

Wokingham Borough Council

Audit Results Report - ISA (UK and Ireland) 260
for the year ended 31 March 2016

September 2016

Ernst & Young LLP



Contents

1. Executive summary	1
2. Responsibilities and purpose of our work.....	3
3. Financial statements audit	4
4. Value for money	8
Appendix A – Uncorrected audit differences	9
Appendix B – Corrected audit differences	10
Appendix C – Outstanding matters	11
Appendix D – Independence.....	12
Appendix E – Auditor fees	13
Appendix F – Draft audit report	14
Appendix G – Required communications with the audit committee.....	18

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

Status of the audit	<p>We have substantially completed our audit of the financial statements of Wokingham Borough Council for the year ended 2015/16. Subject to satisfactory completion of the outstanding items at Appendix C - we will issue an audit opinion in the form which appears in Appendix F:</p> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority's financial statements, although this cannot be confirmed until the outstanding areas are fully addressed.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We are still completing the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We will provide a verbal update on the progress of this work at the Audit Committee on 28 September.</p> <p>We expect to issue the audit certificate at the same time as the audit opinion.</p>
Audit differences	<p>There are currently no unadjusted or adjusted audit differences above our reporting thresholds. Further details of these thresholds can be seen at Appendix A and Appendix B. As the audit is still ongoing this could be subject to change.</p>
Scope and materiality	<p>In our audit plan presented at the June 2016 Audit Committee meeting, we communicated that our audit procedures would be performed using a materiality of £6.7 million. We have reassessed this based on the actual results for the financial year and have decreased this amount to £6.456 million. This was due to a decrease in Gross Revenue Expenditure from £337 million to £322 million.</p> <p>The threshold for reporting audit differences which impact the financial statements has also decreased from £338,000 to £323,000. The basis of our assessment is 2% of gross operating expenditure, which has remained consistent with prior years.</p> <p>We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. We developed an audit strategy specific to the areas identified as set out below:</p>

-
- Remuneration disclosures. We reviewed the senior officer remuneration disclosures and tested substantively. We have reviewed the details and agreed to supporting documentation where necessary. No issues noted.
 - Related party transactions. We reviewed the related party transactions disclosure and the returns received from members and senior officers. We identified two additional disclosures which have been actioned. No other issues noted.

We carried out our work in accordance with our Audit Plan.

Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:

- Better Care Fund
- IFRS 13/IPSAS 16 Valuation
- Risk of management override
- Revenue and Expenditure Recognition

The 'addressing audit risks' section of this report sets out how we have gained audit assurance over these significant risks.

Other reporting issues

We have no other matters we wish to report.

Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Helen Thompson

Executive Director
For and on behalf of Ernst & Young LLP

2. Responsibilities and purpose of our work

The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work

Our audit was designed to:

- express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- report on an exception basis on the Annual Governance Statement;
- consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the Council's controls relevant to each risk and assess the design and implementation of the relevant controls.

Significant Risks (including fraud risks)	Audit procedures performed	Assurance gained and issues arising
<p>Better Care Fund</p> <p>The Better Care Fund (BCF) is a major policy initiative between local authorities, CCGs and NHS providers with a primary aim of driving closer integration and improving outcomes for patients, service users and carers. The intention is that partners use the pooled fund to jointly commission health and social care services at a local level.</p> <p>From 1 April 2015, the BCF has been set up as a pooled budget between Wokingham Borough Council and NHS Wokingham CCG. There are two pools, one is hosted by the Council and the other is managed by the CCG.</p> <p>Local BCF arrangements may be complex and varied, involving a number of different commissioning, governance and accounting arrangements. There are also structural, cultural and regulatory differences between local government and the NHS, and it is important that these are understood and considered by all of the partners in the operation of the pool.</p>	<p>Our approach focused on:</p> <ul style="list-style-type: none"> ▶ examining relevant agreements entered into by the Council; ▶ reviewing proposed accounting treatments for the BCF and the disclosures made under relevant accounting standards. As part of this, we will consider what relevant activities are to be undertaken and whether participants have control, either jointly or solely, over the arrangement; ▶ performing testing to gain assurance that the Council has accounted for its share of the BCF, particularly respective assets and liabilities in a manner consistent with the agreement and prevailing accounting standards; and ▶ consideration of the robustness of governance arrangement for oversight and assurance over BCF arrangements. 	<p>We:</p> <ul style="list-style-type: none"> ▶ examined relevant agreements entered into by the Council. No issues noted. ▶ reviewed the proposed accounting treatment for BCF and disclosures. No issues noted. ▶ tested the relevant entries in the accounts. No issues noted. ▶ Reviewed the governance arrangements. No issues noted.

IFRS 13/IPSAS 16 Property Valuation

Changes to IPSAS 16 and IFRS 13 with respect to Investment Properties and Fair Value valuation respectively have come into effect for the financial year 15-16.

The new IPSAS 16 standard could change the classification from an Investment Property if the property is used to facilitate the delivery of services or production of goods as well as to earn rental income or capital appreciation or both.

The Council had approximately £32 million in Investment Property as at 31 March 2015 and any re-assessment to comply with IPSAS 16 or IFRS 13 could result in a material re-classification between Investment Properties and Other Land and Buildings.

Our approach focused on:

- ▶ reviewing the Council's assessment of the impact of IPSAS 16 and IFRS 13 on Surplus Assets and/or Investment Properties;
- ▶ reviewing the accounting treatment on any proposed adjustments as a result of the implementation of IPSAS 16 and IFRS 13; and
- ▶ testing a sample of assets to ensure that any reclassified assets are accurately reflected in the financial statements of the Council.

- ▶ We reviewed the Council's assessment of the impact of IPSAS 16 and IFRS 13 on Surplus Assets and/or Investment Properties and noted no issues.
- ▶ We tested a sample of assets classified as Investment Properties and re-classified from Investment Properties and agreed with the classification.
- ▶ We completed an assessment of the property valuation expert commissioned to undertake the valuation. This did not identify any issues.

Risk of management override

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.

We:

- tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- reviewed accounting estimates for evidence of management bias;
- evaluated the business rationale for any significant unusual transactions; and
- reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

- We have not identified any material weaknesses in control or evidence of management override.
- Our testing of journal entries did not identify adjustments which were outside the normal course of business. All journals tested had an appropriate business rationale.
- The most significant accounting estimates in the financial statements relate to the net pension liability and property valuations. We found no indication of management bias in these estimates.
- We have not identified any instances of inappropriate judgements being applied.
- We reviewed the transfer of the Waingels Academy under significant unusual transactions. No issues were noted.
- We did not identify any instances of incorrect classification of revenue spend.

Risk of fraud in revenue and expenditure recognition

Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue.

In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override.

We:

- reviewed and tested revenue and expenditure recognition policies;
- reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias;
- developed a testing strategy to test material revenue and expenditure streams;
- reviewed and tested revenue cut-off at the period end date; and
- reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.

- Our testing has not identified any material misstatements in revenue and expenditure recognition.
- Our testing of cut-off at the period end did not identify any issues.
- We did not identify any instances of incorrect classification of revenue spend.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- qualitative aspects of your accounting practices; estimates and disclosures;
- matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- any significant difficulties encountered during the audit; and
- other audit matters of governance interest

In the prior year we found a number of issues with the quality and version control of working papers. This was in part due to the implementation of the new ERP system in September 2014. We liaised with management about this issue and have found there has been improvement during the 2015/16 audit.

We have agreed to hold a review meeting in October with your finance team to assess how we can continue to improve our joint working arrangements. This will include a review of your financial statements to improve the structure and clarity of reporting.

We have no other matters we wish to report.

Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. For the purposes of the audit we have completed testing of Housing Benefit controls. We are not expressing an opinion on the overall effectiveness of internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

Request for written representations

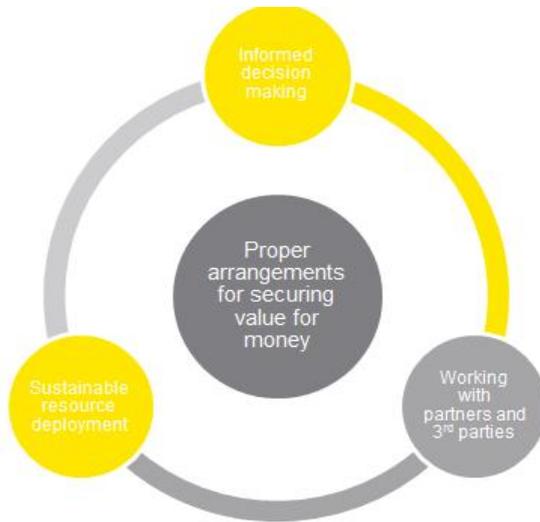
We have requested a management representation letter to gain management's confirmation in relation to a number of matters. To date these are the standard representations.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Audit Committee.

4. Value for money



We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ take informed decisions;
- ▶ deploy resources in a sustainable manner; and
- ▶ work with partners and other third parties.

Overall conclusion

We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our audit plan. We did not identify any significant weaknesses in the Council's arrangements.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Appendix A – Uncorrected audit differences

We currently have no uncorrected audit differences greater than the value of our reporting threshold for unadjusted differences. The reporting threshold is £323,000. As the audit is still ongoing we will provide an update on this position to the Audit Committee on 28 September.

Appendix B – Corrected audit differences

We identified a number of audit differences during the course of the audit. These items have been corrected by management within the revised financial statements. None of the items noted were individually greater than our reporting threshold of tolerable error of £4.842 million. As the audit is still ongoing we will provide an update on this position to the Audit Committee on 28 September.

Appendix C – Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report

Item	Actions to resolve	Responsibility
Management representation letter	Receipt of signed letter of representation	Management and Audit Committee
Annual accounts	<ul style="list-style-type: none"> · Incorporation of EY review comments on disclosure notes · Approval of accounts by Audit Committee · Accounts re-certified by RFO 	EY, management and Audit Committee
Subsequent events review	Completion of the subsequent events procedures to the date of signing the audit report	EY and management
Any other outstanding work	Management and EY to work together to complete any outstanding work including Payroll, Income and Expenditure Testing and Journals Testing	EY and management

Appendix D – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 28 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of March 2016.

Appendix E – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

Description	Proposed final Fee 2015/16 £	Scale Fee 2015/16 £
Total Audit Fee – Code work	£105,617	£105,617
Certification of claims and returns	£7,183	£7,183

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

Appendix F – Draft audit report

Independent auditor's report to the members of Wokingham Borough Council

Opinion on Wokingham Borough Council's financial statements

We have audited the financial statements of Wokingham Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Wokingham Borough Council and Group Movement in Reserves Statement,
- Wokingham Borough Council and Group Comprehensive Income and Expenditure Statement,
- Wokingham Borough Council and Group Balance Sheet,
- Wokingham Borough Council and Group Cash Flow Statement and related notes 1 to 46 and Group Notes 47 to 54 ,
- Wokingham Borough Council and Group Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and related notes 1 to 13;
- Wokingham Borough Council Collection Fund and the related notes 1 to 3

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Wokingham Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than Wokingham Borough Council and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Finance and Resources and auditor

As explained more fully in the Statement of the Director of Finance and Resources Responsibilities set out on page 22, the Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to Wokingham Borough Council and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Wokingham Borough Council and Group as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Wokingham Borough Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2015, as to whether Wokingham Borough Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Wokingham Borough Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Wokingham Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in November 2015, we are satisfied that, in all significant respects, Wokingham Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Wokingham Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Helen Thompson (Executive Director)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Southampton

30 September 2016

Appendix G – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee. These are detailed here:

Required communication	Reference
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Wokingham Borough Council's ability to continue as a going concern for the 12 months from the date of our report.
<p>Misstatements</p> <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	Audit Results Report
<p>Fraud</p> <ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	We have not matters we wish to report.

Required communication	Reference
<p>External confirmations</p> <ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	We have received all requested confirmations with the exception of 1 which we are following up with the counter-party
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	We have not identified any material instances of non-compliance with laws and regulations.
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Audit Plan and Audit Results Report
<p>Significant deficiencies in internal controls identified during the audit</p>	Annual Audit Letter/Audit Results Report
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Audit Plan Audit Results Report
<p>Fee Information</p> <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit 	Audit Plan Audit Results Report Annual Audit Letter if considered necessary
<p>Certification work</p> <ul style="list-style-type: none"> ▶ Summary of certification work undertaken 	Certification Report

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com

This page is intentionally left blank