Grant Thornton

External Audit Plan

Year ending 31 March 2018

Cheshire East Council

March 2018

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Cheshire East Council ('the Council') 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 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 Cheshire East Council. We draw your attention to both of these documents on the PSAA website.

Scope of our audit

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

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit and Governance committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit and Governance Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks	Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as: • The revenue cycle includes fraudulent transactions • Management over-ride of controls • Valuation of property, plant and equipment • Valuation of pension fund net liability 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	We have determined planning materiality to be £12m (PY £11.9m), which equates to 1.8% of your 2016/17 gross expenditure (cost of services) for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.6m (PY £0.6m).
Value for Money arrangements	Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks: • Impact of historic governance matters • Planning finances effectively • Working effectively with partners.
Audit logistics	Our interim visits will take place in February and March 2018 and our final visit will take place in June and July 2018. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be no less than £154,590 (PY: £160,137) for the Council.
Independence	We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Deep business understanding

Changes to service delivery

Commercialisation

The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version was published in December 2017.

Alternative Service Delivery Vehicles

Cheshire East Council continues to develop its use of alternative service delivery vehicles. It has engaged in a number of initiatives in recent years, with most of these taking the form of wholly owned subsidiary companies. In addition, the Council is involved in a number of local initiatives and cross-organisational and cross-sectoral endeavours, including the Cheshire East Better Care Fund and the Cheshire and Warrington Local Enterprise Partnership.

Changes to financial reporting requirements

Accounts and Audit Regulations 2015 (the Regulations)

The Ministry of Housing, Communities and Local Government is currently undertaking a review of the Regulations, which may be subject to change.

The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.

Key challenges

Financial Pressures

Reforms to local government finance seek to provide greater financial stability for local authorities. The four year settlement proposes to phase out the Revenue Support Grant (RSG), and instead allow for 100% business rates retention in the hope of providing a more sustainable self-sufficient local government. This will mean a reduction in RSG from £40m in 2015/16 to nil in 2020 for Cheshire East Council.

Like many other local authorities, the Council is experiencing demand increases in children's and adults social care services, backdating pay to staff for sleep-in-arrangements and inflationary cost pressures. These issues, coupled with continued cuts to funding, represent a significant challenge for the Council.

For the 2017/18 financial year, the Council was forecasting an overspend of £0.1m against a revenue budget of £264.8m in its quarter 3 finance report. A mitigation plan is being developed to deliver a balanced outturn position and maintain general fund reserves at the level of c£10.1m as set out in its reserves strategy.

Governance Challenges

Over the past year Cheshire East Council has faced negative media coverage arising from a number of external investigations. These pertained to concerns about specific aspects of its governance processes, decision-making and allegations of misconduct against senior officers. The Council put temporary senior management arrangements in place affecting the statutory posts of Chief Executive as Head of Paid Service, the S151 Officer, the Monitoring Officer whilst proper procedures were followed for independent investigation regarding these officers.

Our response

- We will consider your arrangements for managing and reporting your financial resources, including your use of subsidiary companies as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Accounts and Audit Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 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 above financial reporting changes in the 2017/18 CIPFA Code.
- We will consider progress of any ongoing external investigations and take findings into account when reaching our conclusions. We will also review progress against recommendations previously agreed through prior year audit work on the financial statements, arrangements to secure value for money and IT general controls.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the 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 • although there have been a number of governance issues in the past, the Council have put temporary senior management arrangements in place in order to address these weaknesses and the Section 151 Officer has been in post since 2016/17. The culture and ethical frameworks of local authorities, including Cheshire East Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Cheshire East Council.
Management over-ride of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. Management over-ride of controls is a risk requiring special audit consideration.	We will: • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness, which will be tailored to reflect any risk areas arising from the Council's previous governance issues. • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of property, plant and equipment	The Council revalues its land and buildings every five years, to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration. .	We will: • review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • consider the competence, expertise and objectivity of any management experts used. • discuss with the valuer about the basis on which the valuation is carried out and challenge 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.
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.	We will: • identify the controls put in place by management to ensure that the pension fund liability is not materially misstated and assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation • gain an understanding of the basis on which the valuation is carried out • undertake procedures to confirm the reasonableness of the actuarial assumptions made • check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	Payroll expenditure represents a significant percentage - approximately 33% - of the Council's operating expenses. As the payroll expenditure comes from a number of individual transactions and an interface between the payroll and ledger systems, there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention	We will: • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls • perform substantive analytical procedures on monthly payroll costs • review year-end payroll reconciliation and check that amounts in the accounts are reconciled to ledger and through to payroll reports • agree payroll related accruals to supporting documents and review any estimates for reasonableness.
Operating expenses	Non-pay expenses on other goods and services also represents a significant percentage 67% of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of non- pay expenses as a risk requiring particular audit attention:	We will: • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls • document the accruals process and challenge underlying assumptions, source date and basis for calculation • test a sample of payments and ensure that they have been charged in the appropriate year • review the year end accounts payable reconciliation and investigate significant reconciling items.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
    - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements and, this year, conclude on the objection received at the conclusion of last year's audit
    - issue of a report in the public interest; and
    - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit and any prior year's where the audit certificate is yet to be provided.

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'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

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.

Materiality for planning purposes

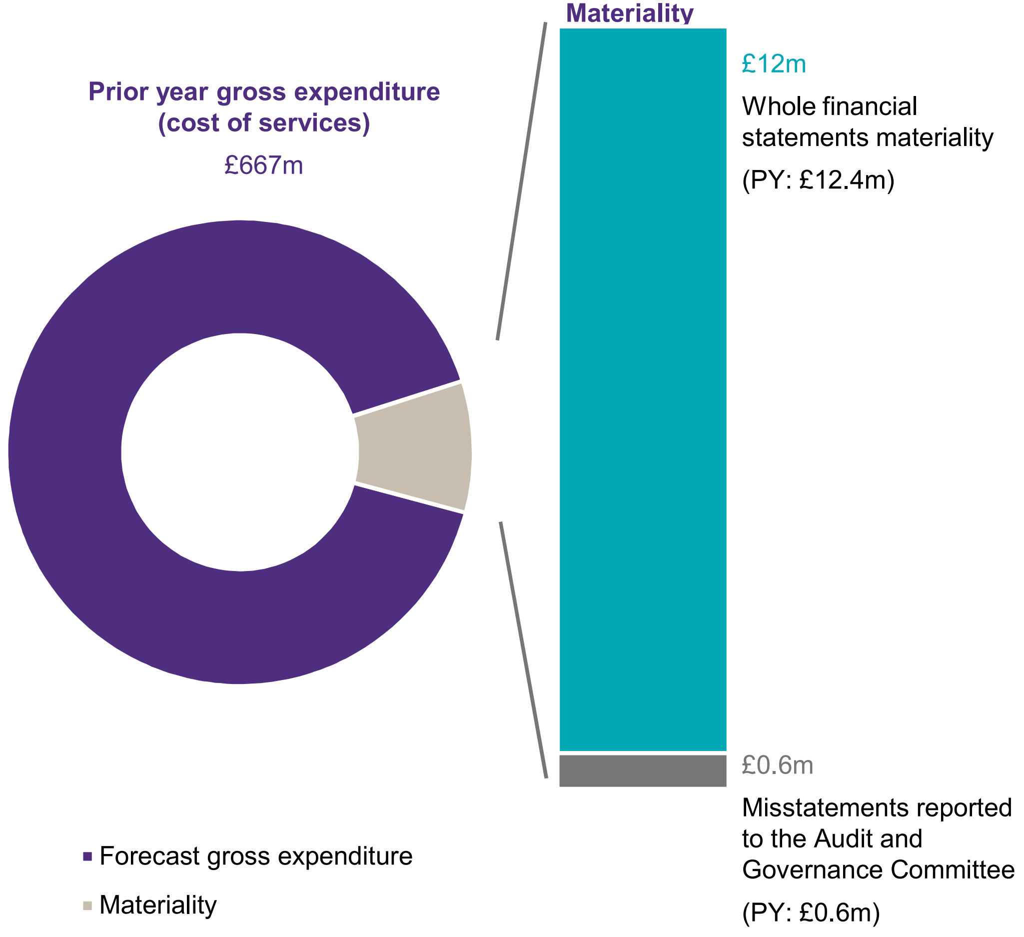
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £12m (PY £11.9m), which equates to 1.8% of your forecast gross expenditure for the year. We design our procedures to detect errors in specific accounts at a lower level of precision.

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 planning materiality

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 and Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements 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 £0.6m (PY £0.6m).

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 and Governance Committee to assist it in fulfilling its governance responsibilities.



Materiality

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are ‘particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users’. We have identified the following items were separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Disclosure of senior officers’ remuneration in the notes to the financial statements.	Due to public interest in these disclosures and the statutory requirement for them to be made, we consider £82,000 to be an appropriate materiality level for these disclosures. This equates to 1.8% of the senior officers’ remuneration disclosed in the 2016/17 financial statements.	£82,000
Disclosure of non-routine related party transactions ie. transactions with organisations where Members / Officers or their close relatives hold a personal interest. This does not include intra-group transactions and transactions with other pubic bodies, which we do not deem to be unusual.	Due to the public interest in these disclosures and the fact that there have been irregularities in relation to transactions in which Members/Officers hold a personal interest historically which are currently under investigation, we consider £1,045,000 to be an appropriate materiality for these disclosures. This equates to 1.8% of the related party transactions with organisations where Members / Officers hold a personal interest disclosed in the 2016/17 financial statements.	£1,045,000

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor 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.

Component	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Cheshire East Council has the following wholly Owned Subsidiary Companies which it has historically consolidated into the group accounts: • Cheshire East Residents First (CERF) Ltd • Ansa Environmental Services Ltd • Alliance Environmental Services Ltd (subsidiary of Ansa Environmental Services Ltd incorporated in 2017/18) • Orbitas Bereavement Services Ltd • Transport Service Solutions Ltd • Engine of the North Ltd • Civicance Ltd • The Skills and Growth Company Ltd	No individually significant components identified at this stage as part of our risk assessment and planning procedures. We will review and further update our upstanding of the group structure as part of the final accounts audit.	Analytical	At this stage we have identified no specific risks of material misstatement. This will be the first year of operation of Alliance Environmental Services Ltd, however arrangements in place mirror those of the other companies therefore we have not identified any additional risks. We will inform the Audit and Governance Committee of any changes to this assessment.	Desktop analytical review to be performed by Grant Thornton UK LLP, focussing on consolidation of financial results, alignment of accounting policies and removal of inter-group transactions. Liaison with the finance team to discuss any complex matters, emerging issues or areas of difficulty. Liaison with the auditors of the Council's subsidiary companies (who are also part of Grant Thornton UK LLP but a separate team).

Key changes within the group:

- Alliance Environmental Services Ltd is a new subsidiary of Ansa Environmental Services Ltd, incorporated on 9 May 2017.

Audit scope:

Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required

Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Involvement in the work of component auditors

The nature, time and extent of our involvement in the work of the component audit team will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the subsidiaries' audit documentation and meeting with appropriate members of management.

Value for Money arrangements

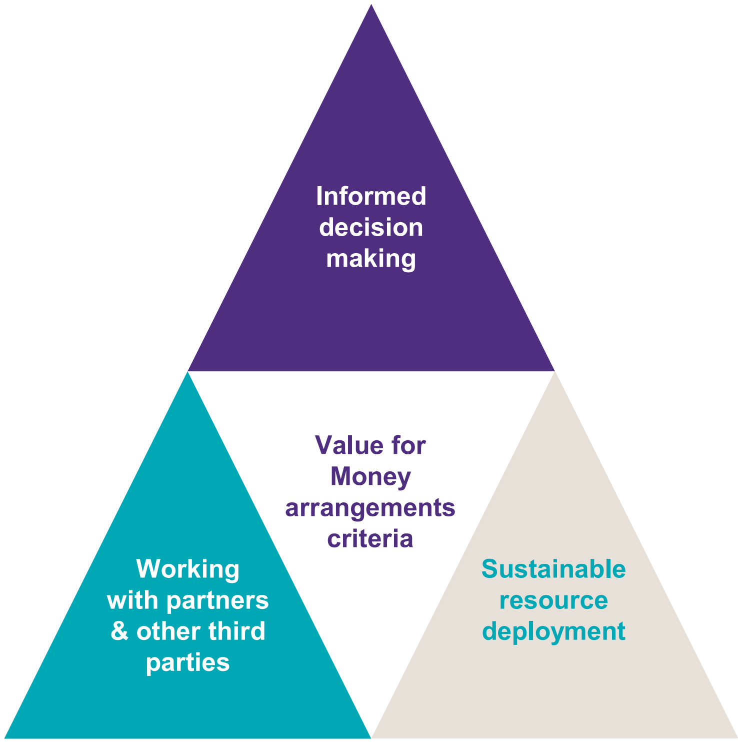
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

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 specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.

Impact of historic governance matters

During 2017/18 the Council has embarked on a number of reviews of its governance arrangements in specific areas. These are reflected in the prior years' AGS and the update report to the Audit and Governance Committee.

During the year, the Council put temporary senior management arrangements in place affecting the statutory posts of Chief Executive as Head of Paid Service, the S151 Officer, the Monitoring Officer whilst proper procedures were followed for independent investigation regarding these officers.

The underlying governance issues that gave rise to these reviews is not relevant to the 2017/18 VFM conclusion. However the actions being taken to move forward, to ensure weakness are identified and appropriately addressed are relevant to this consideration. The Council needs to demonstrate that it has addressed these historic governance matters, whilst not being distracted from the necessary focus on the delivery of its strategic objectives and its financial plans which presents a challenge to the current management team.

We propose to review the Council's understanding of the underlying issues and the actions being taken to mitigate these risks, through review of reports and discussion with key officers.

Value for Money arrangements

Planning finances effectively

The Council has historically managed its finances well and has consistently achieved financial targets.

The quarterly reviews reported to the Corporate Overview & Scrutiny Committee and Cabinet detail potential financial deficits in 2017/18. The overspends are prevalent in relation to Social Care.

A range of measures to reduce the outturn position against the 2017/18 have been introduced, along with a forecast transfer from earmarked reserves to maintain general reserves at the required risk based level (in accordance with the Reserves Strategy approved in February 2017).

We propose to review the Council's understanding of the underlying issues and the actions being taken to mitigate these risks, through review of budgetary information, subsequent monitoring reports and discussion with key officers.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's report.

Working effectively with its partners

The local health organisations and local authorities have worked together to agree three key improvement priorities to jointly deliver in order to drive forward the necessary transformation and improvement of the health and care services across Cheshire. The three priorities are integrated commissioning, integrated provisions and sustainable hospital services across Cheshire.

The work to design and implement an integrated health and care commissioning and delivery system is taking place against the backdrop of significant financial challenges in the local health economy and continuing demand pressures on social care services.

Working with partners from different organisations and service areas with potentially conflicting priorities, and particular financial challenges means that projects are increasingly complex and high profile. This represents a continuing risk to the VFM conclusion as we need to understand the arrangements that the Council has to contribute to this process and to mitigate the risks to its resources.

We propose to gain an understanding of the role that the Council is playing to contribute to change in the local health economy and to move forward with the effective integration of health and social care.

We will discuss this with key officers and review the project management and assurance frameworks established by the Council to establish how it is identifying, managing and monitoring these risks.

Audit logistics, team & audit fees

Planning and risk assessment

Interim Audit February 2018

Audit and Governance committee March 2018 — Audit Plan

Interim Audit March 2018

Audit and Governance committee May 2018 — Interim Progress Report

Year End Audit June & July 2018

Audit and Governance committee July 2018 — Audit Findings Report

Audit opinion

Audit and Governance committee July 2018 — Annual Audit Letter

Jon Roberts, Engagement Lead

The Partner will have overall quality control; accounts opinions; final authorisation of reports; attendance at Audit Committee.

Scarlett Mayer, Audit Manager

Overall audit management; consideration of VFM work; quality assurance of audit work and outputs.

Lisa Morrey, Audit In-Charge

Lisa will be the day to day contact for the Council's finance team. She will take responsibility for ensuring there is effective communication and understanding by the finance team of audit requirements.

Hamze Samatar, Audit Assistant

Hamze will assist Lisa with the management of audit fieldwork, including accounts; coordination of work completed by CAST and audit assistants; coordination of work of specialists and advisors.

Audit fees

The planned audit fees are no less than £154,590 (PY £160,137) for our audit of the financial statements and £13,608 (PY: £24,375) for grant certification. Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

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

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.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

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 (as detailed on page13). 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. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

We have set out overleaf the details of the non-audit services identified.

For each piece of work we have considered the possible threats to our independence, with particular regard to risk of self interest, self review, management, advocacy, familiarity and intimidation. We are satisfied that the non audit services do not impact on the auditors independence.

We have also shared our detailed assessment with PSAA ltd who provided confirmation of their approval for Grant Thornton UK LLP to undertake this work.

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. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Independence & non-audit services

Service	Fees £	Threats	Safeguards
Audit related			
Reasonable assurance report for teachers pensions return (Nov 2017)	4,800	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 £4,800 in comparison to the total fee for the audit of £154,590 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 mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
CFO Insights – three year subscription	27,000	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 £27,000 in comparison to the total fee for the audit of £154,590 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 mitigate the perceived self-interest threat to an acceptable level. Nature of the service presents no threat to independence as CFO Insights is an online software service offering that enables users to rapidly analyse, segment and visualise all the key data relating to the financial performance of a local authority. The financial data, revenue outturn and budget data is provided by CIPFA and the socio-economic data is drawn from Place Analytics. The data is contextualised using a range of socio-economic indicators enabling the LA to understand their relative performance.
Post liquidation services connected with the members voluntary liquidation of Cosocius (50% of the fee)	1,893	The non-audit service does not impact on the auditor's independence.	The entity had already asked for the service to be provided before the NAO issued Auditor Guidance Note 01 and concludes upon the liquidation of Cosocius Limited. Our assessment of threats to independence demonstrated that it was permitted under ethical requirements applicable when we commenced the work, and the safeguards continue to be applied.
Corporate tax compliance services for work relating to 2016/17, carried out during the financial year 2017/18.	8,950	Self-Interest (because this was a recurring fee, this being the final year) and self-review	The Cheshire East companies had engaged this service before the NAO reissued Auditor Guidance Note (AGN) 01 and so this service is provided for the year ended 31 March 2017 only. 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 £8,950 in comparison to the total fee for the audit of £154,590 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 mitigate the perceived self-interest threat to an acceptable level. A separate engagement team from the corporate tax team is used in undertaking the audit to reduce the self review threat to an acceptable level.

Appendices

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor’s report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: • The directors use of the going concern basis of accounting is appropriate • The directors have disclosed identified material uncertainties that may cast significant doubt about the Council’s ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: • Responsibilities of management and auditors regarding other information • A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation • Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.

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