Grant Thornton

External Audit Plan

Year ending 31 March 2019

Surrey County Council & Surrey Pension Fund

8 April 2019

Contents

Introduction

Our Team

Ciaran T McLaughlin, Engagement Lead for Surrey County Council and Surrey Pension Fund

Responsible for overall quality control; accounts opinions; final authorisation of reports; liaison with the Audit Committee.

Marcus Ward, Audit Manager for Surrey County Council and Surrey Pension Fund

Responsible for overall audit management, quality assurance of audit work and output, and liaison with the Audit Committee.

Tom Beake, Audit Incharge for Surrey County Council

Responsible for management and delivery of audit fieldwork, including both interim and final accounts work.

Ayesha Siddiqa, Audit Incharge for Surrey Pension Fund

Responsible for management and delivery of audit fieldwork, including both interim and final accounts work.

Purpose

This document provides an overview of the planned scope and timing of the statutory audits of Surrey County Council and Surrey Pension Fund ('the Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Council and the fund. We draw your attention to both of these documents on the PSAA website.

Scope of our audits

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on:

- Surrey County Council's and Surrey Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit & governance committee); and
- Value for Money arrangements in place at the Authority for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit & Governance Committee of your responsibilities.

Our audit approach is based on a thorough understanding of the Authority and Fund's business and is risk based. We will be using our new audit methodology and tool, LEAP, for the 2018/19 audit. It will enable us to be more responsive to changes that may occur in your organisation.

Headlines

Group Accounts	Surrey County Council is required to prepare group financial statements that consolidate the financial information of Halsey Garton Property Ltd, Surrey Choices Ltd, and South East Business Services Ltd. We have outlined the scope of our work on the Council's subsidiaries on page 7.
Significant risks	Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as: **For Surrey County Council:** • Management Override of Controls • Valuation of Pension Fund Net Liability • Valuation of Property, Plant, and Equipment **For Surrey Pension Fund:** • Management Override of controls • Valuation of Level 3 investments We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.
Materiality – Surrey County Council	We have determined planning materiality to be £30m (PY £30.3m) which equates to 1.5% of your prior year gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. The reporting threshold for any exceptions identified during the audit has been set at £1.5m (PY £1.5m).
Materiality – Surrey County Council Pension Fund	We have determined materiality at the planning stage of our audit to be £40m (PY £38.7m) for the Fund, which equates to 1% of your net assets for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £2m (PY £1.9m).
Value for Money arrangements (Authority Only)	Our risk assessment regarding the Authority's arrangements to secure value for money have identified the following VFM significant risks: • Financial Health • Children's Services (Ofsted inspection results and DfE intervention)
Audit logistics	Our interim visit will take place in March and our final visit will take place in June and July. Our key deliverables are this Audit Plan and our Audit Findings Report (ISA260 Report). Our fee for the audit will be £109,415 (PY: £142,098) for the Authority and £20,871 (PY: £27,105) for the Fund, subject to management meeting our requirements set out on page 15.
Independence	We have complied with the Financial Reporting Council's Ethical Standards and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Key matters impacting our audit of the Authority

Factors

The wider economy and political uncertainty

Local Government funding continues to be challenging with increasing cost pressures and demand from residents. You are responding to this challenge in a variety of ways, through identifying efficiencies & new sources of funding, working with partners, and engaging in service redesign.

The forecast revenue budget outturn for 2018/19 is a £14m underspend, requiring the use of £7m of reserves this year and comes after an additional in year savings programme was implemented.

Brexit

You face the challenge of delivering services during significant political uncertainty on a national scale. With the UK due to leave the European Union on 29 March 2019, there will be national and local implications resulting from Brexit that will impact on you, which you will need to plan for.

You will need to review your arrangements and plans to mitigate risks arising from Brexit, including risks in areas such as workforce planning and supply chain analysis, as well as considering the impact on your finances, including investment and borrowing and any potential impact on the valuation of your assets.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of:

- IFRS 9 Financial Instruments which impacts on the classification and measurement of financial assets and introduces a new impairment model. As there is a minimal diversity in the financial instruments held by the entity, won't be hugely relevant.
- IFRS 15 Revenue from Contracts with Customers which introduces a five step approach to revenue recognition.

Devolution and Integration

The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation pf devolution deals with the combined authorities and other areas.

Surrey County Council has campaigned for increased devolution as part of the 'Three Southern Counties' partnership alongside over 30 different Public Sector bodies in the regions.

Surrey Heartlands, which covers the Guildford & Waverly, North West Surrey and Surrey Downs Clinical Commissioning Groups has been devolved powers for health and social care that came into effect 1 April 2018 and has included new ways of working across 11 public sector bodies involved.

Surrey County Council has also progressed with shared service partnership arrangements under the 'Orbis' partnership with East Sussex County Council and Brighton & Hove City Council.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to material uncertainty about the going concern of Surrey County Council and will review related disclosures in the financial statements.
- In previous years the Value for Money conclusion for Surrey County Council has been qualified with regard to children's services due to OFSTED results and Department of Health intervention. We will review your response to the state of children's services in previous years when forming a conclusion.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.

- We will consider your arrangements for managing and reporting your financial resources, including your progress on health integration or use of investment vehicles as part of our work in reaching our Value for Money conclusion.
- We will consider the achievement of identified savings plans, as well as savings achieved in partnership with East Sussex County Council and Brighton & Hove City Council as part of our Value for Money conclusion.

Key matters impacting our audit of the Fund

Factors

SI 493/2018 – LGPS (Amendment) Regulations 2018

Introduces a new provision for employers to receive credit for any surplus assets in a fund upon ceasing to be a Scheme employer. This could potentially lead to material impacts on funding arrangements and the need for updated of Funding Strategy Statements.

Guaranteed Minimum Pension (GMP)

- Pension funds are continuing to work through the GMP reconciliation process.
- In January 2018 the government extended its "interim solution" for indexation and equalisation for public service pension schemes until April 2021. Currently the view is that the October 2018 High Court ruling in respect of GMP equalisation is therefore not likely to have an impact upon the LGPS.

Changes to the CIPFA 2018/19 Accounting Code

The most significant changes relate to the adoption of IFRS 9 Financial Instruments. In practice, IFRS 9 is anticipated to have limited impact for pension funds as most assets and liabilities held are already classed as fair value through profit and loss.

The Pensions Regulator (tPR)

tPRs Corporate Plan for 2018-2021 includes three new Key Performance Indicators (KPIs) directly related to public service pension schemes and TPR has chosen the LGPS as a cohort for proactive engagement throughout 2018 and 2019.

Pooling

Arrangements for the pooling of investments continue to develop. The DCLG have reported on the progress of pools and notes the pace of development, including the launching of procurements for pool operators, appointing senior officers and preparing applications for Financial Conduct Authority authorisation. Arrangements have been in place from 1 April 2018. These will have an impact on how investments are managed and monitored with much of the operational responsibility moving to the pool.

Surrey Pension Fund has opted to become a shareholder in the 'Border to Coast Pensions Partnership' (BCPP). BCPP Limited is a FCA regulated Operator and an alternative investment fund manager (AIFM). The BCPP received approval from Government on 12 December 2016.

Tranche one of Asset Pooling began in July 2018.

It remains key that administering authorities continue to operate strong governance arrangements, particularly during the transition phase where funds are likely to have a mix of investment management arrangements

Our response

- We will continue to monitor the position in respect of GMP equalisation and reconciliation. For pension funds the immediate impact is expected to be largely administrative rather than financial.

- We will keep you informed of changes to the financial reporting requirements for 2018/19 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2018/19 CIPFA Code.
- We will keep under review any interaction the Fund has with tPR and tailor our audit approach where necessary.

- Whilst we do not consider the transfer of assets to the pool as a significant risk we will tailor our approach to gain assurance in respect of the completeness and accuracy of the transactions.

Group audit scope and risk assessment

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

The group audit does not include Surrey County Council Pension Fund.

Component	Individually Significant?	Audit Scope	Risks identified	Planned audit approach
Surrey County Council	Yes	**Comprehensive**	See pages 8 onward.	Full scope UK statutory audit performed by Grant Thornton UK LLP.
Halsey Garton Property Limited	No	**Targeted**	Valuation of Investment Property assets at 31 March 2019	Targeted audit procedures performed by Grant Thornton UK LLP to gain assurance that the Group Accounts are not materially misstated.
Surrey Choices Limited	No	**Analytical only**	None	Analytical review performed by Grant Thornton UK LLP.
South East Business Services Limited	No	**Analytical only**	None	Analytical review performed by Grant Thornton UK LLP.

Audit scope

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

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

While these risks are specific to you, they are also risks commonly associated with local government audits.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Fraud in revenue recognition	**SCC & SPF**	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because; • There is little incentive to manipulate revenue recognition • Opportunities to manipulate revenue recognition are very limited • The culture and ethical frameworks of local authorities, including Surrey County Council as the Administering Authority of Surrey County Council Pension Fund, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	**SCC & SPF**	Under ISA (UK) 240 there is non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk for both the group/Authority and Fund, which was one of the most significant assessed risks of material misstatement.	We will: • Evaluate the design effectiveness of management controls over journals • Analyse the journals listing and determine the criteria for selecting high risk unusual journals • Test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • Gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • Evaluate the rationale for any changes in accounting policies or significant unusual transactions.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of pension fund net liability	**SCC**	The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£945 million PY) and the sensitivity of the estimate to changes in key assumptions. We therefore have identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • Update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls; • Evaluate the instructions issued by managements to their management expert for this estimate and the scope of the actuary's work; • Assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund liability • Test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • Undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
Valuation of land and buildings	**SCC**	The council re-values its land and buildings on an rolling basis to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements due to the size of the numbers involved (£1.09 billion PY) and the sensitivity of the estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2019 in the Council financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. We identified the valuation of land and buildings revaluations and impairments as a significant risk, which was one of the most significant assessed risks of material misstatement.	We will: • Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts ad the scope of their work • Consider the competence, expertise and objectivity of any management experts used. • Discuss with the valuer the basis on which the valuation is carried out and challenge of the key assumptions • Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding • Test revaluations made during the year to ensure they are input correctly into the Council's asset register • Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The valuation of Level 3 investments	**SPF**	Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. We have identified the valuation of Level 3 investments as a risk requiring special audit consideration.	We will: • gain an understanding of the Fund's process for valuing level 3 investments and evaluate the design of the associated controls; • review the nature and basis of estimated values and consider what assurance management has over the year end valuations provided for these types of investments; and • for a sample of investments, test the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconcile those values to the values at 31 March 2019 with reference to known cash movements in the intervening period.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in July 2019.

Other matters

Other work

The Fund is administered by the Authority, and the Fund's financial statements form part of the Authority's financial statements.

Therefore, in addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities in respect of the Authority and the Fund, as follows:

- We will read the Authority's Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements of the Authority and the Fund on which we give an opinion, and consistent with our knowledge of the Authority.
- We carry out work to satisfy ourselves that disclosures made in the Authority's Annual Governance Statement are in line with the guidance issued by CIPFA.
- We carry out work on the Authority's consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.
- We consider our other duties under legislation and the Code, as and when required, including:
    - Giving electors the opportunity to raise questions about the Authority or Fund's 2018/19 financial statements, consider and decide upon any objections received in relation to the 2018/19 financial statements;
    - issue of a report in the public interest or written recommendations to the Authority or Fund under section 24 of the Act, copied to the Secretary of State.
    - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
    - Issuing an advisory notice under Section 29 of the Act.
- We certify completion of our audit of the Authority.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity or the Fund's 's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Matter	Description	Planned audit response
1	**Calculation and determination** We have determined planning materiality (financial statement materiality determined at the planning stage of the audit) based on professional judgment in the context of our knowledge of the Authority and the Fund, including consideration of factors such as stakeholder expectations, financial stability and reporting requirements for the financial statements. We determine planning materiality in order to: – estimate the tolerable level of misstatement in the financial statements – assist in establishing the scope of our audit engagement and audit tests – calculate sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements	• For the Authority, we have determined financial statement materiality based on a proportion of the gross expenditure of the Authority for the financial year. In the prior year we used the same benchmark. Materiality at the planning stage of our audit is £30m (PY £30.3m) which equates to 1.5% of your prior year gross expenditure for the year. • For the Fund, we have determined financial statement materiality based on a proportion of the Fund's net assets. In the prior year we used the same benchmark. Our materiality at the planning stage is £40m (PY £38.7m) which equates to 1% of your actual net assets for the year ended 31 March 2018/19.
2	**Other factors** An item does not necessarily have to be large to be considered to have a material effect on the financial statements. We design our procedures to detect errors in specific accounts at a lower level of precision which we deem to be relevant to stakeholders.	Other balances that require special audit attention although not material are: • Cash • Senior Officers Disclosures • Related Party Transactions • Subsequent events • Audit Fees
3	**Reassessment of materiality** Our assessment of materiality is kept under review throughout the audit process.	• We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of materiality
4	**Matters we will report to the Audit Committee** Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts, other than those which are 'clearly trivial', to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	• In the context of the council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.5m (PY £1.513m). • In the context of the Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £2m (PY £1.9m). • If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Value for Money arrangements

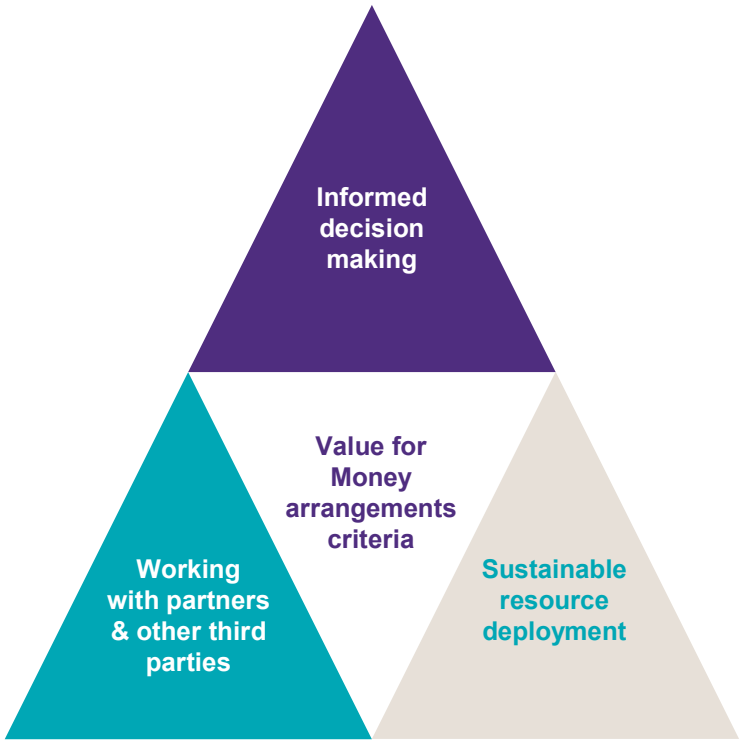
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work in November 2017. The guidance states that for Local Government bodies, excluding Pension Funds, auditors are required to give a conclusion on whether the Authority has proper arrangements in place to secure value for money.

The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Significant VFM risks

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

Financial Health

The Council has a strong track record of delivering a budget underspend at year-end, despite reduced funding from central government. Financial resilience of the Council will depend on its ability to balance its budget without use of reserves.

Your forecast outturn for 2018/19 is currently a £14m underspend against the budget for the year, requiring the use of £7m of reserves this year and comes after an additional in year savings programme was implemented. You have set a balanced budget without the need to use reserves in 2019/20, however you have noted significant risks attached to the achievement of this budget.

There is a risk that the Council fails to achieve Economy, Efficiency, and Effectiveness in use of its resources in 2018/19 and beyond as a result of financial pressures.

We will review your Medium Term Financial Plan, including the robustness of assumptions, savings plans and revenue generating schemes. We will discuss your plans and outcomes with management, as well as reviewing how finances were reported to Councillors.

Children's Services

Ofsted issued a critical report on children's services in 2014/15. We issued qualified except for conclusions in each of the following years including 2017/18 due to follow up independent reporting that improvement had not been good or quick enough. Ofsted noted in their most recent report that there were signs that children's services were beginning to improve.

Ofsted have notified the you that they will be undertaking a monitoring visit of children's social services, and will be producing a report in February 2019.

We will review any third party reports as well your own monitoring and self-assessment as part of our work on the VfM conclusion.

Audit logistics, team & fees

Audit fees

The planned audit fees are £109,415 (PY: £142,098) for the financial statements audit of the Council, and £20,871 (PY: £27,105) for the financial statements audit of the pension fund.

This does not include audit fees for the council's subsidiary companies, totalling £44,000 (PY: £41,500). These audits will be undertaken by a separate engagement team.

In setting your fee, we have assumed that the scope of the audits, and the Authority and Fund and its activities, do not significantly change.

Where we are required to respond to requests received from other auditors of other bodies for assurance in respect of information held by the Fund and provided to the actuary to support their individual IAS 19 calculations these will be billed in addition to the audit fee on a case by case basis.

Where additional audit work is required to address risks relating to changes in planned audit scope, we will consider the need to charge fees in addition to the audit fee on a case by case basis. Any additional fees will be discussed and agreed with management and PSAA where appropriate.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Any proposed fee variations will need to be approved by PSAA.

Early close

Meeting the 31 July audit timeframe

In the prior year, the statutory date for publication of audited local government accounts was brought forward to 31 July, across the whole sector, a deadline we met for the Council and the Fund. This was a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts was curtailed, while, as auditors we had a shorter period to complete our work and faced an even more significant peak in our workload than previously. The Council's finance team has also undergone a number of changes during the course of the last year and as the Finance Improvement plan is implemented there could be further changes in the financial management responsibilities this year.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans. Where the elapsed time to complete an audit exceeds that agreed due to a client not meetings its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which set out supplementary guidance on ethical requirements for auditors of local public bodies.

Other services provided by Grant Thornton

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority and the Fund.

Service	£	Threats	Safeguards
Audit related			
Certification of Teacher's Pensions return	4,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,000 in comparison to the total fee for the audit of £109,415 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teacher's Pension return – Surrey Choices Limited	3,500	Self-Interest (because this is a recurring fee)	Marcus Ward's wife is a teacher at a school in Surrey. Marcus will not be part of the audit team that completes the certification of the Teachers' Pension returns.
Non-audit related			
CFO Insights subscription	12,500	None	None

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

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