



Middlesbrough Council  
Audit results report

Year ended 31 March 2017

Private and Confidential

September 2017

Dear Corporate Affairs and Audit Committee members,

We have substantially completed our audit of Middlesbrough Council for the year ended 31 March 2017.


Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form that appears in section 3, before the statutory deadline of 30 September 2017. We also expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources, except for in relation to property disposal governance arrangements. Further details relating to our work in this area are set out in section 5.

This report is intended solely for the use of the Corporate Affairs and Audit Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during our audit process.

We look forward to discussing with you any aspects of this report or any other issues arising from our work.

Yours faithfully



Nicola Wright  
Executive Director

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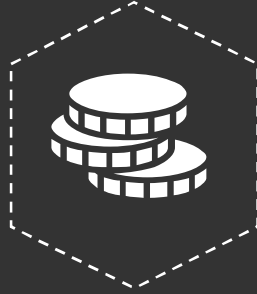
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In April 2015, Public Sector Audit Appointments Ltd ("PSAA") issued the "Statement of responsibilities of auditors and audited bodies". It is available via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)).

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 (updated September 2015)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Corporate Affairs and Audit Committee, other members of Middlesbrough Council and the management of Middlesbrough Council in accordance with the Statement of responsibilities. Our work has been undertaken so that we might state to the Corporate Affairs and Audit Committee, other members of Middlesbrough Council and the management of Middlesbrough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Corporate Affairs and Audit Committee, other members of Middlesbrough Council and the management of Middlesbrough Council for this report or for the opinions we have formed. It should not be provided to any third-party without obtaining our written consent.



01

# Executive Summary



# Executive Summary

## Executive summary

### Overview of the audit

#### Scope and materiality

In our Audit Planning Report presented to the 9 March 2017 Corporate Affairs and Audit Committee meeting, we gave you an overview of how we intended to carry out our responsibilities as your auditor. We have carried out our audit in accordance with this Audit Planning Report.

We planned our procedures using a materiality of £8,800,000. We reassessed this using your actual year-end figures, which have increased this amount to £10,400,000. The threshold for reporting audit differences has remained at £440,000 as agreed with the Corporate Affairs and Audit Committee on 9 March 2017. The basis of our assessment of materiality has remained consistent with prior year at 2 % of Gross Expenditure.

#### Status of the audit

We have substantially completed our audit of Middlesbrough Council's financial statements for the year ended 31 March 2017. Subject to satisfactory completion of the following outstanding items, we expect to issue an unqualified opinion on the Council's financial statements in the form which appears in section 3. However, until we have completed our outstanding procedures (listed below), it is possible that further matters requiring amendment may arise:

- Review of final Annual Governance Statement;
- Review of final Annual Statement of Accounts, including final proposed amendments
- Receipt of outstanding Bank of Scotland, Barclays and Lloyds bank and loan confirmation letters;
- Consideration of any subsequent events;
- Receipt of the signed management representation letter; and
- Completion of procedures required by the National Audit Office ("NAO") regarding the Whole of Government Accounts submission.

We are working to complete these outstanding matters and will update you in respect of any significant issues which could change our audit opinion.

We expect to issue the audit certificate at the same time as the audit opinion.

#### Audit differences

There are no unadjusted audit differences arising from our audit. We have listed the adjusted audit differences in section 4 of this report.



# Executive Summary

## Executive summary (continued)

### Areas of audit focus

Our Audit Planning Report identified key areas of focus for our audit of Middlesbrough Council's financial statements. This report sets out our observations and conclusions, including our views on areas where there is potential risk and exposure. We summarise our consideration of these matters in section 2 of this report.

We ask you to review these and any other matters in this report to ensure:

- There are no other considerations or matters that could have an impact on these issues;
- You agree with the resolution of the issue; and
- There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Corporate Affairs and Audit Committee.

### Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Planning Report, we identified a significant risk regarding the governance arrangements in place for project management, capital programme monitoring reports and property disposals. This significant risk arose due to our prior year value for money qualification, which related to these three areas.

We focussed on each of these areas individually and found progress had been made by the Council in project management and the capital programme monitoring reports when compared to 2015/16, and as a result we do not propose any qualification in respect of these areas.

The Council has also worked to strengthen the governance arrangements for property disposals in year, including the introduction of a new asset disposal policy in December 2016. However, as at the 31 March 2017, these changes were not sufficiently embedded. We are therefore proposing to issue an "except for" modified opinion in relation to the governance arrangements for property disposals.

The findings in relation to the significant risk identified are set out in section 5 of this report.



## Executive Summary

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### Executive summary (continued)

#### Other reporting matters

We have reviewed the information presented in the draft Annual Governance Statement (AGS) for consistency with our knowledge of the Council. As part of this review, we highlighted an additional two areas for potential inclusion in the AGS, relating to the governance actions undertaken by the Council following the Grenfell Tower fire and also the governance impact of the recent employment tribunal outcome.

We are currently undertaking the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission and expect this to be completed before we issue our audit opinion. As a result we are planning to issue the audit certificate at the same time as the audit opinion.

We have no other matters 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 and which is unknown to you.

However, we have identified one area for improvement regarding the approval of early retirements that we wish to bring to your attention. This is discussed in more detail in section 7 of the report.

#### Independence

Please refer to Appendix B for our update on Independence.



# 02

## Areas of Audit Focus





# Areas of Audit Focus

## Audit issues and approach:

### Revenue and Expenditure Recognition

#### What are our conclusions?


Our testing has not identified any material misstatements with respect to revenue and expenditure recognition.

Overall our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Council's financial position.

#### What is the risk?

Risk of fraud in revenue and expenditure recognition Under International Standard on Auditing (UK & Ireland) 240, there is a presumed risk that revenue may be misstated due to improper recognition. 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 manipulating expenditure recognition.

We specifically attached this risk to fees, charges and services income and other service expenditure as this is where we believe the risk of manipulation for improper revenue and expenditure recognition is most prevalent.

 Significant Risk

#### What did we do?

We have completed the following work in this area:

- We have reviewed and tested revenue and expenditure recognition policies as part of our review of accounting policies;
- We reviewed and substantively tested accounting estimates for evidence of management bias, including:
  - Year-end accruals;
  - Depreciation and impairment;
  - Valuations; and
  - Provisions;
- We have tested material expenditure streams, including testing revenue and capital expenditure to ensure it has been correctly classified; and
- We tested revenue and expenditure cut-off before and after 31 March 2017.

The main area of judgement that we considered was the NNDR provision, with a value of £735,000. This provision is based on a listing of appeals as at 31 March, with management forming a judgement on the likelihood of a successful appeal based on historic appeal outcomes. We identified no issues with this provision.

No significant issues have been identified as part of this work.



# Areas of Audit Focus

## Audit issues and approach:

### Management override of controls

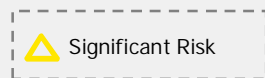
#### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override. We have not identified any instances of inappropriate judgements being applied. We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.

#### What is the risk?

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

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).



#### What did we do?

We have completed the following work in this area:

- We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- We reviewed accounting estimates for evidence of management bias (as noted above relating to revenue and expenditure recognition); and
- We evaluated the business rationale for any significant unusual transactions.

No significant issues have been identified as part of this work.



# Areas of Audit Focus

## Audit issues and approach:

### Valuation of land and buildings and investment properties

#### What are our conclusions?

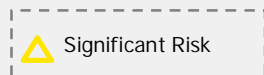
We have not identified any material misstatement as part of our testing of the Council's valuation of land buildings.

#### What is the risk?

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.

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.

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.



#### What did we do?

We have completed the following work in this area:

- We reviewed the output of the Council's valuer;
- We have challenged the assumptions used by the Council's valuer by reference to external evidence and the CIPFA Code of Practice on Local Authority Accounting; and
- We have tested the journals for the valuation adjustments to check that they have been accurately processed in the financial statements.

We noted that the Council has reclassified £76.9m from Investment Properties to Property, Plant and Equipment following a detailed review of the assets held in Investment Properties. We have reviewed and tested the rationale for this reclassification and are satisfied that the reclassification is free from material misstatement.

No significant issues have been identified as part of this work.



## Areas of Audit Focus

### Audit issues and approach:

#### Accounting for pension obligations

#### What are our conclusions?

We have not identified any material misstatement in our testing of the Council's pension obligation and IAS19 accounting.

#### What is the risk?

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.

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.

#### What did we do?

We have completed the following work in this area:

- We reviewed the output from the Council's actuary;
- We obtained assurances over the completeness of information provided to the actuary from the Teesside Pension Fund audit team;
- We reviewed the assumptions used by the actuary to determine whether they are in our expected range, through liaison with our EY actuaries; and
- We tested the journal entries used to post the pension liability and other balances.

No significant issues have been identified as part of this work.



## Areas of Audit Focus

### Audit issues and approach:

#### Implementation of a new payroll system

#### What are our conclusions?

We have not identified any issues regarding the implementation of the new payroll system.

#### What is the risk?

The Council introduced a new payroll system in March 2017, moving from SAP to Midland iTrent. 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.

#### What did we do?

We have completed the following work in this area:

- We engaged our IT Risk and Assurance experts and requested that they devise a testing strategy to provide us with assurance over the completeness of the migration process. Under the supervision of our IT Risk and Assurance experts, the audit team substantively tested the migration process including reviewing data migration plans, system architecture data security and data reconciliations.

No significant issues have been identified as part of this work.



## Areas of Audit Focus

### Audit issues and approach:

#### Changes to the Code of Practice

#### What are our conclusions?

The Council has correctly applied the changes to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 including changes in financial statement presentation, to reflect new reporting requirements.

#### What is the risk?

Amendments have been made to the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 ("the Code") including changes in financial statement presentation to reflect new reporting requirements.

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.

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.

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.

#### What did we do?

We have:

- Reviewed the Expenditure and Funding Analysis, CIES and associated notes to ensure the disclosures are in line with the Code;
- Reviewed 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
- Agreed the restated comparative figures back to the Council's segmental analysis and supporting working papers.

We noted that the Expenditure and Funding Analysis note included values that were inconsistent with other areas of the financial statements. We requested that these inconsistencies were amended.

No other issues have been identified as part of this work.



# 03 Audit Report



# Audit Report

## Draft audit report

### Our draft opinion on the financial statements

#### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MIDDLESBROUGH COUNCIL

##### Opinion on the Authority's financial statements

We have audited the financial statements of Middlesbrough Council for the year ended 31 March 2017 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Movement in Reserves Statement;
- Cash Flow Statement;
- Collection Fund and the related notes; and
- The related notes to the financial statements 1 to 47.

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 2016/17.

This report is made solely to the members of Middlesbrough 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 the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of the Chief Finance Officer and auditor

As explained more fully in the Statement of Responsibilities set out on page 18, the Chief Finance Officer 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 2016/17, 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 the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Finance Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Statement of Accounts for the year ended 31 March 2017 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.





# Audit Report

## Draft audit report (continued)

### Our draft opinion on the financial statements (continued)

#### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Middlesbrough Council as at 31 March 2017 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 2016/17.

#### Opinion on other matters

In our opinion, the information given in the Annual Statement of Accounts for the year ended 31 March 2017 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 Middlesbrough 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 Middlesbrough 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.



# Audit Report

## Draft audit report (continued)

### Our draft opinion on the financial statements (continued)

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 (C&AG) in November 2016, as to whether the Authority 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 the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.

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, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for Qualified Conclusion

- Property disposal governance arrangements

In 2015/16, Middlesbrough Council was the subject of a qualified conclusion. One of the areas covered by this qualified conclusion was the property disposal governance arrangements in place at the Council.

During 2016/17, Middlesbrough Council has worked to strengthen the governance arrangements in relation to property disposals, through the development of a new Asset Disposal Policy. However, as at 31 March 2017, the changes introduced by the new Asset Disposal Policy were not fully embedded and as a result the governance arrangements were not operating effectively for the full year covered by this opinion.

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2016, with the exception of the matter reported in the basis for qualified conclusion paragraph above, we are satisfied that, in all significant respects, Middlesbrough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017.



# Audit Report

## Draft audit report (continued)

### Our draft opinion on the financial statements (continued)

#### Certificate

We certify that we have completed the audit of the accounts of Middlesbrough 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.

Nicola Wright (senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Appointed Auditor  
Newcastle upon Tyne  
28 September 2017

The maintenance and integrity of the Middlesbrough Council web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions. 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.



04

## Audit Differences



# Audit Differences

## Audit differences

In any audit, we may identify misstatements between amounts we believe should be recorded in the financial statements and disclosures and amounts actually recorded. These differences are classified as 'known' or 'judgemental'. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

### Summary of adjusted differences

#### Uncorrected misstatements

There are no uncorrected misstatements.

#### Corrected misstatements

We highlight the following misstatements in the disclosures identified during the audit. These have been corrected by management:

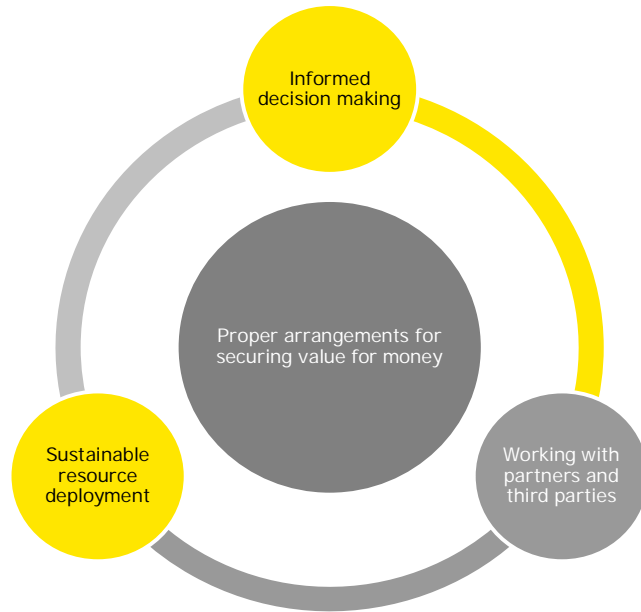
- Cash Flow Statement and the Adjustments between accounting basis and funding basis (note 36) have been updated to include £7.7m relating to the proceeds from the sale of Property, Plant and Equipment. This impacts upon both cash inflows and outflows so there is no impact on the net cash flow reported in the cash flow statement;
- Expenditure and Funding Analysis (note 1) has been updated to ensure that it is consistent with other areas of the financial statements;
- Intangibles disclosure (note 15) has been updated to include an adjustment line that reduces the value of the gross carrying amount and accumulated depreciation values disclosed in the note. This is because both amounts were found to be £7m higher in note 15 than they were in the fixed asset register. It should however be noted that the differences had no impact upon the net book value for intangible assets disclosed in the Balance Sheet;
- Officer's remuneration (note 37) has been updated to include senior officers employed via agencies; and
- Other typographical and minor changes to the financial statements.



05 Value for Money



## Value for Money



### Economy, efficiency and effectiveness

We must consider whether you have 'proper arrangements' to secure economy, efficiency and effectiveness in your 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.

In considering your proper arrangements, we use the CIPFA/SOLACE framework for local government to ensure that our assessment is made against an already existing mandatory framework which you use in documents such as your Annual Governance Statement.

### Overall conclusion

As we set out in our Audit Planning Report, we identified one significant risk regarding the governance arrangements in place for project management, capital programme monitoring reports and property disposals. This significant risk arose due to our prior year value for money qualification, which related to these three areas.

The table on the next page presents our findings in response to this risk.

Overall, sufficient progress has been made by the Council in relation to project management and the capital programme monitoring reports when compared to 2015/16, and as a result we do not propose any qualification for these areas.

However, the changes made to the governance arrangements for property disposals had not fully embedded by 31 March 2017 and, as a result, we are proposing to issue an "except for" modified opinion in relation to the governance arrangements for property disposals.



# Value for Money

## VFM Risks

We are only required to determine whether there is any risk that we consider significant within the Code of Audit Practice, where risk is defined 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 enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

The table below presents the findings of our work in response to the risk areas in our Audit Planning Report.

What is the significant VFM risk?	What arrangements did this affect?	What did we do and what are our findings?
<p>Project management, capital programme monitoring reports and property disposal governance arrangements</p> <p>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.</p> <p>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.</p>	<p>Take informed decisions</p>	<p><b>Project management governance arrangements</b></p> <p>We have completed the following work in this area:</p> <ul style="list-style-type: none"> <li>• We have met with, and reviewed the reports produced by, the Council's advisor (Deloitte) regarding the progress made by the Council in this area;</li> <li>• We have reviewed the Project Management Follow Up report issued by the Council's internal auditor, TVAAS;</li> <li>• We have reviewed the Project and Programme Management (PPM) framework introduced by the Council to address the governance concerns raised previously; and</li> <li>• We have selected a sample of full framework projects and projects on a page and tested these projects to ensure that they are compliant with the PPM framework.</li> </ul> <p>Overall, we have identified that the Project Management Office is closely monitoring project compliance and, as a result, the PPM framework is being adhered to.</p> <p>We are satisfied that project management governance arrangements have improved and are operating effectively.</p> <p><b>Capital programme monitoring reports</b></p> <p>We have completed the following work in this area:</p> <ul style="list-style-type: none"> <li>• We have met with, and reviewed the reports produced by, the Council's advisor (Deloitte) regarding the progress made by the Council in this area; and</li> <li>• We have obtained copies of the quarterly budget and balanced scorecard reports issued to Executive throughout the year. We have then reviewed these reports to consider whether the information provided covers sufficient detail to allow informed decisions to be taken.</li> </ul> <p>We note that a revised monitoring approach for capital programmes has been adopted. This approach has seen additional information reported to members and senior management such as reporting on milestones, delivery of benefits and the impact of slippages, allowing for more effective scrutiny of capital projects.</p>





## VFM Risks (continued)

What is the significant VFM risk?	What arrangements did this affect?	What did we do and what are our findings?
<p>Project management, capital programme monitoring reports and property disposal governance arrangements</p> <p>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.</p> <p>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.</p>	<p>Take informed decisions</p>	<p>Property disposal governance arrangements</p> <p>We have completed the following work in this area:</p> <ul style="list-style-type: none"> <li>• After receiving direct correspondence highlighting potential issues with the process undertaken by the Council regarding the disposal of specified assets, we engaged internal specialists to support the audit team in considering the disposal process for one of those assets;</li> <li>• We have met with, and reviewed the reports produced by, the Council's advisor (Deloitte) regarding the progress made by the Council in this area;</li> <li>• We have reviewed the Asset Disposal Policy that was presented to the Executive Sub Committee for Property on 7 December 2016. We have then requested further information to support compliance with specific areas of the policy; and</li> <li>• We have selected a sample of assets that the Council has identified as potential disposals and tested these assets to ensure that the process undertaken so far by the Council was in line with the Asset Disposal Policy.</li> </ul> <p>The testing performed by our internal specialists identified clear governance weaknesses in the disposal process of the specific asset reviewed. However, these weaknesses relate to processes commenced in previous years, and have already been reported to members by TVAAS and formed part of the previous two prior year value for money opinion modifications.</p> <p>During 2016/17, the Council has worked to strengthen the asset disposal governance arrangements, culminating in the introduction of a new Asset Disposal Policy.</p> <p>Our testing of this policy has identified that improvements have been made. However, we do not believe that these improvements were sufficiently embedded at 31 March 2017, as a number of actions were not completed until after this date.</p>



06

## Other reporting matters



## Other reporting matters

### Other reporting matters

#### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Annual Statement of Accounts for the year ended 31 March 2017 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Annual Statement of Accounts and published with the financial statements was consistent with the audited financial statements.

We have reviewed the draft Annual Governance Statement and confirm it is consistent with other information from our audit of the financial statements. However, as part of this review, we highlighted an additional two areas for potential inclusion in the AGS, relating to the governance actions undertaken by the Council following the Grenfell Tower fire and also the governance impact of the recent employment tribunal outcome. We are awaiting a copy of the final Annual Governance Statement and on receipt we will perform our final consistency checks.

#### 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, is specified by the National Audit Office.

This work is currently ongoing and we will report any issues to management as appropriate.

#### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.



07

## Assessment of Control Environment



## Assessment of control environment

### Financial controls

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.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in 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 however identified an area for improvement. This is set out below:

- Pay policy and early retirement – During 2016/17 the Council contributed £164k towards the early retirement of the former Chief Executive. Under the terms of the Council's pay policy there is no requirement for this amount to be approved by full Council as the policy only requires redundancy payments over £100k to be approved. However, we believe that best practice would be to take any future early retirements over this value to full Council or another appropriate committee for consideration and approval.

A close-up photograph of a person's hand sorting through several large, tan-colored folders in a filing cabinet. The folders are filled with stacks of papers, some of which are white and some are yellow. The hand is positioned over the second folder from the left, with fingers slightly curled as if reaching for a document. The background is a light-colored, textured wall.





# 08 Appendices



## Appendix A

# Required communications with the Corporate Affairs and Audit Committee

There are certain communications that we must provide to the Audit Committee of UK clients. We have done this by:

		 Our Reporting to you
 Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Corporate Affairs and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The Statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, including any limitations.	March 2017 Audit Planning Report
Significant findings from the audit	<ul style="list-style-type: none"> <li>• Our view of the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Any significant difficulties encountered during the audit</li> <li>• Any significant matters arising from the audit that were discussed with management</li> <li>• Written representations we have requested</li> <li>• Expected modifications to the audit report</li> <li>• Any other matters significant to overseeing the financial reporting process</li> </ul>	September 2017 Audit Results Report
Going concern	<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"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about Middlesbrough Council's ability to continue for the 12 months from the date of our report.



# Appendix A



## Our Reporting to you



## When and where

Required communications	What is reported?	When and where
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Significant corrected misstatements, in writing</li> </ul>	September 2017 Audit Results Report
Fraud	<ul style="list-style-type: none"> <li>▶ Asking the Corporate Affairs and Audit Committee whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority</li> <li>▶ Unless all those charged with governance are involved in managing the entity, any fraud identified or information obtained indicating that a fraud may exist involving:               <ul style="list-style-type: none"> <li>(a) management;</li> <li>(b) employees with significant roles in internal control; or</li> <li>(c) others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▶ A discussion of any other matters related to fraud, relevant to Corporate Affairs and Audit Committee responsibility.</li> </ul>	We have asked management and those charged with governance about arrangements to prevent or detect fraud. We have not become aware of any fraud or illegal acts during our audit.
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, where applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and/or regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters to report.
Subsequent events	<ul style="list-style-type: none"> <li>▶ Where appropriate, asking the Corporate Affairs and Audit Committee whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	We have asked management and those charged with governance. We have no matters to report.
Other information	<ul style="list-style-type: none"> <li>▶ Where material inconsistencies are identified in other information included in the document containing the financial statements, but management refuses to make the revision.</li> </ul>	We have no matters to report.





# Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ We were unable to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	We have no matters to report.
Consideration of laws and/or regulations	<ul style="list-style-type: none"> <li>▶ Audit findings of non-compliance where it is material and believed to be intentional. This communication is subject to compliance with legislation on "tipping off"</li> <li>▶ Asking the Corporate Affairs and Audit Committee about possible instances of non-compliance with laws and/or regulations that may have a material effect on the financial statements, and known to the Corporate Affairs and Audit Committee.</li> </ul>	We have not identified any material instances or non-compliance with laws and regulations.
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	September 2017 Audit Results Report
Independence	<p>Communication of all significant facts and matters that have a bearing on EY's objectivity and independence.</p> <p>Communicating key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information on the firm's general policies and processes for maintaining objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity or independence and the appropriateness of safeguards,</p>	March 2017 Audit Planning Report  September 2017 Audit Results Report
Fee Reporting	<p>Breakdown of fee information when the audit plan is agreed</p> <p>Breakdown of fee information at the completion of the audit</p> <p>Any non-audit work</p>	March 2017 Audit Planning Report  September 2017 Audit Results Report
Certification work	Summary of certification work	December 2017



## Independence

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Planning Report dated March 2017.

We complied with the APB Ethical Standards and the requirements of the 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 consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Corporate Affairs and Audit Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Corporate Affairs and Audit Committee on 28 September 2017.

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2017.

We confirm that we have undertaken non-audit work outside the PSAA Code requirements, in relation to certification of claims and returns that fall outside of the PSAA framework.

We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO in December 2016.

	Final Fee 2015/16 £	Planned Fee 2016/17 £	Scale Fee 2016/17 £	Final Fee 2016/17 £
Total Audit Fee – Code Work	115,037	115,037	115,037	TBC*
Non –audit work – Housing Benefit Subsidy Claim	10,571	10,335	10,335	TBC
Non –audit work – Other certification	3,200	3,200	N/A	TBC




\* A further fee will be charged for the additional work required in year relating to value for money and dealing with third party queries. We will report this fee to the Corporate Affairs and Audit Committee once agreed with management and the PSAA.



## Appendix C

# Outstanding matters

The following items are outstanding at the date of this report:

Item 	Actions to resolve 	Responsibility 
Annual Governance Statement	Review of the final Annual Governance Statement	EY
Annual Statement of Accounts	Review of the final Annual Statement of Accounts	EY
Outstanding confirmation letters	Receipt of outstanding Bank of Scotland, Barclays and Lloyds bank and loan confirmation letters	Management and EY
Management representation letter	Receipt of signed management representation letter	Management and EY
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY
Whole of Government Accounts ("WGA")	WGA procedures	EY





## Appendix D

# Accounting and regulatory update

## Accounting update



Since the date of our last report to the Corporate Affairs and Audit Committee, new accounting standards and interpretations have been issued. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures 	Impact on Middlesbrough Council 
<i>IFRS 9 Financial Instruments</i>	<p>Applicable for local authority accounts from the 2018/19 financial year and will change:</p> <ul style="list-style-type: none"> <li>• How financial assets are classified and measured</li> <li>• How the impairment of financial assets are calculated</li> <li>• Financial hedge accounting</li> <li>• The disclosure requirements for financial assets.</li> </ul> <p>• Transitional arrangements are included within the accounting standard, however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be and whether any accounting statutory overrides will be introduced to mitigate any impact.</p>	<p>Although some initial thoughts on the approach to adopting IFRS 9 have been issued by CIPFA, until the Code is issued and any statutory overrides are confirmed there remains some uncertainty. However, what is clear is that the Council will have to:</p> <ul style="list-style-type: none"> <li>• Reclassify existing financial instrument assets</li> <li>• Re-measure and recalculate potential impairments of those assets; and</li> <li>• Prepare additional disclosure notes for material items.</li> </ul>
<i>IFRS 15 Revenue from Contracts with Customers</i>	<p>Applicable for local authority accounts from the 2018/19 financial year. This new standard deals with accounting for all contracts with customers except:</p> <ul style="list-style-type: none"> <li>• Leases;</li> <li>• Financial instruments;</li> <li>• Insurance contracts; and</li> <li>• for local authorities; Council Tax and NDR income.</li> </ul> <p>The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations.</p> <p>• There are transitional arrangements within the standard; however as the 2018/19 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be.</p>	<p>As with IFRS 9, some initial thoughts on the approach to adopting IFRS 15 have been issued by CIPFA. However, until the Code is issued there remains some uncertainty. However, what is clear is that for all material income sources from customers the Council will have to:</p> <ul style="list-style-type: none"> <li>• Disaggregate revenue into appropriate categories;</li> <li>• Identify relevant performance obligations and allocate income to each; and</li> <li>• Summarise significant judgements.</li> </ul>



## Appendix D

# Accounting and regulatory update (continued)

Name	Summary of key measures 	Impact on Middlesbrough Council 
<i>IFRS 16 Leases</i>	<p>IFRS 16 will be applicable for local authority accounts from the 2019/20 financial year.</p> <p>Whilst the definition of a lease remains similar to the current leasing standard; IAS 17, for local authorities who lease in a large number of assets the new standard will have a significant impact, with nearly all current leases being included on the balance sheet.</p> <p>There are transitional arrangements within the standard, although as the 2019/20 Accounting Code of Practice for Local Authorities has yet to be issued it is unclear what the impact on local authority accounting will be or whether any statutory overrides will be introduced.</p>	<p>Until the 2019/20 Accounting Code is issued and any statutory overrides are confirmed there remains some uncertainty in this area.</p> <p>However, what is clear is that the Council will need to undertake a detailed exercise to classify all of its leases and therefore must ensure that all lease arrangements are fully documented.</p>
<i>Earlier deadline for production and audit of the financial statements from 2017/18</i>	<p>The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts will be brought forward with draft accounts needing to be prepared by 31 May and the publication of the audited accounts by 31 July.</p>	<p>These changes provide challenges for both the preparers and the auditors of the financial statements.</p> <p>As auditors, nationally we have:</p> <ul style="list-style-type: none"> <li>• Issued a thought piece on early closedown;</li> <li>• As part of the strategic Alliance with CIPFA jointly presented accounts closedown workshops across England, Scotland and Wales; and</li> <li>• Presented at CIPFA early closedown events and on the subject at the Local Government Accounting Conferences in July 2017.</li> </ul>



## Appendix E

# Management representation letter

### Management Representation Letter

[To be prepared on the Council's letterhead]

[Date]

Ernst & Young LLP  
Citygate  
St James' Boulevard  
Newcastle upon Tyne  
NE1 4JD

This letter of representations is provided in connection with your audit of the financial statements of Middlesbrough Council ("the Council") for the year ended 31 March 2017.

We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of Middlesbrough Council as at 31 March 2017 and of its income and expenditure for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

#### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.



## Appendix E

### Management Representation Letter (continued)

4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2016/17, that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

#### B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

#### C. Compliance with Laws and Regulations

1. We have disclosed to you all identified or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

#### D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date when known].



## Appendix E

### Management Representation Letter (continued)

4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the 31 March 2017. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed all guarantees that we have given to third parties.

#### F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### G. Other information

1. We confirm that the content contained within the other information is consistent with the financial statements.

#### H. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

#### I. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).





## Appendix E

### Management Representation Letter (continued)

#### J. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

#### K. Comparative information

1. There have been changes to the structure of the financial statements during 2016/17 with the introduction of the Expenditure and Funding Analysis (EFA). The financial statements for 2015/16 have been restated to incorporate these changes.

The comparative amounts have been correctly restated to reflect the above matter and appropriate note disclosure of this restatement has also been included in the current year's financial statements.

Yours faithfully,

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(Chief Financial Officer)

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(Chair of the Corporate Affairs and Audit Committee)

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ED None

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