

Middlesbrough Council

Audit Planning Report - Year
ending 31 March 2017

March 2017



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Corporate Affairs and Audit Committee
Middlesbrough Council
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March 2017

Dear Committee Members

Audit Planning Report

We are pleased to attach our Audit Planning Report, which sets out how we intend to carry out our responsibilities as external auditor. Its purpose is to provide the Corporate Affairs and Audit Committee ("the Committee") with a basis to review our proposed audit approach and scope for the 2016/17 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments ("PSAA") Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This plan summarises our initial assessment of the key risks driving the development of an effective audit for Middlesbrough Council ("the Council") and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Planning Report with you and to understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Nicola Wright
Executive Director
For and behalf of Ernst & Young LLP
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In April 2015, Public Sector Audit Appointments Ltd (“PSAA”) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the Chief Officer of each audited body and via the PSAA website (www.psaa.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 Planning Report is prepared in the context of the Statement of responsibilities. It is addressed to the Corporate Affairs and Audit Committee, and is prepared for the sole use 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.



Section 1 Overview

1. Overview

This Audit Planning Report covers the work that we plan to perform to provide you with:

- ▶ Our audit opinion on whether the financial statements of Middlesbrough Council (“the Council”) give a true and fair view of the financial position as at 31 March 2017 and of the income and expenditure for the year then ended;
- ▶ Our conclusion on the Council’s arrangements to secure economy, efficiency and effectiveness; and
- ▶ Our review of the Whole of Government Accounts return, which we are required to report to the National Audit Office (NAO), to the extent and in the form required by them.

We will also report to you by exception in respect of your governance statement and other accompanying material, as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- ▶ Strategic, operational and financial risks relevant to the financial statements;
- ▶ Developments in financial reporting and auditing standards;
- ▶ The quality of systems and processes;
- ▶ Changes in the business and regulatory environment; and
- ▶ Management’s views on all of the above.

The following summarises the significant matters that are relevant for planning our audit. More information about each of these risks, and our proposed response, is provided in sections two and three of this report.

Significant risks - financial statements (Section 2)

- ▶ Risk of fraud in revenue and expenditure recognition;
- ▶ Risk of management override of controls; and
- ▶ Valuation of land and buildings and investment property.

Significant risks - Value for Money (Section 3)

- ▶ Project management, capital programme monitoring reports and property disposal governance arrangements.

We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2017.



Section 2 Financial statement risks

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Council, identified through our knowledge of the Council's operations and discussion with those charged with governance and officers.

Significant risks (including fraud risks)	Our audit approach
Risk of fraud in revenue and expenditure recognition	
<p>Under ISA (UK and Ireland) 240 there is a presumed risk that revenue may be misstated due to improper recognition.</p> <p>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.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Review and test revenue and expenditure recognition policies; ▶ Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias; ▶ Develop a testing strategy to test material revenue and expenditure streams, including testing revenue and capital expenditure to ensure it has been correctly classified; and ▶ Review and test revenue and expenditure cut-off at the 31 March 2017.
Risk of management override of controls	
<p>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.</p> <p>We consider that for the Council, the risk of management override of controls manifests itself through manipulation of accounting estimates (i.e. non-routine income and expenditure accruals and provisions).</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ Reviewing accounting estimates for evidence of management bias; and ▶ Reviewing the business rationale for significant unusual transactions.
Valuation of land and buildings and investment properties	
<p>Land and buildings is the most significant balance in the Council's balance sheet. The valuation of land and buildings is subject to a number of assumptions and judgements. A small movement in these assumptions could have a material impact on the financial statements.</p> <p>We consider that this risk primarily relates to investment properties and other hard to value assets, which are the most subjective in assumptions and which are most sensitive to movement in valuation assumptions.</p> <p>In addition there is judgement applied in determining the classification of the asset between property, plant and equipment and investment property, and hence basis of valuation could be incorrectly applied.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Review the output of the Council's valuer; ▶ Challenge the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists; and ▶ Test the journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.

In addition to the significant risk areas highlighted above, our audit work will also consider the following risks which, although not likely to result in a material misstatement of the financial statements, require specific audit attention.

Other financial statement risks	Our audit approach
Accounting for pension obligations	
<p>Funding of the Council's participation in the local government pension scheme will continue to have an impact on both Council cash flows and balance sheet liabilities.</p> <p>The pension liability is the most significant liability on the Council's balance sheet and is calculated through use of a number of actuarial assumptions. A small movement in these assumptions could have a material impact on the balance sheet.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Review the output of the report from the Council's actuary; ▶ Review the assumptions used by the actuary to determine whether they are in our expected range through liaison with our EY actuaries; and ▶ Test the journal entries for the pension transactions to ensure that they have been accurately processed in the financial statements.

Other financial statement risks	Our audit approach
Changes to Code of Practice on Local Authority Accounting	
<p>Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (“the Code”) this year including:</p> <ol style="list-style-type: none"> 1. Changes in the accounting for Highways Network Assets (delayed implementation 2017/18) 2. Changes in financial statement presentation to reflect new reporting requirements. <p>The introduction of the new measurement requirements for the Highways Network Assets have been postponed until the 2017-18 financial statements (subject to the full confirmation from CIPFA/LASAAC). It is important that the Council continues to review and reassess their plans for implementing the changes in accordance with the extended timetable.</p> <p>The new reporting requirements impact the Comprehensive Income and Expenditure Statement (“CIES”) and the Movement in Reserves Statement (“MiRS”), and include the introduction of the new ‘Expenditure and Funding Analysis’ note as a result of the ‘Telling the Story’ review of the presentation of local authority financial statements.</p> <p>The Code no longer requires statements or notes to be prepared in accordance with the Service Reporting Code of Practice (“SeRCOP”). Instead the Code requires that the service analysis is based on the organisational structure under which the Council operates. We expect this to show the Council’s segmental analysis.</p> <p>This change in the Code will require a new structure for the primary statements, new notes and a full retrospective restatement of impacted primary statements. The restatement of the 2015/16 comparatives will also require audit review.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Understand the Council’s readiness for the changes to the accounting for Highway Network Assets; ▶ Review of the expenditure and funding analysis, CIES and new notes to ensure disclosures are in line with the Code; ▶ Review of the analysis of how these figures are derived, how the ledger system has been re-mapped to reflect the Council’s organisational structure and how overheads are apportioned across the service areas reported; and ▶ Agreement of restated comparative figures back to the Council’s segmental analysis and supporting working papers.
Implementation of a new payroll system	
<p>The Council are set to introduce a new payroll system in March 2017, moving from SAP to Midland iTrent.</p> <p>The implementation of a new system is an inherently risky process, as there is a risk that the new system does not operate as expected and that data migrated to the new system is incomplete or inaccurately recorded.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Substantive testing of the migration process undertaken by management to ensure that the data migrated is materially complete; and ▶ Review and substantive testing of the parallel running of the two systems to ensure transactions processed are materially complete.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- ▶ Identifying fraud risks during the planning stages;
- ▶ Enquiry of management about risks of fraud and the controls to address those risks;
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Determining an appropriate strategy to address any identified risks of fraud; and
- ▶ Performing mandatory procedures regardless of specifically identified risks.



Section 3

Value for money risks

3. Value for money risks

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources. For 2016/17, this is based on the overall evaluation criterion:

'In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people'

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.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

'A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public'

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issues will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant VFM risk which we view as relevant to our value for money conclusion. The additional procedures we will perform as part of our VFM opinion are detailed below:

Significant risks	Our audit approach
Project management, capital programme monitoring reports and property disposal governance arrangements	
In 2015/16, we issued the Council with an 'except for' VFM conclusion due to the identification of weaknesses in project management, capital programme monitoring reports and property disposal governance arrangements. During 2016/17, the Council have introduced a number of new frameworks, including a new project management and a new property disposal framework, to resolve the weaknesses identified.	We will: <ul style="list-style-type: none">▶ Review the progress made by the Council against the Council Improvement Plan, including reviewing the reports produced by the Council's advisor, Deloitte;▶ Review the new project management framework and ensure that the framework is being followed. This includes assessing a sample of in year projects to test whether effective governance arrangements are in place;▶ Review capital programme monitoring reports to ensure that they are being produced and reported regularly to Members to help ensure effective decision making;▶ Review the new property disposals framework to ensure that it is relevant and is being followed; and▶ Test a sample of in year disposals to assess whether effective governance arrangements were in place during the disposal process.

We will keep our risk assessment under review throughout our audit and communicate to the Corporate Affairs and Audit Committee any revisions to the significant risks identified here and any additional local risk-based work we may need to undertake as a result.



Section 4

Our audit process and strategy

4. Our audit process and strategy

4.1 Audit Scope

Under the Code of Audit Practice, our principal objectives are to review and report on the Council's:

- ▶ Financial statements; and
- ▶ Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. Financial statement audit

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

2. Arrangements for securing economy, efficiency and effectiveness (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.

4.2 Audit process overview

Our audit involves:

- ▶ Identifying and understanding the key processes and internal controls; and
- ▶ Substantive tests of detail of transactions and amounts.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- ▶ Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- ▶ Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Corporate Affairs and Audit Committee.

Internal Audit

We will regularly meet with Helen Fowler, Audit and Assurance Manager, and review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions liability	Aon Hewitt (Council Actuary) EY actuarial specialists
Valuation of land and buildings and investment properties	Council's valuer EY property valuation specialists (as required)

In accordance with auditing standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- ▶ Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source data is relevant and reliable;
- ▶ Assess the reasonableness of the assumptions and methods used;
- ▶ Consider the appropriateness of the timing of when the specialist carried out the work; and
- ▶ Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the work in relation to the financial statement risks and value for money risks, we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- ▶ Addressing the risk of fraud and error;
- ▶ Significant disclosures included in the financial statements;
- ▶ Entity-wide controls;
- ▶ Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- ▶ Auditor independence.

Procedures required by the Code

- ▶ Reviewing, and reporting on, as appropriate, other information published with the financial statements, including the governance statement; and
- ▶ Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statement of the Council is £8,800,000 based on 2% of gross operating expenditure. We will communicate uncorrected audit misstatements greater than £440,000 to you.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to the PSAA by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of the Council is £115,037.

4.6 Your audit team

The engagement team is led by Nicola Wright, Executive Director, who has prior experience on the Council and has overall responsibility for ensuring that our audit delivers high quality and value to the Council. Nicola will be supported by Stuart Kenny, Manager, who will be responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

4.7 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Corporate Affairs and Audit Committee's cycle in 2016/17. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Corporate Affairs and Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Deliverables
Risk assessment and setting of scopes	December 2016	Audit Planning Report
Early testing	February 2017	
Year-end audit	July/August 2017	
Completion of audit	August/September 2017	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements overall value for money conclusion) Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return
Conclusion of reporting	October 2017	Annual Audit Letter to those charged with governance



Section 5 Independence

5. Independence

The APB Ethical Standards and ISA (UK and Ireland) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality Review; ▶ The overall assessment of threats and safeguards; and ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the PSAA Terms of Appointment and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, for example when accepting an engagement to provide non-audit services.

5.1 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the Council.

At the time of writing, there are no long outstanding audit fees and we have not undertaken any non-audit work. A self-interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to the Council. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, in compliance with Ethical Standard 4. There are no other self-interest threats at the date of this report.

Self-review threats

Self-review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no other self-review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service where management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Nicola Wright, the audit engagement leader and the audit engagement team have not been compromised.

5.2 Other required communications

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes within EY for maintaining objectivity and independence can be found in our annual Transparency Report, which the firm is required to publish by law. The most recent version of this report is for the year ended June 2016 and can be found here:

<http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2016>



Appendix A

Fees

Appendix A Fees

A breakdown of our agreed fee is shown below

Audit phase	Planned fee 2016/17 £	Scale fee 2016/17 £	Outturn fee 2015/16 £
Opinion Audit and VFM Conclusion	115,037	115,037	115,037
Total Audit Fee - Code work	115,037	115,037	115,037
Certification of housing benefit subsidy claim	10,335	10,335	10,571
Certification of teachers' pension return	3,200	3,200	3,200
Non-audit work incurred to date	0	0	0

All fees exclude VAT

The agreed fee presented above is based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ The operating effectiveness of the internal controls for the key processes;
- ▶ Our accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Council; and
- ▶ The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.



Appendix B

UK required communications with those charged with governance

Appendix B UK required communications with those charged with governance

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	▶ Audit Planning Report
Significant findings from the audit <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
Misstatements <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
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the Corporate Affairs and 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 	▶ Audit Results Report
Related parties Significant matters arising during the audit in connection with the Council's related parties including, when applicable: <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 	▶ Audit Results Report
External confirmations <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 	▶ Audit Results Report
Consideration of laws and regulations <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 Corporate Affairs and 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 Corporate Affairs and Audit Committee may be aware of 	▶ Audit Results Report
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement leader's consideration of independence and objectivity such as: <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 Planning Report ▶ Audit Results Report
Going concern Events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern, including: <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 	▶ Audit Results Report
Significant deficiencies in internal controls identified during the audit	▶ Audit Results Report
Fee Information <ul style="list-style-type: none"> ▶ Breakdown of fee information at the agreement of the initial audit planning report ▶ Breakdown of fee information at the completion of the audit 	▶ Audit Planning Report ▶ Audit Results Report

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About EY

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