

Agenda Item No 5A

Executive Board

19 April 2010

Report of the Director of Resources

2009/10 External Audit Plan

1 Summary

- 1.1 The purpose of this report is to present the 2009/10 draft Audit Plan from the Council's external auditors, PricewaterhouseCoopers.

Recommendation to the Board

- a To consider the value of errors in the Financial Statements that the Board would wish the auditors to include in future reports; and**
- b To note the draft audit plan.**

2 Introduction

- 2.1 The Council's external auditors, PricewaterhouseCoopers, carry out a programme of audits on an annual basis. The 2009/10 Audit Plan covers work carried out in the summer of 2009, which was used to inform the 2008 Use of Resources assessment, as well as the audit of the 2009/10 Financial Statements, which will be carried out in summer 2010.

3 Audit Approach

- ...
- 3.1 The approach for 2009/10 is set out in the report from PricewaterhouseCoopers, which is attached as Appendix A. It has been formulated following the Auditors risk assessment of the Council and the external environment in which the Council operates.
- 3.2 The report has been accepted as a late item on the agenda, as it sets out the approach to be adopted over the Financial Statements for 2009/10. This needs to be agreed as soon as possible, as some early interim work on the Council's financial systems and controls has already begun. The report also highlights the Auditors request to discuss and agree the value of errors that are considered to be clearly trivial to the financial statements, which would not then be reported to this Board in September.

4 Report Implications

4.1 Finance and Value for Money Implications

4.1.1 Any implications arising from the audit work highlighted in the plan will be included in future reports.

The Contact Officer for this report is Sue Garner (719374).

Background Papers

Local Government Act 1972 Section 100D, as substituted by the Local Government Act, 2000 Section 97

| Background Paper No | Author | Nature of Background Paper | Date |
|----------------------------|---------------|-----------------------------------|-------------|
| | | | |

North Warwickshire Borough Council 2009/10 Audit Plan - DRAFT



The Members
North Warwickshire Borough Council
Council Offices
South Street
Atherstone
Warwickshire
CV9 1DE

January 2010

Ladies and Gentlemen,

We are pleased to present to you our 2009/10 Audit Plan, which includes an analysis of key risks, our audit strategy, reporting and audit timetable and other matters. Discussion of our Plan with you ensures that we understand your concerns and that we agree on our mutual needs and expectations to provide you with the highest level of service quality. Our approach is responsive to the many changes affecting North Warwickshire Borough Council.

We would like to thank Members and officers of the Council for their help in putting together this Plan.

If you would like to discuss any aspect of our Audit Plan please do not hesitate to contact either Alison Breadon, Engagement Leader or Neil Mohan, Engagement Manager.

Yours faithfully,

PricewaterhouseCoopers LLP

Encs

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In April 2008 the Audit Commission issued a revised version of the 'Statement of Responsibilities of Auditors and of Audited Bodies'. It is available from the Chief Executive of each audited body. The purpose of the Statement is to assist auditors and audited bodies by explaining where the responsibilities of auditors begin and end and what is to be expected of the audited body in certain areas. Our reports and letters are prepared in the context of this Statement. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the audited body and no responsibility is taken by auditors to any Member or officer in their individual capacity or to any third party.

Introduction

The purpose of this plan

Our Audit Plan has been prepared to inform the officers and Members of North Warwickshire Borough Council (“the Council”), about our responsibilities as your external auditors and how we plan to discharge them.

Every Council is accountable for the stewardship of public funds. The responsibility for this stewardship is placed upon the Members and officers of the Council. Our principal objective is to carry out an audit in accordance with the Audit Commission’s Code of Audit Practice (“the Code”).

Based upon discussion with management and our understanding of the Council and the local government sector, we have noted in the next section recent developments and other relevant risks. Our Plan has been drawn up to consider the impact of these developments and risks.

We would like to thank officers of the Council for their help in preparing this Plan.

Period covered by this plan

We provided you with details of our indicative fees for the 2009/10 audit in May 2009. This Plan sets out in more detail our audit approach for the period 1 April 2009 to 31 March 2010, including the 2009/10 final accounts audit which we will undertake in summer 2010.

We will continue to review this plan during the course of the audit year, and update it where necessary, to reflect developments at the Council or any changes in our understanding of the issues that it faces.

Risk assessment

Planning of our audit

It is your responsibility to identify and address your operational and financial risks, and to develop and implement proper arrangements to manage them, including adequate and effective systems of internal control. In planning our audit work, we assess the significant operational and financial risks that are relevant to our responsibilities under the Code and the Audit Commission's Standing Guidance. This exercise is only performed to the extent required to prepare our Plan so that it properly tailors the nature and conduct of audit work to your circumstances. It is not designed to identify all risks affecting your operations nor all internal control weaknesses.

We have considered the Council's operations and have assessed the extent to which we believe there are potential risks that need to be addressed as part of our audit. We consider a risk to be an audit risk if there is a risk that it may lead us to reach an inappropriate opinion on the financial statements or on your arrangements for the use of resources.

Once we have identified audit risks, we consider how your control procedures mitigate these risks. Following this assessment, we have scoped our core work in respect of each audit risk that we have identified. Our response includes details of where we are intending to rely upon internal controls, other auditors, inspectors and other review agencies and the work of internal audit, if applicable.

2010/11 – the first year of reporting under IFRS

The implementation of International Financial Reporting Standards ("IFRS") in the local government sector will occur in 2010/11. The 2010/11 financial statements will be prepared in accordance with IFRS.

The 2009/10 financial statements will continue to be prepared in accordance with UK Generally Accepted Accounting Practice ("GAAP"), however balances and transactions appearing in them will need to be restated under IFRS as comparatives in the 2010/11 financial statements. In order for this to happen, opening balances as at 1 April 2009 will need to be restated. Preparation for conversion should already be underway at the Council, as recommended in CIPFA's LAAP Bulletin 80, published in March 2009.

As the implementation of IFRS requires the financial statements to be prepared in accordance with a new set of financial standards, there is an increased risk that the accounts could be misstated. We will therefore work closely with the Council to ensure that you are aware of the main differences between IFRS and UK GAAP and to resolve any accounting issues on a timely basis.

Risk assessment results

The following table summarise the results of our risk assessment and our planned response.

| Business risks | Audit approach |
|--|---|
| <p>Impact of the economic climate: financial position</p> <p>The Council is experiencing increased pressures on many of its budgets as economic conditions have worsened.</p> <p>The Council is likely to be experiencing increased demand for its services at a time when funding service provision may be under strain. This may lead to increased risks related to the processing and documentation of financial data.</p> <p>The Council already faces a number of financial challenges and there is every likelihood that, following the general election in 2010, further significant cuts in public sector expenditure will have to be made.</p> | <p>We will monitor the Council's budget monitoring processes to identify any unexplained material anomalies in the budgetary position and to keep under review the Council's financial standing.</p> <p>We will also monitor progress in achieving the significant savings targets identified in the Council's medium term financial plans.</p> |
| <p>Retirement benefits</p> <p>There are two important aspects of FRS 17 accounting that are influenced by the current economic climate:</p> <ul style="list-style-type: none"> • Discount rates – as the market for high quality corporate bonds has become shallower, problems have arisen in establishing discount rates for FRS 17 purposes. • Valuation of scheme assets – the same guidance for determining values for financial assets applies to pension fund assets. Problems have arisen in earlier years where actuaries have | <p>We will review the disclosures included in the accounts regarding retirement benefits to ensure that they are compliant with the provisions of FRS 17.</p> <p>In particular we will consider the estimates used by the Pension Fund actuary in arriving at a valuation for scheme assets to ensure that they are</p> |

| Business risks | Audit approach |
|--|---|
| <p>used estimates for returns on assets based on trends before the year-end that have proven to be materially inaccurate. The current instability of the markets makes recurrence of this problem likely in 2009/10. The Council will need to ensure that out-of-date figures are identified and corrected.</p> | <p>materially accurate.</p> |
| <p>Valuation of Assets and Revaluation Reserve</p> <p>The economic climate has caused falls in the value of many land and building assets, and the risk of such assets being overvalued on the balance sheet remains high. We will expect the Council to have carried out impairment reviews to ensure that assets are not overvalued at the year end, and to process downward revaluations where appropriate.</p> <p>The recent introduction of the revaluation reserve in 2007/08 will have ongoing implications for the treatment of assets revalued during 2009/10. Particular care will need to be taken over the treatment of any downwards revaluations which exceed revaluation gains recognised since the start of 2007/08. These will need to be charged to the Income and Expenditure Account.</p> <p>It is therefore important that the Council's approach to assessing the carrying value of fixed assets is well documented and the assumptions which have been made are clear.</p> | <p>We will inspect valuations undertaken during the year and ensure that movements in the value of fixed assets correctly reflect market conditions and that any subsequent downwards valuations have been treated correctly in accordance with the SORP 2009 requirements.</p> |
| <p>Bad debt</p> <p>The economic downturn is likely to have increased the risk of the Council suffering losses due to bad debt. The Council will need to have assessed the collectability of debts, and reviewed its bad debt provision, to avoid overstating its debtors.</p> | <p>We will assess the robustness of the Council's assessment of its exposure to bad debts, and review evidence as to the collectability of year end debtors.</p> |
| <p>IFRS</p> <p>International Financial Reporting Standards ("IFRS") will be implemented for Local Government bodies in 2010/11. Project planning for this transition is already well underway at the Council. Despite the progress the Council has made, the significance of this transition process should not be underestimated.</p> <p>Systems need to be put in place so that information required for the transition (such as the preparation of comparatives for 2010/11 financial statements) can be collected efficiently and effectively during the 2009/10 closedown process. It is important that the Council continues to liaise closely with us so that any potential issues are raised and resolved at an early stage.</p> | <p>We plan to monitor the Council's progress with the transition and ensure we continue to offer insight on recent developments in IFRS.</p> |

| Business risks | Audit approach |
|---|--|
| <p>Treasury Management</p> <p>The collapse of the Icelandic banks in 2008/09, and the potential losses suffered by a number of local authorities on apparently safe deposits, has highlighted the importance of robust treasury management procedures and active and informed management of risk. Weaknesses in this area could lead to losses of assets invested, or held as cash deposits. Risks may not be adequately disclosed in the notes relating to financial instruments.</p> | <p>We will update our understanding of the Council's treasury management procedures, and perform any work necessary to assess their adequacy.</p> <p>We will review the financial instruments disclosures to assess whether the Council has taken appropriate steps to understand the instruments and the related risks, and adequately reflected these in the notes to the accounts.</p> |
| <p>Collection Fund and Council Tax accounting</p> <p>The 2009/10 financial statements will need to be compliant with the Local Authority Statement of Recommended Practice ("the SORP"). The SORP has changed the requirements for the way in which Council Tax and NNDR income, debtors and creditors should be accounted for. The Council will need to ensure that it is familiar with the new requirements and that it includes the appropriate sums in its accounts.</p> | <p>We will review the Council Tax and NNDR figures included within the year end accounts for compliance with the 2009 SORP when conducting our audit of the income, debtors and creditors balances included within the accounts</p> |
| <p>Outsourcing arrangement for payroll</p> <p>Since April 2009 the Council's payroll has been operated by Warwickshire County Council.</p> <p>The Council will need to ensure that the governance arrangements in place surrounding this arrangement are robust and must recognise that this arrangement is not a substitute for adequate monitoring controls being maintained within the Council to ensure it meets its fiduciary and other legal responsibilities.</p> | <p>We will review the contractual terms which apply to this arrangement and consider the way in which the Council monitors the activities covered under the arrangement.</p> <p>Our approach to the audit of employee costs will depend upon our understanding of the Council's internal control over financial reporting performed by Warwickshire County Council.</p> <p>We will need to assess if there is sufficient appropriate audit evidence available from the Council in undertaking our work in this area, and if not, we will need to consider obtaining direct access to records held by Warwickshire County Council or their auditor.</p> |

| Business risks | Audit approach |
|---|---|
| <p>New Fixed Asset accounting system</p> <p>The Council has recently purchased <i>Real Asset Management</i> as their fixed asset accounting system and plans are in place for use of the new system as soon as possible.</p> <p>The Council will need to be comfortable with its operation, and will need to ensure that all data has been transferred correctly to the new system. The Council will also need assurance that information produced from the new system is accurately reflected in the General Ledger and the financial statements are complete and accurate.</p> | <p>We will review the Council's approach to implementing the new asset management system, taking account of any work undertaken by Internal Audit in this area.</p> <p>We will determine our approach to the audit of fixed assets within the Council's financial statements once this evaluation has taken place.</p> |
| <p>Capital programme</p> <p>The Council has a significant capital programme. The Council plans to spend more than £50 million on improving and replacing assets by 2018/19.</p> <p>The programme is dependent on the release of funds through the rationalisation of the Council's estate.</p> | <p>We will update our understanding of how the Council maintains budgetary control over capital expenditure.</p> <p>We will also consider the content of the programme in relation to the Council's strategic priorities as part of our work on Use of Resources.</p> <p>We will identify material acquisitions and disposals during 2009/10 and undertake substantive audit work to validate the accounting entries included with in the financial statements.</p> |

Our approach to the audit

Code of Audit Practice

Under the Audit Commission's Code there are two aspects to our work:

- our audit of the Council's accounts including a review of the Annual Governance Statement; and
- our review of the arrangements the Council has in place to secure economy, efficiency and effectiveness in its use of resources (Value for Money Conclusion).

We are required to issue a two-part audit report covering both of these elements.

Accounts

Our Accounts audit is carried out in accordance with our Accounts Code objective, which requires us to comply with International Standards on Auditing (ISAs) (UK & Ireland) issued by the Auditing Practices Board (APB). We plan and perform our audit to be able to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. We use professional judgement to assess what is material. This includes consideration of the amount and nature of transactions.

Our audit approach is based on a thorough understanding of your business and is risk-driven. It first identifies and then concentrates resources on areas of higher risk and issues of concern to you. This involves breaking down the accounts into components. We assess the risk characteristics of each component to determine the audit work required.

Our audit approach is based on understanding and evaluating your internal control environment and where appropriate validating these controls, where we wish to place reliance on them. This work is supplemented with substantive audit procedures, which include detailed testing of transactions and balances and suitable analytical procedures.

We also aim to rely on the work done by internal audit wherever this is appropriate. We will ensure that a continuous dialogue is maintained with internal audit throughout the year. We receive copies of all relevant internal audit reports, allowing us to understand the impact of their findings on our planned audit approach.

Summary of Unadjusted Differences

Our auditing procedures may identify differences between your accounting records and the amounts supported by our audit testing or information we otherwise become aware of. Some of these audit differences may be adjusted by your Finance Team during the audit, while others may remain unadjusted but we maintain a record of all differences that we identify.

The combined effect of all unadjusted differences we identify during the course of our audit work is considered in the context of our judgement of what is material to the financial statements as a whole. We consider the impact of errors on individual figures in the financial statements, as well as the aggregate effect on the financial statements taken as a whole. In our ISA (UK&I) 260 report we will report to you all unadjusted misstatements that are not clearly trivial. ***(The value of errors we consider to be clearly trivial to the financial statements and we would not plan to report to you is to be discussed and agreed with the Executive Board).***

Whole of Government Accounts

Work on the Whole of Government Accounts consolidation pack is included in the scope of the accounts audit.

Value for Money Conclusion

Our Use of Resources Code responsibility requires us to carry out sufficient and relevant work in order to conclude on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in the use of resources (the Value for Money Conclusion).

This conclusion is based on relevant criteria, covering particular areas of the Council's arrangements which the Audit Commission have specified under the Code. The criteria cover three themes, Managing Finances, Governing the Business and Managing Resources, and are set out in Key Lines of Enquiry. The applicable criteria are specified by the Audit Commission each year.

When forming our opinion we will seek to rely on:

- any self assessment you have performed against the criteria;
- your internal control mechanisms;
- any relevant work of internal audit, inspectors and other review agencies;
- work performed in respect of other Code requirements and mandatory work required by the Audit Commission; and
- targeted audit work to address specific risks and validate arrangements in place at the Council.

Mandatory work for 2009/10

Use of Resources Assessment

From April 2009, the Audit Commission implemented comprehensive area assessment (CAA), jointly with the other public service inspectorates.

We undertook our use of resources assessment under the Audit Commission's revised regime in summer 2009. The judgements formed as part of this assessment were used as the basis for our 2008/09 Value for Money conclusions and as an input into the results of CAA which were reported in autumn 2009.

Assessments we will undertake in summer 2010 will form part of our audit plan and fees for the audit year 2010/11.

Data Quality work

We are also required to undertake audit work in relation to data quality to support our Use of Resources Assessment. This work was also undertaken in summer 2009 and fed into our value for money conclusions in 2008/09. We will be undertaking further work on data quality in summer 2010. This work will form part of our audit plan and fees for the audit year 2010/11.

Our team and independence

| Audit Team | Contact Details | Responsibilities |
|---|--|---|
| Engagement Leader Alison Breadon | 01509 604246 alison.breadon@uk.pwc.com | <p>Engagement Leader responsible for independently delivering the audit in line with the Code of Audit Practice, including agreeing the Audit Plan, Audit Memorandum and Annual Audit Letter, approving the quality of outputs and signing of opinions and conclusions. Also responsible for liaison with the Chief Executive and Members.</p> <p>Alison took over as Engagement Leader from Steve Valentine in December 2009, when Steve retired.</p> <p>Alison has existing knowledge of the Council having worked as part of the audit team as Senior Manager in previous years.</p> |
| Engagement Manager Neil Mohan | 01509 604029 neil.mohan@uk.pwc.com | <p>Manager on the assignment responsible for overall control of the audit engagement, ensuring delivery to timetable, delivery and management of targeted work and overall review of audit outputs. Completion of the Audit Plan, Audit Memorandum and Annual Audit Letter.</p> |
| Accounts Manager Leon Mayfield | 07841 564164 leon.c.mayfield@uk.pwc.com | <p>Day-to-day manager on the assignment responsible for managing our accounts work, including the audit of the statement of accounts, and governance aspects of the use of resources. Also responsible for co-ordinating the use of resources audit programme including preparing and presenting reports.</p> |

Our team members

Alison Breadon will replace Steve Valentine in the role of Engagement Leader for the audit year 2009/10 onwards following Steve's retirement in 2009. Other senior members of our team remain unchanged from our 2008/09 audit.

It is our intention that wherever possible staff work on the audit each year, developing effective relationships and an in-depth understanding of your business. We are committed to properly controlling succession within the core team, providing and preserving continuity of team members.

We will hold periodic client service meetings with you, separately or as part of other meetings, to gather feedback, ensure satisfaction with our service and identify areas for improvement and development year on year. These reviews form a valuable overview of our service and its contribution to the business. We use the results to brief new team members and enhance the team's awareness and understanding of your requirements.

Independence and objectivity

We have made enquiries of all PricewaterhouseCoopers' teams providing services to you and of those responsible in the UK Firm for compliance matters. There are no matters which we perceive may impact our independence and objectivity of the audit team.

Relationships and Investments

Senior officers should not seek or receive personal financial or tax advice from PwC. Non-executives who receive such advice from us (perhaps in connection with employment by a client of the firm) or who also act as director for another audit or advisory client of the firm should notify us, so that we can put appropriate conflict management arrangements in place.

Independence conclusion

At the date of this plan we confirm that in our professional judgement, we are independent accountants with respect to the Council, within the meaning of UK regulatory and professional requirements and that the objectivity of the audit team is not impaired.

Communicating with you

Communications Plan and timetable

ISA (UK&I) 260 'Communication of audit matters with those charged with governance' requires auditors to plan with those charged with governance the form and timing of communications with them. We have been advised by management that 'those charged with governance' are the Executive Board. Our team works on the engagement throughout the year to provide you with a timely and responsive service. Below are the dates when we expect to provide the Executive Board with the outputs of our audit.

| Stage of the audit | Output | Date |
|----------------------|---|----------------|
| Audit planning | Audit Fee letter | May 2009 |
| | Audit Plan | February 2010 |
| Audit findings | Internal control issues and recommendations for improvement (if applicable - may form part of the Audit Memorandum) | May 2010 |
| | Use of resources and preliminary conclusion for discussion | Summer 2010 |
| Audit reports | Audit Memorandum incorporating specific reporting requirements under Auditing Standard (ISA (UK&I) 260), including: <ul style="list-style-type: none"> Any expected modifications to the audit report Uncorrected misstatements, i.e. those misstatements identified as part of the audit that management have chosen not to adjust Material weaknesses in the accounting and internal control systems identified as part of the audit Our views about the qualitative aspects of your accounting practices and financial reporting Any other relevant matters of governance interest and Summary of findings from our use of resources audit work to support our value for money conclusion. | September 2010 |
| | Opinion on the Financial Statements including Value for Money Conclusion | September 2010 |
| | Auditor Use of Resources Assessment | September 2010 |
| Other public reports | Annual Audit Letter A brief summary report of our work, produced for Members and to be available to the public. | December 2010 |

Audit fee

The Audit Commission has provided indicative audit fee levels for North Warwickshire Borough Council for the 2009/10 financial year, which depend upon the level of expenditure and potential risk. The Audit Commission's scale fee for the Council is £94,702.

In our fee letter dated 7 May 2009 we proposed an audit fee of £91,500. This compares to the 2008/09 fee as follows:

| | 2009/10 | 2008/09 |
|---|---------|---------|
| Audit fee, including financial statements audit, Use of Resources, Data Quality and Whole of Government Accounts. | 91,500 | 90,000 |

Our fee includes the following:

- audit of the financial statements for 2009/10;
- work on whole of government accounts for 2009/10;
- Use of Resources assessment, supporting the Comprehensive Area Assessment (CAA) which we undertook in summer 2009;
- Value for Money Conclusion; and
- follow-up of previous work where necessary.

We have based the fee level on the following assumptions:

- officers meeting the timetable of deliverables, which we will agree in writing;
- we are able to place reliance, as planned, upon the work of internal audit;
- we are able to draw comfort from your management controls;
- no significant additional work being required in respect of any of the areas identified as risks within the Risk Assessment section of this Plan; and
- an early draft of the Annual Governance Statement being available for us to review prior to 31 March 2010.

If these assumptions prove to be unfounded, we will seek a variation order to the agreed fee, to be discussed in advance with you.

IFRS Implementation

Our fee for 2009/10 is exclusive of any fee for work the Audit Commission may mandate in relation to the audit of the restatement of the Council's opening IFRS balance sheet as at 1 April 2009 and the restatement of the 2009/10 comparative figures under IFRS. We will update the audit plan and fees if and when further guidance is provided by the Audit Commission.

Certification of grants, claims and returns

Our fee for the certification of grants, claims and other returns is based on the amount of time required to complete individual claims at standard hourly rates. We will discuss and agree this with the Director of Resources and his team. From 1 January 2010 we plan to provide regular summary information to the Director of Resources on grant work undertaken and time and costs incurred in undertaking our work on the certification of claims.

Appendix A: Other engagement information

The Audit Commission appoint us as auditors to North Warwickshire Borough Council and the terms of our appointment are governed by:

- The Code of Audit Practice; and
- The Standing Guidance for Auditors

There are six further matters which are not currently included within the guidance, but which our Firm's practice requires that we raise with you.

Electronic communication

During the engagement we may from time to time communicate electronically with each other. However, the electronic transmission of information cannot be guaranteed to be secure, virus or error free and such information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete or otherwise be adversely affected or unsafe to use.

PwC partners and staff may also need to access PwC electronic information and resources during the engagement. You agree that there are benefits to each of us in their being able to access the PwC network via your internet connection and that they may do this by connecting their PwC laptop computers to your network. We each understand that there are risks to each of us associated with such access, including in relation to security and the transmission of viruses.

We each recognise that systems and procedures cannot be a guarantee that transmissions, our respective networks and the devices connected to these networks will be unaffected by risks such as those identified in the previous two paragraphs. We each agree to accept the risks of and authorise (a) electronic communications between us and (b) the use of your network and internet connection as set out above. We each agree to use commercially reasonable procedures (i) to check for the then most commonly known viruses before either of us sends information electronically or we connect to your network and (ii) to prevent unauthorised access to each other's systems.

We shall each be responsible for protecting our own systems and interests and you and PwC (in each case including our respective directors, members, partners, employees, agents or servants) shall have no liability to each other on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any error, damage, loss or omission arising from or in connection with the electronic communication of information between us and our reliance on such information or our use of your network and internet connection.

The exclusion of liability in the previous paragraph shall not apply to the extent that such liability cannot by law be excluded.

Appointed auditor

Alison Breadon, a director in the firm, will discharge the responsibilities of the appointed auditor and in doing so will bind the firm although Alison Breadon is not a partner.

Access to audit working papers

We may be required to give access to our audit working papers to the Audit Commission or the National Audit Office for quality assurance purposes.

Quality arrangements

We want to provide you at all times with a high quality service to meet your needs. If at any time you would like to discuss with us how our service could be improved or if you are dissatisfied with any aspect of our services, please raise the matter immediately with the director responsible for that aspect of our services to you. If, for any reason, you would prefer to discuss these matters with someone other than that partner, please contact Paul Woolston, our Audit Commission Lead Partner at our office at 89 Sandyford Road, Newcastle Upon Tyne, NE99 1PL, or Richard Sexton, UK Head of Assurance, at our office at 1 Embankment Place, London, WC2N 6NN. In this way we can ensure that your concerns are dealt with carefully and promptly. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. This will not affect your right to complain to the Institute of Chartered Accountants in England and Wales or to the Audit Commission.

Events arising between signature of accounts and their publication

ISA (UK&I) 560 places a number of requirements on us in the event of material events arising between the signing of the accounts and their publication. You need to inform us of any such matters that arise so we can fulfil our responsibilities.

If you have any queries on the above, please let us know before approving the Audit Plan or, if arising subsequently, at any point during the year.

Freedom of Information Act

In the event that, pursuant to a request which the audited body has received under the Freedom of Information Act 2000, it is required to disclose any information contained in this report, it will notify PwC promptly and consult with PwC prior to disclosing such report. The audited body agrees to pay due regard to any representations which PwC may make in connection with such disclosure and the audited body shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, the audited body discloses this report or any part thereof, it shall ensure that any disclaimer which PwC has included or may subsequently wish to include in the information is reproduced in full in any copies disclosed.

