

INFORMING THE AUDIT RISK ASSESSMENT - ENQUIRIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE AT STOCKPORT MBCReport of the External Auditor**1. INTRODUCTION AND PURPOSE OF REPORT**

- 1.1 The purpose of this report (appendix 2) is to contribute towards the effective two-way communication between Grant Thornton (external auditors) and the Council's Audit Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment which are required to make inquiries of the Audit Committee under auditing standards.
- 1.2 Under International Standards on Auditing (UK and Ireland) (ISA(UK&I)) auditors have specific responsibilities to communicate with the Audit Committee. ISA(UK&I) emphasise the importance of two-way communication between the auditor and the Audit Committee and also specify matters that should be communicated.
- 1.3 This two-way communication assists both the auditor and the Audit Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit Committee and supports the Audit Committee in fulfilling its responsibilities in relation to the financial reporting process.
- 1.4 As part of the risk assessment procedures Grant Thornton are required to obtain an understanding of management processes and the Audit Committee's oversight of the following areas:
 - Preparation of the Financial Statements
 - Fraud
 - Laws and regulations
 - Going concern
 - Related party transactions
 - Accounting estimates.

2. CONCLUSIONS AND RECOMMENDATIONS

- 2.1 Audit Committee is asked to note the responses in the report.

BACKGROUND PAPERS

There are none.

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