

South Lanarkshire Council

External Audit Plan for the year
ending 31 March 2014

February 2014



South Lanarkshire Council
Almada Street
Hamilton
ML3 0AA

3 February 2014

Ladies and Gentlemen,

We are delighted to present to you our audit plan for 2013/14, which includes an analysis of our assessment of significant audit risks, our proposed audit strategy, audit and reporting timetable and other matters. Discussion of our strategy with you enables our engagement team members to understand your concerns and agree on mutual needs and expectations to provide the highest level of service quality.

If you have any questions regarding matters in this document please contact Martin Pitt at 07739 874 281 or Margaret Kerr at 07799 623 045.

Yours faithfully

PricewaterhouseCoopers LLP

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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

Purpose of this plan

We have prepared this audit plan to provide the Audit and Scrutiny Forum of South Lanarkshire Council (“the Council”) with information about our responsibilities as external auditors and how we plan to discharge them for the audit of the financial year ending 31 March 2014.

Framework for our audit

Our plan is required by Auditing Standards¹ and sets out our duties under the Code of Audit Practice (“the Code”).

The Code explains how external auditors should carry out their functions under the Public Finance and Accountability (Scotland) Act 2000. The audit of financial statements is covered by engagement and ethical standards issued by the UK Auditing Practices (APB), so the Code focuses more on the wider functions of public sector auditors. We will conduct our audit in accordance with the relevant requirements of the Code.

The remainder of this document sets out how we will discharge our responsibilities and we welcome any feedback or comments that you may have on our approach.

¹ International Standards on Auditing (UK and Ireland) (ISAs)

Audit approach

The PwC Audit

We work to ensure a quality, efficient audit. Our unique methodology involves the right people, a tailored audit approach and effective use of technology:

People

We have deployed our best people on your audit. They are supported by a substantial investment in training and in our industry programme. The members of your audit team have been primarily taken from our Government and Public Sector team. These staff members have a wide and deep knowledge both of the Council and the Local Government sector.

Key members of the audit team including Margaret Kerr and Jennifer McKillop have been involved in the audit for a number of years. This ensures continuity which is beneficial both for our people and your audit through ensuring that accumulated knowledge remains within the audit team, improving the quality of the audit we deliver. Our new engagement leader, Martin Pitt, brings extensive assurance experience from across the public sector, as well as renewed challenge and enthusiasm in our audit team.

Approach

Centre of Excellence

We have a Centre of Excellence in the UK for the Local Government sector. This is a team of specialists that advises, assists and shares best practice with our audit teams in more complex areas of the audit.

Your audit team works side by side with the Centre of Excellence to ensure we are executing the best possible audit approach. For example your local audit team benefits from regular sector updates, knowledge sharing, real time technical guidance and easily accessible Local Government network across the UK.

Service Delivery Centres

We use specialist delivery centres to deliver parts of our audit work that are routine and can be done by teams allocated to specific tasks; for example these include confirmation procedures, preliminary independence checks and financial statements quality checks. The use of our delivery centres frees up your local audit team to focus on the areas of the audit that matter.

Technology

We have designed processes that automate and simplify audit activity wherever possible. Central to this is PwC's Aura software, which has set the standard for audit technology. It is a powerful tool, enabling us to direct and oversee audit activities.

Aura's risk-based approach and workflow technology results in a higher quality, more effective audit and the tailored testing libraries allow us to build standard work programmes for key audit cycles.

The core elements of our audit are outlined below:

1. *Client acceptance & independence*

Our audit engagement begins with an evaluation of the Council on our 'acceptance & continuance database' which highlights an overall engagement risk score and highlights areas of heightened risk.

At the beginning of our audit process we are also required to assess our independence as your external auditor. We have made enquiries of all PwC teams providing services to you and of those responsible in the UK Firm for compliance matters.

Therefore 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.

2. *Understanding your business issues*

Whilst we have good continuity within our team, we continue to strive to improve our understanding of the Council, its issues and our service to you. We have further developed this from the 2013 year-end by:

- Critically assessing the 2012/13 audit process with management and working together to improve the audit process; and
- Actively participating in national Local Government network.

3. *Relevant risks*

Our audit is risk based which means that we focus on the areas that matter. We have carried out a risk assessment for 2013/14 (prior to considering the impact of controls), as required by auditing standards which draws on our ongoing business understanding of the Council.

We determine if risks are significant, elevated or normal and whether we are concerned with fraud, error or judgement as this helps to drive the design of our testing procedures:

● Significant	Those risks with the highest potential for material misstatement due to a combination of their size, nature and likelihood and which, in our judgement, require specific audit consideration.
● Elevated	Although not considered significant, the nature of the balance/area requires specific consideration.
● Normal	We perform standard audit procedures to address normal risks in all other material financial statement line items.

The below table highlights all risks which we consider to be either or significant or elevated in relation to our audit for the year ended 31 March 2014 for each entity. We have summarised our response to these risks in Appendix A.

Risks	Rating
1 Risk of management override of controls	●
2 Risk of fraud in revenue recognition	●
3 Risk of fraud in expenditure recognition	●
4 Accounting treatment of Equal Pay claims	●

4. Scoping

Materiality

We set overall materiality to assist our planning of the overall audit strategy and to assess the impact of any adjustments identified.

Overall materiality set out below has been set based on the prior year results. We will update this assessment as necessary in light of the Council's actual results. It should also be noted that we continue to use our professional judgement, particularly in the areas of elevated or significant risk identified.

	£
Overall materiality – This is the amount we use in assessing the overall impact on the group financial statements of potential adjustments	£10,000,000
Performance materiality - We use this to plan the amount of work we are going to do – for example in calculating sample sizes	£7,846,000
De-minimus posting level - Under ISA (UK & I) 450, we are required to report to those charged with governance on all unadjusted misstatements in excess of a ‘de-minimus’ or ‘clearly trifling’ amount	£100,000

ISA (UK&I) 450 (revised) requires that we record all misstatements identified except those which are "clearly trivial" i.e. those which we do expect not to have a material effect on the financial statements even if accumulated. As part of our audit planning procedures we have identified that all misstatements less than the amounts identified above could be classed as clearly trivial and we would like to seek the Risk and Audit Scrutiny Forum's views on this de minimis threshold.

Current guidance suggests that all misstatements less than £500,000 could be classed as clearly trivial and we would like to seek the Risk and Audit Scrutiny's views on this de minimis threshold, as we have previously reported items greater than £100,000. It should also be noted that we continue to use our professional judgement and in certain areas of the financial statements, for example the remuneration report, all unadjusted errors of a factual nature will be reported to the Risk and Audit Scrutiny Forum.

We have summarised our reporting requirements for the financial statements and other areas of work required under Auditing Standards in this Audit Plan.

5. *Robust Testing*

Where we do our work

As previously mentioned, our audit is risk-based which means we focus our work on those areas which, in our judgement, are most likely to lead to a material misstatement in the accounts. In summary, we will:

- Consider the key risks arising from internal developments and external factors such as policy, regulatory or accounting changes;
- Consider the robustness of the control environment, including the governance structure, the operating environment, the information systems and processes and the financial reporting procedures in operation;
- Understand the control activities operating over key financial cycles which affect the production of the year-end financial statements;
- Test key controls relevant to the audit approach; and
- Perform substantive procedures on transactions and balances as required.

When we do our work

Our audit is designed to keep you informed of any issues as they arise so that we deliver a no surprises audit at year-end. This involves early testing at an interim stage and open and timely communication with management to ensure that we meet all statutory reporting deadlines. We engage early, enabling us to debate issues with you whilst not getting ahead of management's decision making. We have summarised our formal communications plan in Appendix B.

Reliance on Internal Audit

ISA UK & Ireland 610(revised): "Using the work of internal auditors" requires us to:

- Consider the activities of Internal Audit and the extent that their work can be relied upon for external audit procedures;
- Obtain sufficient understanding of internal audit activities and the effectiveness of the function to enable us to identify areas of risk and develop an effective and targeted audit approach; and
- Evaluate and test the quality and timeliness of internal audit work, where we seek to rely on the findings, in order to confirm its adequacy for our purposes.

The work that internal audit has undertaken during the year will be used to inform this assessment and ensure that our year end testing is appropriately risk based and targeted.

Specifically we will seek to rely on the work of internal audit in the following areas:

- Analysis of journal entries; and
- Delivery of a work programme in respect of Council Tax, Non-Domestic Rates, Housing Rents and Benefits.

6. *Meaningful conclusions*

We believe fundamentally in the value of the audit and its crucial position in providing confidence to governing body and other stakeholders. In addition, we believe that audits need to be designed to be valuable to our clients to properly fulfil our role as auditors.

In designing the audit, our primary objective is to form an independent audit opinion on the financial statements; however, we also aim to provide insight which supports your business evolution.

Audit value comes from the same source as audit quality so the work that we do in support of our audit opinion also means that we should be giving you value through our observations, recommendations and insights.

Risk of fraud

International Standards on Auditing (UK&I) state that we, as auditors, are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. The respective responsibilities of auditors, management and those charged with governance are summarised below:

Auditors' responsibility	Management's responsibility	Responsibility of the Risk & Audit Scrutiny Forum Members
<p>Our objectives are:</p> <ul style="list-style-type: none"> To identify and assess the risks of material misstatement of the financial statements due to fraud; To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and To respond appropriately to fraud or suspected fraud identified during the audit. 	<p>Management's responsibilities in relation to fraud are:</p> <ul style="list-style-type: none"> To design and implement programmes and controls to prevent, deter and detect fraud; To ensure that the entity's culture and environment promote ethical behaviour; and To perform a risk assessment that specifically includes the risk of fraud addressing incentives and pressures, opportunities, and attitudes and rationalisation. 	<p>Your responsibility as part of your governance role is:</p> <ul style="list-style-type: none"> To evaluate management's identification of fraud risk, implementation of anti-fraud measures and creation of appropriate 'tone at the top'; and To investigate any alleged or suspected instances of fraud brought to your attention.

Conditions under which fraud may occur



Your views on fraud

We enquire of you, as members of the Risk and Audit Scrutiny Forum (RASf):

- Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
- What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
- What role you have in relation to fraud?
- What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

Your PwC team

The individuals in your PwC team have been specially selected to bring you extensive audit experience from working in Housing, the wider public sector and commercial sector. We also recognise that continuity in the audit team is important to you and the senior members of our team are committed to developing longer term relationships with you.

The core members of your audit team are:

Audit Team	Responsibilities and experience
Engagement Leader Martin Pitt Tel: 028 9041 5403 Mob: 07739 874 281 Email: martin.h.pitt@uk.pwc.com	Engagement Leader responsible for independently delivering the audit in line with Auditing Standards (including agreeing the Audit Plan and the ISA (UK&I) 260 Report to Those Charged with Governance), quality of outputs and signing of opinions and conclusions.
Engagement Senior Manager Margaret Kerr Tel: 0141 355 4277 Mob: 07799 623 045 Email: margaret.kerr@uk.pwc.com	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 and the Annual Report.
Team Leader Gemma Dalton Tel: 0131 2604057 Mob: 07729 301712 Email: gemma.l.dalton@uk.pwc.com	Responsible for leading the field team, including the audit of the statement of accounts, and governance aspects of our work. Regular liaison with the finance team.

Client service is extremely important to us and we continuously strive to improve our service and do everything we can to make sure that we're exceeding your expectations. If you would like to discuss how we can improve our service please contact Martin Pitt, your engagement leader, in the first instance.

Your audit fees

We would like to set out our proposal for the statutory audit fee for South Lanarkshire Council for the year ending 31 March 2014.

We propose a total audit fee of £528,846 being no change on the prior year fee. While our costs continue to increase above inflationary levels, we acknowledge our part to play in maintaining the efficiencies achieved by the Council and therefore believe it is appropriate to hold the fee at the prior year level.

The total fee will be invoiced to South Lanarkshire Council by Audit Scotland and a proportion of this total fee is then remitted to PwC. The total fee includes the fees that are due to PwC, the Audit Scotland fixed charge, VAT and any out of pocket expenses incurred.

This fee includes:

- Audit of the Council financial statements;
- Ongoing dialogue throughout the year with officers;
- Considerable partner and manager time to ensure that our planning, fieldwork and reporting and recommendations are timely and relevant;
- Clear, timely and concise reporting on key matters in respect of internal financial controls, accounting systems and other ad hoc matters as they arise;
- Attendance at Risk and Audit Scrutiny Forum meetings; and
- A reasonable level of ad hoc accounting and other advice whether given in meetings or over the phone.

We have based the fee level on the following assumptions:

- Officers meeting the timetable of deliverables, which we will agree as part of our interim visit;
- We are able to place reliance, as planned, upon the work of internal audit;
- We are able to draw comfort from your management controls;
- Working papers to support the details in the accounts. They form the evidence we need to populate our audit files.

If these circumstances change, we will seek a variation order to the agreed fee, to be discussed and agreed in advance with you.

Appendices

Appendix A. Risk and response

Risk	Significant / elevated risk	Reason for risk identification	Audit approach
Management override of controls	● Significant	ISA (UK&I) 240 requires that we plan our audit work to consider the risk of fraud, which is presumed to be a significant risk in any audit. This includes consideration of the risk that management may override controls in order to manipulate the financial statements.	<p>We will perform procedures to:</p> <ul style="list-style-type: none"> • Test the appropriateness of journal entries using Computer Assisted Audit Techniques; • Review accounting estimates for bias and evaluate whether circumstances producing any bias, represent a risk of material misstatement due to fraud; • Evaluate the business rationale underlying significant transactions; and • Perform 'unpredictable' procedures.
Fraud in revenue recognition	● Significant	<p>Under ISA (UK&I) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition. There is a risk that the Council could adopt accounting policies or treat income transactions in such a way as to lead to material misstatement in the reported revenue position.</p> <p>We extend this presumption to the recognition of expenditure in the public sector, as there is arguably greater risk associated with the recognition of expenditure in the Council.</p>	<p>We will obtain an understanding of key revenue and expenditure controls.</p> <p>We will evaluate and test the accounting policy for income and expenditure recognition to ensure that this is consistent with the Council's accounting policies.</p> <p>We will also perform detailed testing of revenue and expenditure transactions, including any deferred revenue, focussing on the areas we consider to be of greatest risk. We will also perform detailed testing of revenue transactions, focussing on the areas we consider to be of greatest risk, including testing of manual journals.</p>

Risk	Significant / elevated risk	Reason for risk identification	Audit approach
Risk of fraud in expenditure recognition	● Significant	For the purposes of the Council the risk of fraud in revenue recognition is more sensibly inverted to reflect the risk around misstatement of expenditure	During the year, we will hold discussions with management on the processes for monitoring performance against key financial targets and assess what work internal audit has performed in the key areas. In addition we will review the controls put in place by the Council to control expenditure through specific targeted work undertaken by Internal Audit. As part of our substantive programme at the year end we will include specific testing on cut-off and unrecorded liabilities, and of judgemental areas.
Accounting treatment of equal pay claims	● Elevated	As we reported in our 2012/13 .Annual Report there continues to be risk in respect of the Council's liability for equal pay claims.	Throughout the year we will update our understanding of the Council's liability and whether the criteria for an accounting provision have been achieved. Changes in the nature of these claims and the legal position could result in further disclosure under the Council's contingent liability disclosure or the creation of a balance sheet provision for the first time.

Appendix B. Reporting

Additional procedures for Audit Scotland

Audit Scotland issues additional planning guidance specific to Local Government in Scotland. This requires us to undertake additional procedures throughout the year. For 2013/14 these are:

1. Local impact of national performance audits

Audit Scotland periodically undertakes studies on topics relevant to the performance of health bodies. While the recommendations from some of the studies have a national application, elements of the recommendations are also capable of implementation at Council level. As part of our 2013/14 audit plan we will request evidence of how the Council has responded, at a local level, to relevant national reports, preparing a brief response to Audit Scotland by 31 March 2014 on:

- Health inequalities in Scotland, published December 2012.

Audit Scotland requests information on the following areas:

- Completion of a self-assessment by the audited body against the relevant findings in the national report;
- Evidence of discussion of the reports at any committee meetings;
- Details of any action plan resulting from the self-assessment; and
- Monitoring of progress against the action plan by management.

The purpose of this review is to identify whether Audit Scotland needs to do more work to promote its national reports and provide initial information for any more detailed local follow up that may take place.

2. National Fraud Initiative

The Council participates in the National Fraud Initiative (NFI). The Council was provided with matches to be investigated earlier in 2013. It is expected that the Council should investigate all recommended matches plus further matches based on findings and the risk of error or fraud. Match investigation work should be largely completed by 30 September 2013 and the results recorded on the NFI system, albeit some investigations may continue beyond this date.

As your auditors we have reported on the Council's progress in respect of NFI through the use of an audit questionnaire which was completed by 31 December 2013. The findings from these questionnaires across participants in Scotland will form the basis of Audit Scotland's NFI report due to be published in May 2014.

3. Performance Audit: Targeted follow up

Arms Length External Organisations (ALEOs)

The Accounts Commission has had an on-going interest in ALEOs for some time. This goes right back to the 1996 'Following the Public Pound' guidance, through to the 2011 How Councils Work report 'Arms Length External Organisations: Are you getting it right?'. In order to provide a position statement and assess progress since the report was published we have been asked to report to Audit Scotland:

- How many ALEOs does the Council have?

- The legal status/ relationship the Council has with each ALEO.
- The services delivered by the organisation.
- The scale of the organisation (workforce, turnover, assets etc.).
- Description of the governance arrangements the Council has for overseeing ALEOs.
- The effectiveness of those governance arrangements.

Major Capital Investment in Councils

To further promote impact at a local level, we have been asked by Audit Scotland to carry out a focused follow-up of '**Major capital investment in councils**' (published 14 March 2013).

This follow up will be undertaken in two stages:

Stage 1:

We are required to provide the following information:

- Was the report (and the associated good practice guide and checklist) discussed at any committees? If so, which committees and on what dates?
- Did the Council carry out a self-assessment against the report?
- Did the council produce an action plan?
- Our overall view on how the body responded to the report and the impact of the report locally.

Stage 2:

A small selection of projects/councils will be selected for further analysis. This may involve our requirement to consider the impact the report has had post publication and the effectiveness of the management of capital investment in the selected councils.

Appendix C.

Communications plan

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 assumed that 'those charged with governance' are the Risk and Audit Scrutiny Forum. Our team works on the engagement throughout the year to provide you with a timely and responsive service. We will produce the following key documents reporting on the progress and overall results of the engagement:

Report	Purpose	Presentation to Officers and/or the RASF
Audit plan	Sets out our planned audit approach and response to the risks we have identified for the audit to date.	February 2014
Interim Management Letter and Follow up Report	To report any control weaknesses or recommendations from our interim fieldwork and follow up of prior year recommendations.	May 2014
Impact Report	Health Inequalities	March 2014
Targeted follow up of performance audits	<ul style="list-style-type: none"> - Arms Length External Organisations (ALEOs) - Major Capital Investment (Stage 1) - Major Capital Investment (Stage 2) 	<ul style="list-style-type: none"> - May 2014 - June 2014 - November 2014 (if required)
Financial statements audit opinion	We will provide our opinion on the Council's financial statements.	September 2014
ISA 260 Report to those charged with governance	This will clarify the areas of required communication, which will be made to the RASF.	September 2014
Annual report	Summarises the key issues arising from the annual audit.	October 2014, typically we will aim to complete this in conjunction with the financial statements being September 2014.
Whole of Government Accounts (WGA)	We undertake procedures on the Council's submission to the Government consolidation process.	October 2014
Housing Benefits return	We will perform certification work on the Housing Benefit and Council Tax return.	November 2014
Non-Domestic Rates Return	We will perform detailed testing on the NDR return	February 2015

Below is a summary of when we expect to provide the RASF with the outputs of our audit. This will be confirmed in our ISA 260 Report to those Charged with Governance.

Required Communication	Planning	Completion	As required
Copy of engagement letter to those charged with governance	*		
Independence and objectivity confirmation	✓	✓	
Detail of all non-audit work performed by the firm and related fees (nil report)	✓	✓	
Nature and scope of work together with timing of expected reports	✓		
Expected modifications to the auditors' report		✓	✓
Uncorrected misstatements		✓	
Significant deficiencies in internal control identified during the audit		✓	✓
Views about the qualitative aspects of the entity's accounting practices and financial reporting		✓	
Matters specifically required by other ISAs (UK&I) to be communicated to those charged with governance	✓	✓	✓
Final draft of representation letter		✓	
Any other audit matters of governance interest		✓	✓
Annual Audit Report		✓	

* Please note that our audit engagement is in accordance with the five year contract awarded by Audit Scotland, dated 20 May 2011.

We intend to undertake our audit planning work in March 2014 and our final audit and completion work will be undertaken in July/August 2014.

Appendix D. Audit quality

Quality is built into every aspect of the way that we deliver the Council audit. We take great pride in being your auditors and in the value of assurance that the audit opinion provides. A timely, independent and rigorous audit is fundamental. This in turn necessitates getting the basics right – clarity on audit risks, scope, resource, timetables, deliverables and areas of judgement – which is supported by our team that has extensive experience and relevant training.

The table below sets out some of the key ways in which we ensure we deliver a high quality audit.

Procedure	Description
People	Quality begins with our people. To ensure that every engagement team provides quality, we use carefully designed protocols for recruiting, training, promoting, assigning responsibility and managing and overseeing the work of our people. We invest significant amounts of time and money for the training and development of our audit professionals. Every new team member is carefully selected to ensure they have the right blend of technical expertise and industry experience to support the Council audit.
Client acceptance and retention	Our client acceptance and retention standards and procedures are designed to identify risks of a client or prospective client to determine whether the risks are manageable.
Audit methodology	The same audit methodology is used for all housing provider audit engagements, thereby ensuring uniformity and consistency in approach. Compliance with this methodology is regularly reviewed and evaluated. Comprehensive policies and procedures governing our accounting and auditing practice – covering professional and regulatory standards as well as implementation issues – are constantly updated for new professional developments and emerging issues, needs and concerns of the practice.
Technical consultation	Consultations by engagement teams, typically with senior technical partners unaffiliated with the audit engagement, are required in particular circumstances involving auditing, accounting or reporting matters including matters such as going concern and clinical quality issues. In addition, we regularly consult with our industry specialists in the Local Government Centre of Excellence.
Technical updates	<p>PwC prepares numerous publications to keep both PwC staff and our clients abreast of the latest technical guidance.</p> <p>These include:</p> <ul style="list-style-type: none"> • A weekly publication covering the week's accounting and business developments. • A periodic publication providing in-depth analysis of significant accounting developments. <p>We also provide Local Government specific technical updates through regular publications issued by our Local Government Centre of Excellence. We will share our technical updates with you throughout the year.</p>
Independence standards	PwC has policies and systems designed to comply with relevant independence and client retention standards. Before a piece of non-audit work can begin for the Council, it must first be authorised by the engagement leader who evaluates the project against our own internal policies and safeguards and against your policy on non-audit services.

Procedure	Description
Ethics	Our Ethics and Business Conduct Programme includes confidential communication channels to voice questions and concerns 24 hours a day, seven days a week. Confidentiality helps us to ensure that we receive the candid information and that we respond with the appropriate technical and risk management resources.
Independent review	Our audits are subject to ongoing review and evaluation by review teams within PwC and also by the Audit Quality Review Team (AQRT, formerly the Audit Inspection Unit). The most recent report on PwC was issued in May 2013 and although there are some areas for development identified the general theme was that audit quality has continued to improve. The firm has developed action plans for all areas for development identified by the AQRT.

Appendix E. Other engagement information

There are four further matters 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.

Access to audit working papers

We may be required to give access to our audit working papers to regulatory bodies (including the Quality Assurance Department of the ICAEW) 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 partner 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 Stephanie Bruce, our Assurance Business Unit Lead Partner at our office at Erskine House, 68-73 Queen Street, Edinburgh, EH2 4NH, or James Chalmers, 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.

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 date of the financial statements and the date of the auditor's report.

We have no obligation to perform any audit procedures regarding the financial statements after the date of the auditor's report. However, if, after the date of our audit report but before the date the financial statements are published, a fact becomes known to us that, had it been known at the date of our report may have caused us to amend the our report, we will discuss such matters with you and decide upon the necessary course of action.

You need to inform us of any such matters that arise so we can fulfil our responsibilities



In the event that, pursuant to a request which South Lanarkshire Council has received under the Freedom of Information Act 2000 or the Freedom of Information (Scotland) Act 2002, 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. South Lanarkshire Council agrees to pay due regard to any representations which PwC may make in connection with such disclosure and South Lanarkshire Council shall apply any relevant exemptions which may exist under the Act to such report. If, following consultation with PwC, South Lanarkshire Council 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.

This report has been prepared for and only for South Lanarkshire Council and for no other purpose. We do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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