of prepayment Adjustment proposed in respect of amount paid pre year end but not posted.	DR Cash CR Prepayment	- -	- -	158 -	- 158

5 Design effectiveness of internal controls

5.1 Accounting system and internal control

We have applied our risk methodology to your audit. This approach allows us to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

We have previously documented our findings at the interim stage with regard to key internal controls, and those findings are not duplicated here.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. See 'The small print' for further details of our approach.

Key to assessment of internal control deficiencies

● (red)	Material weakness - risk of material misstatement
● (yellow)	Significant deficiency - risk of significant misstatement
● (green)	Deficiency - risk of inconsequential misstatement

	Assessment	Issue and risk	Recommendation
1	● Green	**Treasury management reconciliations** Due to the long term sickness of a member of staff from the treasury team, the year end reconciliation and working papers for audit of loans and investments were not avaliable at the start of our audit.	Reconciliations should be carried out on a timely basis throughout the year. A contingency planning exercise should be carried out, to ensure that in the event of the long term absence of an individual staff member, work is passed on to an alternative staff member for completion. **Management response:** Agreed
2	● Yellow	**Council tax debtor reports** We were not able to obtain the system reports detailing Council Tax debtors by individual account at the balance sheet date. As such, were required to perform additional audit work in order to verify this balance.	The system reports detailing the individual Council Tax debtors should be run on the balance sheet date and reconciled to the ledger as appropriate. **Management response:** [Click here, enter commentary]

	Assessment	Issue and risk	Recommendation
3	Yellow	**Bad debt review procedures** We noted that the bad debt provision methodology for sundry debtors has not been reviewed for some time. The methodology should be regularly reviewed to ensure general provision levels are appropriate, based on historical trends of debt defaults. Legal services are carrying out a review of the recoverability of sundry debtor accounts, but this was not complete at the year end.	We recommend that the general provision model for all debtor categories is reviewed at least annually. This review should include a review of individual balances, to identify irrecoverable or high risk balances for specific provision. **Management response:** [Click here, enter commentary]

A Reporting requirements of ISA 260

The principal purpose of the ISA 260 report is:

To reach a mutual understanding of the scope of the audit and the respective responsibilities of the auditor and those charged with governance.
To share information to assist both the auditor and those charged with governance fulfil their respective responsibilities.
To provide to those charged with governance constructive observations arising from the audit process.

ISA260 reporting requirement	Key messages
Independence	We are able to confirm our independence and objectivity as auditors and draw attention to the following points: • We are independently appointed by Audit Scotland. • The firm has been assessed by Audit Scotland as complying with its required quality standards. • The appointed auditor and client service manager are subject to rotation in line with Audit Scotland and Grant Thornton's requirements. • We comply with the Auditing Practices Board's Ethical Standards. • We have not provided any non audit services in 2009-10.
Audit Approach	Our approach to the audit was set out in our 2009-10 audit plan. We have planned our audit in accordance with auditing standards and the Code of Audit Practice. Other key factors to highlight include: • We consider the materiality of items in the financial statements in determining the audit approach and in determining the impact of any errors. • We have been able to place appropriate reliance on the key accounting systems operating at the Council for financial statement audit purposes.

ISA260 reporting requirement	Key messages
Accounting Policies	The Council has adopted appropriate accounting policies in the areas covered by our testing. Accounting policies are in accordance with the SORP 2009. The Audit Committee should confirm that it is satisfied that the accounting policies adopted are the most appropriate. We have considered the Council's financial plans and consider it appropriate for the Council to continue to account on a going concern basis.
Material Risks	The Audit Committee should confirm that it is not aware of any additional material risk areas facing the Council, including significant fraud risks. We have requested from the Council a Letter of Representation, to state that there are no additional material risks and exposures as at 30 September 2010, which should be reflected in the financial statements. We will also perform our own audit procedures to ensure that all significant risks and exposures to the Council have been recognised in the accounts as at 30 September 2010. We will focus on accounting provisions and cash flow forecasting over the next 12 months.
Audit Adjustments	We have discussed with management the adjustments to the accounts, primarily to improve the fair presentation of the financial statements, as well as the clarity and presentation of disclosure notes. Adjustments to correct misstatements identified during the audit are summarised at Section 3.2
Unadjusted Errors	We have identified one unadjusted error to the accounts which requires reporting to those charged with governance. The unadjusted error relates to the processing of a pre-year end payment. The Audit Committee needs to satisfy itself of the appropriateness of the approach taken by management not to adjust and to minute its decision. This adjustment is summarised at Section 3.3
Other Matters	We have made recommendations in respect of some areas for improvement in internal control. Recommendations and agreed actions are listed in section 4.1.

B The small print

Purpose of memorandum
This Report has been prepared for the benefit of discussions between Grant Thornton, the **Audit Committee** of **Argyll and Bute Council**.

The purpose of this memorandum is to highlight the key issues affecting the results of the Group and the preparation of the **Council**'s financial statements for the year ending **31 March 2010**.

This document is also used to report to management to meet the mandatory requirements of International Standard on Auditing (UK & Ireland) 260.

We would point out that the matters dealt with in this report came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements of the **Council**.

Responsibilities of the Council and auditors
The council is responsible for the preparation of the financial statements and for making available to us all of the information and explanations we consider necessary. Therefore, it is essential that the council confirm that our understanding of all the matters in this memorandum is appropriate, having regard to their knowledge of the particular circumstances.

Clarification of roles and responsibilities with respect to internal controls
The Council is responsible for the identification, assessment, management and monitoring of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the **Audit Committee** that it has done so.

The **Audit Committee** is required to review the **Council**'s internal financial controls. In addition, the **Audit Committee** is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.

The **Audit Committee** should receive reports from management as to the effectiveness of the systems they have established as well as the conclusions of any testing conducted by internal audit or ourselves.

The **Audit Committee** are required to review the **Council**'s internal financial controls. In addition, the **Audit Committee** is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.

The **Audit Committee** should receive reports from management as to the effectiveness of the systems they have established as well as the conclusions of any testing conducted by internal audit or ourselves.

We have applied our audit approach to document, evaluate and assess your internal controls over the financial reporting process in line with the requirements of auditing standards.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you.

In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We would be pleased to discuss any further work in this regard with the **Audit Committee**.

Independence and robustness
Ethical standards require us to give you full and fair disclosure of matters relating to our independence.

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 opninion on the financial statements.

In accordance with best practice, we analyse our fees below:

	£
Grant Thornton	208,000
Audit Scotland fixed charge	94,200

ISAUK 260 requires communication of:
- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit work
- the form of reports expected

Total audit	304,200

Our Fee include VAT and all travel and subsistence