

# Strathclyde Joint Police Board

## Annual Audit Report 2011-12

---

October 2012





## Contents

1. Executive Summary	4
2. Financial Position	5
3. Governance	8
4. Performance	10
Appendix B: "The Small Print"	20

# 1. Executive Summary

## Introduction

The Accounts Commission for Scotland appointed Grant Thornton UK LLP as auditors to the Board of Strathclyde Joint Police Board (the Board) under the Local Government (Scotland) Act 1973 for the period 2011-12 to 2012-13. This is therefore the first year of our appointment. This document summarises the key outcomes from our 2011-12 audit of the Board.

## National Police Reform

During the year Royal Assent was given to the Police and Fire Reform (Scotland) Act 2012. From the 1 April 2013 the Board will no longer be responsible for

service provision. Strathclyde Police Force are heavily involved in the reform.

The Board need to maintain appropriate governance and service provision through- out 2012-13 and work with local authorities to develop local governance arrangements for the National service.

## Summary findings

Overall the Board is in a good financial position with strong levels of reserves. The Board has coped well in achieving efficiency savings in its operations to minimise the impact on reserves whilst maintaining a good level of operational performance.

## Key Findings

Reporting Area	Our Summary
Financial Position	<ul style="list-style-type: none"> <li>The Board currently has a general fund balance of £36.7m, an increase of £6.4m from the prior year. The uncommitted element of the general fund is £23.38m.</li> <li>The Board recorded a slight underspend against budget in the year, principally through reduced employee costs. Capital expenditure on the approved programme was below budget.</li> </ul>
Financial Statements	<ul style="list-style-type: none"> <li>We have given an unqualified opinion on the financial statements of the Board.</li> <li>The draft financial statements were of a good standard and, as a result, we proposed only minor adjustments.</li> </ul>
Governance	<ul style="list-style-type: none"> <li>Governance arrangements have generally worked well during the year.</li> <li>The Board is making good preparations for the transition to a single police service and now needs to work in partnership with the constituent councils to establish plans for future governance arrangements within the local area.</li> </ul>
Performance	<ul style="list-style-type: none"> <li>The Board received a follow up report on the Joint Best Value and Inspection report. Progress has been made in a number of areas, however there remains key areas of the improvement agenda which have not been implemented.</li> </ul>

## Acknowledgements

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

## 2. Financial Position

The Board currently has a general fund balance of £36.7m, an increase of £6.4m from the prior year. The Board has recorded an underspend against budget in the year and is making good progress in the delivering required efficiency savings as it moves towards the creation of a single police service for Scotland.

### Financial Strategy

When the revenue budget was set in January 2011, it was set in the context of a very challenging financial settlement. Local authority funding for 2011-12 had been reduced by 2.6% in real terms from the prior year.

In September 2011 the Scottish Government announced a Police and Fire Reform Bill and began progressing plans to merge the eight current police services into one national service. The Bill received royal assent in August 2012 and the merger is scheduled for 1 April 2013.

The Board has therefore managed its financial and operational performance well during 2011-12 in the context of changing expectations and priorities.

### Financial Position

The Board is in good financial health, with strong levels of reserves a clear financial strategy for the future. The key financial priorities for the Board remain the same throughout this period of reform. The Board had set a target to steadily reduce reserves over the period 2011-2015. The planned reduction in reserves for the period 2012-13 has been taken into account when setting the 2012-13 budget. The expected contribution from reserves for 2012-13 is not required with the budget shortfall of £5.7m being met from savings efficiencies. Uncommitted reserves will be shared by Scottish Government and the Local Authorities on a 51%/49% basis following the demise of the Board on 31 March 2013.

At 31 March 2012, the Board reported a general fund balance of £36.7 million (2010-11: £30.2m), of which £23.38m is uncommitted.

The earmarked portion of the general fund includes £12.2m to fund committed projects and £8.2m to fund capital projects.

Figure 1: The Board's reserves continue to increase

Source: Strathclyde Joint Police Board Statement of Accounts



### Comprehensive Income and Expenditure Statement

The Board's accounts record significant variances in the Comprehensive Income and Expenditure from the prior year, principally as a result of pension accounting movements. As Table 1, overleaf, highlights, the Board reported total net comprehensive expenditure in year of £281 million (2010-11: income of £547 million).

The change in the value of pensions is largely impacted by changes in actuarial assumptions for the discount rate, mortality rates for scheme members and long term returns on assets (for funded schemes). In simple terms, the economic recession is reducing long term returns on pensions assets, whilst scheme members are living longer increasing the cost of pensions.

**Table 1: Financial Results for 2011 and 2012**

	2010-11	2011-12
	£'000	£'000
Net cost of services	(92,325)	497,392
Other operating expenditure	145	(94)
Financing and investment income	238,806	235,318
Taxation & non-specific grant income	(442,098)	(433,422)
<b>(Surplus)/ Deficit on the provision of services</b>	<b>(295,472)</b>	<b>299,194</b>
(Surplus)/deficit on revaluation of fixed assets	0	(2,629)
Actuarial (Gains) / Losses on Pension Liabilities	(251,857)	(15,544)
<b>Total comprehensive income and expenditure</b>	<b>(547,329)</b>	<b>281,021</b>

Source: Strathclyde Joint Police Board Statement of Accounts

The other significant pensions movement between the current and prior year was an actuarial gain in the prior year of £251,857m, which in the current year is matched by a gain of £15,544m.

## Expenditure in 2011-12

The Board had a strong performance against budget, which resulted in a £6.4m contribution to reserves. This result was achieved through reduced employee costs and increased operating income.

Costs were controlled in a number of ways including, restructuring and centralization of support services,

rationalisation of supervisory ranks, reduced overtime and rent allowance payments.

## Capital Expenditure

The Board approved the a revised capital programme of £12.5m. There was slippage on the programme in relation to building works which came in £1.0m under budget. No significant capital projects are underway, or planned, as a result of the national merger in April 2013.

## Current Projections for 2012-13

We have reviewed the Board's projections for 2012-13 and its plans to maintain services prior to the merger.

The level of Government Grant available to Local Authorities has remained in cash terms, constant from 2011-12, this represents a real term reduction of 1.6%. The Board has set a net revenue budget of £448.43 for 2012-13, representing an increase of £15m(3%) on the net revenue budget from 2011-12. The Board has approved to maintain the level of requisitions sought from constituent councils in the year. The Reforms and Efficiencies programme will continue to achieve savings throughout 2012-13 in respect of ongoing workstreams. The budgeted savings are £5.8m and will be achieved by reductions in operational and support budgets and supervisory ratios.

The 2012-13 capital budget has been increased by 79% to £22m. The increase relates to building works which has increased by £9.4m to £17.1m. The most significant projects are Drumchapel £1.9m, Comms complex £1.2m and Motherwell, Clydebank and Coatbridge Custody projects £2.7m. The capital programme is being funded by capital grant, capital receipts and a revenue contribution of £2.8m.

We have issued an unqualified audit opinion on the Board's 2011-12 financial statements. The Board supplied good quality draft financial statements and supporting working papers for audit

### Preparation of Accounts

The accounts and working papers were presented for audit on 29 June 2012, in accordance with our audit timetable. The standard of working papers was of a very high quality, and is reflected in the minor proposed adjustments that we identified during the audit.

### Commentary on key judgements and estimates

#### Pensions

The Board's Balance Sheet records a significant net liability as a result of IAS 19 accounting adjustments to reflect the costs of pensions. Net Liabilities per the balance sheet of £4,365.5m reflects, in the main, the deficit of the Police Pension Scheme of £4,497m and a liability of £16.5m on the Local Government Pension Fund. However, this technical accounting treatment has had no impact on the underlying basis for meeting the Board's current and ongoing pension liabilities. These costs are met from the Board's funding from Government Grants and contributions from constituent authorities under the Amalgamation Scheme 1995.

#### Uncertainty and estimates

The Board has drawn attention to the critical judgements and assumptions made in producing the financial statements within Note 3 to the Accounts.

Note 3 highlights that the key uncertainties within the financial statements relates to the going concern basis in light of national Police reform, the pension liability and the valuation of the PFI scheme.

#### Revenue recognition

The predominant source of revenue for the Board is from specific revenue police grant. All revenue grants are matched with the expenditure to which they relate. The basis of revenue recognition was found to be appropriate and in line with prior years.

#### Review of principal accounting policies

We have reviewed the financial statements and confirmed that the accounting policies appear appropriate and in line with sector expectations.

#### Misstatements

There were no uncorrected misstatements that we require to bring to your attention. A number of minor presentational adjustments were made to the accounts including additional disclosures within the remuneration report.

### Opinion

We provided an unqualified opinion on the financial statements for 2011-12.

## 3. Governance

The Board's governance arrangements generally operated well during the year. Internal Audit's performance against the approved internal audit plan should be closely monitored in light of the reduced resource during 2012-13.

### Progress on National Police Reform

In June 2012, the Police and Fire Reform (Scotland) Bill passed through Parliament and has now received Royal Assent, under this Act the eight current police and fire boards will be abolished and a new single National Police Service established. Strathclyde Police force have been closely involved in this progress, with Strathclyde leading on a number of merger working groups.

The Board has been making good preparations to deal with the changes. Although this has required an investment of time and resources at a range of levels across the force, no issues with the on-going service delivery were noted from this.

### Impact of local elections

Due to Council elections being held in May 2012, there was disruption to the normal frequency of sub-committee meetings. Appropriate decision making arrangements were established during the interim period and the sub-committees have now been re-established.

### Our testing of Internal Controls

As part of our audit work we reviewed the Board's systems of internal control over the key financial systems that we considered to be areas of higher risk for our financial statements audit. We assessed grant revenue, property, plant and equipment, employee remuneration and operating expenditure as areas of higher risk. Our review confirmed that expected key internal controls are generally in place for each of the key financial systems and are working as described.

We reviewed the IT general controls supporting the network and the following applications: EFinancials, Cyborg (Payroll) and Scope (Human Resources). This review included controls around IT security, IT

operations and change management. We did identify a number of deficiencies which are detailed at appendix I.

### Statement on the System of Internal Financial Control

A Statement on the System of Internal Financial Control (SSIFC) forms part of the Board's annual accounts and summarises the internal control framework, including arrangements for risk management, financial governance and accountability.

We reviewed the SSIFC as part of our annual audit procedures and we are satisfied that it is in line with our understanding of the internal controls in place at Strathclyde Joint Police Board. We do, however, note that this is good practice to prepare an Annual Governance Statement, which requires more disclosure as it should reflect how the organisation conducts its business internally and in dealing with others.

### Review of Internal Audit

The Board's Internal Audit service is provided by an in-house service. As part of our year one audit procedures, we completed a detailed review of the internal audit function against the good practice guidelines within CIPFA's Code of Practice for Local Government Internal Auditors. Due to the nature and timing of the reviews carried out during 2011-12, we did not place formal reliance on the work of Internal Audit, but we reviewed their work to ensure that our work was appropriately focused, and to highlight where there were control weaknesses.

We found that the internal audit department is performing well. However a formal quality assurance framework was not in place.



For the financial year 2012-13 the Internal Audit Service has not been fully resourced. Appointments have been made in year and a number of operational efficiencies have been identified. Any impact on the ability of Internal Audit to complete the approved plan should be identified and communicated to the audit, governance and risk committee. We have recorded our recommendations in Appendix I.

Internal Audit concluded in their annual report to the audit, governance and risk committee that 'reasonable assurance can be placed upon the operation of the corporate governance, risk management and financial control arrangements'.

## Looking forward

Since the approval of the plan to form a national police service, the Board has entered a transitional period, where it must ensure that:

- Strathclyde Police Force continues to deliver services effectively and achieve value for money
- preparations are made for the new service arrangements, including local governance and accountability.

## 4. Performance

Strathclyde Joint Police Board has a clear vision for the area which is supported by strong performance management arrangements.

### Joint Best Value Report and Inspection

Audit Scotland and HMICS recently completed a Best Value Audit and Inspection follow up at the Board. The report concluded that the Board have made progress since the publication of the joint Best Value and Inspection in July 2011 in, among others, the scrutiny of performance, finance and asset management. There remains scope for the Authority to improve joint decision making with the force, provide strategic oversight and challenge on the Force's approach to partnership working, monitoring of the effectiveness of the Authority's support function and business arrangements and arrangements to hold the Chief Executive to account for the delivery of the improvement agenda.

Performance Framework (SPPF) began in 2007 and is designed to offer a range of performance measures that cover the breadth of police activity. These SPIs are divided into four areas; service response, public reassurance & community safety, criminal justice & tackling crime and sound governance & efficiency.

The 2011-12 published figures show a 20.3% reduction in violent crimes and a decrease in anti-social behavior from 2010-11 levels. Crimes of indecency and racially motivated crimes have increased. In other areas Strathclyde Police has reported strong performance, including the highest service user satisfaction rates in Scotland. Detection rates remain lower than other police forces, however they have increased across all crime categories.

### Statutory Performance Indicators

Under the Local Government Act 1992, the Board is required to publish a number of statutory performance indicators. The Scottish Policing

# Appendix A

## Key to assessment of internal control deficiencies

●	Material weakness - risk of material misstatement
●	Significant deficiency - risk of significant misstatement
●	Deficiency - risk of inconsequential misstatement

	Assessment	Issue and risk	Recommendation
<b>Financial Statements</b>			
1	●	Although there is currently no requirement to produce an Annual Governance Statement, it is considered best practice	<p>The Board should consider the adoption of an Annual Governance Statement for 2012-13 financial Statements.</p> <p><b>Management Response</b>  <b>It should be noted that the 2012/13 Statement of Accounts will be the final year for the Authority's Financial Statements. This recommendation will be referred to the Authority Chief Executive for further consideration.</b></p>

**Internal Audit**

2	●	There was no formal quality framework in place for the Internal Audit service.	<p>The Internal Audit service should have a codified quality framework in place.</p> <p>Management Response</p> <p><b>We welcome the comment, as stated in your Annual Report, that , “the internal audit department is performing well”. Much of the work of the department is formalised and record keeping and file maintenance are undertaken to a high standard. We accept that improvements can always be made and there have been recent and significant changes to our planning, communications, delivery and methods of reporting both internally and to the Police Authority. This development of the unit will continue against codified and measurable criteria, specifically, the HM Treasury Quality Framework guidance , an approach which includes a detailed self-assessment of our working practices and approach to risk based auditing. Our ability to demonstrate compliance with established good practice will further improve as we continually assess ourselves against the Treasury, and other (CIPFA and CIIA), criteria.</b></p>
---	---	--	--

3	●	<p>For the financial year 2012/13 the Internal Audit Service has not been fully resourced. Appointments have been made and operational efficiencies have been identified.</p>	<p>Any impact on the ability of Internal Audit to complete the approved plan should be identified and communicated to the audit sub committee.</p> <p><b>Management Response</b>  <b>It is acknowledged that at the time of the External Audit review, the resources available within Internal Audit indicated that achievement of the Annual Programme would be difficult. Fortunately the staffing situation has improved significantly with the appointment of a new Audit Manager and a part-qualified assistant auditor. Opportunities have been taken to deliver audits in a more efficient manner and we are confident of full delivery of the Annual Programme of Internal Audit reviews as agreed with the Force Executive and the Audit, Governance and Risk Committee of the Police Authority.</b></p>
---	---	---	---

**Information Systems**

4	●	<p><b>Information technology - Privileged access to the network</b></p> <p>We noted that 18 user accounts have privileged access to the network. However, we understand that only five out of these 18 user accounts require this privileged level of access.</p> <p>There is a risk that unauthorised access to the network could be gained through the use of a privileged user account.</p>	<p>The Force should grant privileged access to the network to only those members of staff that require it to perform their job duties.</p> <p>A monthly control should be implemented to revalidate the users that have been granted privileged access to the network.</p> <p><b>Management response</b> Noted. Matter referred to the SPSA Technical Security Manager via the Force’s Business Relationship Manager, to determine who should have privileged access and remove access from all other staff.</p>
5	●	<p><b>Information technology - Password policy in the network</b></p> <p>The Scottish Police Services Authority (SPSA) manage the network on behalf of Strathclyde Police. We noted that the network accounts of two members of SPSA staff, who provide IT services to the Force, have passwords that never expire. We confirmed through interview with the SPSA Network Administrator that there was no justification for this setting.</p> <p>Additionally, network accounts are locked out for 30 minutes after 20 invalid logon attempts.</p> <p>There is a risk that unauthorised access to the network could be gained through password guessing.</p>	<p>All network users should be forced to change their passwords every 42 days in line with the password policy.</p> <p>The Force should consider reducing the number of invalid logon attempts before a network account is locked out from 20 to a value between three to five.</p> <p><b>Management response</b> Noted. The Force Business Relationship Manager has requested the nominated Force SPSA IT Service Delivery Manager to ensure SPSA IT staff are forced to change their password every 42 days in line with force policy.</p> <p>The Force’s Information Security officer shall raise an IT Job Request for SPSA IT introduce this policy, in line with National Standards.</p>

6	●	<p><b>Information technology - Security in the Cyborg application</b></p> <p>Cyborg is an application used to process the payroll in the Force. Passwords in this application are known as "user codes". Cyborg is managed by a team of two System Administrators who are able to see the passwords of other Cyborg users by browsing through a user list in this application.</p> <p>These System Administrators are required to change their passwords every 42 days and document this action in a Security Officer Control Log. However, we noted that the last password change was made by one of the Administrators in November 2011.</p> <p>Passwords in Cyborg are not forced to have a minimum length of six characters as we managed to set a password consisting of three characters.</p> <p>There is a risk that unauthorised access could be gained to the Cyborg application through password guessing.</p>	<p>We recommend that the Cyborg application is amended so System Administrators are not able to see the passwords of other users.</p> <p>Cyborg System Administrators should change their passwords every 42 days and record this action in the Security Officer Control Log.</p> <p>Cyborg should force users to enter passwords consisting of at least six characters.</p> <p><b>Management response</b></p> <p>The Cyborg payroll system has many limitations; in particular there is little scope to make amendments to the application in relation to perceived constraints around Security Officer access and passwords.</p> <p>The identified risk is noted.</p>
---	---	--	---

7	●	<p><b>Information Technology - Disaster recovery</b></p> <p>There is a secondary SPSA data centre in Edinburgh where the E-Financials application could be recovered should the Govan site be affected by a disaster. However, we understand that there is no specific business continuity plan for the E-Financials application and the recovery of this application was not tested in the last financial year.</p> <p>There is risk that the E-Financials application could not be restored within a reasonable time in the event of a disaster affecting the Govan site. This could have a detrimental impact on supplier relationships and lead to reputational damage.</p>	<p>The continuity plan should be tested at least once on an annual basis to validate the effectiveness of the recovery arrangements. Test results should be documented and analysed to identify any issues that may hamper recovery operations in a real disaster.</p> <p><b>Management response:</b></p> <p>There is a documented business continuity plan, maintained by the Finance Department, in place for eFinancials. Business continuity involves re-loading the eFinancials application and data from the nightly back-up which is stored off-site.</p>
8	●	<p><b>Information technology - Developers' access</b></p> <p>SCOPE is an application used to manage Human Resources in the Force. This application is maintained by SPSA staff. We noted that three SPSA Developers have the "system admin" role in this application that grants them maximum privileges on it.</p> <p>There is a risk that unauthorised changes to the SCOPE application could be made through a system administrator account.</p>	<p>Developers should not have privileged access to applications in their live environment. If this access is required for maintenance or support purposes, it should be granted on a temporary basis and a log of its activity should be reviewed afterwards.</p> <p><b>Management response</b></p> <p>The Force Business Relationship Manager has requested that the SPSA IT Service Delivery Manager to address this recommendation.</p>



9	●	<p><b>Information Technology - Leavers</b></p> <p>A review to compare members of staff in the payroll against E-Financials users used to be performed on a monthly basis to disable leavers' accounts in E-Financials. This review was done for the last time in September 2011.</p> <p>We also noted that a review of inactive network accounts is not currently carried out.</p> <p>There is a risk that unauthorised access to the E-Financials system or the network could be gained through a user account belonging to a former member of staff.</p>	<p>The monthly review of payroll vs. E-Financials accounts should be performed on a monthly basis. Any discrepancies should have their E-Financials accounts disabled until positive confirmation could be obtained about their continued employment or need to access this system.</p> <p>The Force should implement a monthly review process whereby network accounts that have not been used for a period of time (ie 90 days) are identified and disabled.</p> <p><b>Management response:</b> Agreed and being acted upon.</p> <p>The Force Information Security officer / HR to review the second recommendation through the Information Communication Working Group, although it is worth noting that passwords are automatically locked after 42 days.</p>
---	---	--	---

10	●	<p><b>Information technology - New starter and leaver forms</b></p> <p>A Manager or Supervisor sends an email to the E-financials System Administrator to report any new starters or leavers. However, there are no standard forms to report these staff movements to the E-Financials System Administrators.</p> <p>There is a risk that unauthorised access to E-Financials could be granted to members of staff.</p>	<p>The Force should produce and implement standard forms to request the creation and removal of new starter and leavers from E-Financials.</p> <p>New starter forms should detail the access rights in E-financials that should be granted to a new member of staff. These forms should be authorised by a relevant Manager and evidence of this approval should be retained. Leaver forms should also be submitted by a relevant Manager to the System Administrators.</p> <p><b>Management response</b></p> <p>Emails for New Starts/ Leavers are only accepted and acted upon where they are from authorised signatories/relevant managers, and are for specified roles. The emails are printed and retained. The standard form used previously was discontinued on advice of internal audit.</p> <p>Given the transfer to the new single force it is not considered appropriate to issue a new form. The low risk of unauthorised access is noted and will be monitored by the Finance Department.</p>
----	---	---	--

11	●	<p><b>Information technology - Memory sticks</b></p> <p>We understand that encrypted memory sticks are provided to members of staff after a business case has been approved. Each memory stick has a "Strathclyde Police" label and a serial number. We are aware that this label wants to assist the retrieval of a memory stick should it be lost.</p> <p>If a memory sticks is lost, there is a risk that its label might attract negative publicity or provide hints to a finder about its potential contents.</p>	<p>The Force should remove the "Strathclyde Police" reference from the labels attached to memory sticks. This label should only detail the serial number.</p> <p><b>Management response</b> Audit recommendation has been implemented.</p>
12	●	<p><b>Information technology - Audit logging</b></p> <p>We noted that the network security log for the general ledger, payroll and HR systems is only checked by SPSA staff in the event of a problem.</p> <p>There is a risk that unauthorised activity on the network might go undetected.</p>	<p>A process to review the network security log on a regular basis should be implemented. This process should involve the definition of the events to be monitored (ie failed logon attempts or changes to user access rights) and the frequency for this review. Any unusual activity on the network should be investigated and documented.</p> <p><b>Management response</b> Recommendation referred to Business Relationship Manager for review with SPSA..</p>

# Appendix B: "The Small Print"

## Purpose of report

This report has been prepared for the benefit of discussions between Grant Thornton UK LLP, the Audit, Governance and Risk Committee of the Board of Strathclyde Joint Police Board (the Board).

The purpose of this report is to highlight the key issues affecting the results of the Board and the preparation of the Board's financial statements for the year ended 31 March 2012.

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

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

## Responsibilities of the Board and auditors

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

## Clarification of roles and responsibilities with respect to internal controls

The Board's management are responsible for the identification, assessment, management and monitoring

of risk, for developing, operating and monitoring the system of internal control and for providing assurance to the Audit, Governance and Risk Committee that it has done so.

The Audit, Governance and Risk Committee is required to review the Board's internal financial controls. In addition, the confirm that there are no significant facts or matters that impact on our independence is required to review all other internal controls and approve the statements included in the annual report in relation to internal control and the management of risk.

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

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

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

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

We would be pleased to discuss any further work in this regard with the Performance and Audit Forum.

## Independence and robustness

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

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

	£
Audit Services	72,000
Total audit fees	72,000

ISAUK 260 requires communication of:

- relationships that have a bearing on the independence of the audit firm and the integrity and objectivity of the engagement team
- nature and scope of the audit work
- significant findings from the audit





© 2012 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd ('Grant Thornton International'). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This proposal is made by Grant Thornton UK LLP and is in all respects subject to the negotiation, agreement and signing of a specific contract/letter of engagement.

The client names quoted within this proposal are disclosed on a confidential basis. All information in this proposal is released strictly for the purpose of this process and must not be disclosed to any other parties without express consent from Grant Thornton UK LLP.

[www.grant-thornton.co.uk](http://www.grant-thornton.co.uk)