

# Audit Plan

Year end 31 March 2014

Portsmouth City Council

13 March 2014

Ernst & Young LLP



**EY**

Building a better  
working world

Governance, Audit and Standards Committee  
Portsmouth City Council  
Civic Offices  
Guildhall Walk  
Portsmouth  
PO1 2AL

March 2014

**Dear Members**

## **Audit Plan**

We are pleased to attach our Audit Plan for Portsmouth City Council which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Governance, Audit and Standards Committee with a basis to review our proposed audit approach and scope for the 2013/14 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 13 March 2014 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kate Handy  
For and behalf of Ernst & Young LLP  
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# 1. Overview

## **Context for the audit**

This audit plan covers the work that we plan to perform in order to provide you with:

- ▶ Our audit opinion on whether the financial statements of Portsmouth City Council give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended; and
- ▶ A statutory conclusion on the council's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

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.
- ▶ Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

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

In part 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit and value for money conclusion, and outline our plans to address these risks. Details of our audit process and strategy are set out in more detail in section 4, and are summarised below.

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 2014.

## Our process and strategy

- ▶ Financial Statement Audit
  - ▶ We set our materiality based on the Council's level of gross expenditure. We also consider a number of factors including levels of reserves, prior year errors, public profile and sensitivities. Our audit is designed to identify errors above materiality.
  - ▶ We aim to rely on the Council's internal controls wherever possible. We identify the controls we consider important and seek to place reliance on audit testing of those controls. Where control failures are identified we consider the most appropriate steps to take.
  - ▶ To the fullest extent permissible by auditing standards, we will seek to place reliance on the work of internal audit wherever possible. We have already liaised with Internal Audit regarding arrangements for our review and re-performance of their work.
  - ▶ Tom Wilkins has replaced Helen Edgecombe as lead executive, as she is on maternity leave.
  - ▶ There has been no change to the scope of our audit.
- ▶ Arrangements for securing Economy, Efficiency and Effectiveness
  - ▶ Our work has two underpinning elements.
    - We are required to give a statutory conclusion on the arrangements to secure VFM value for money based on two criteria specified by the Commission, and we design a programme of work to address identified risks: and
    - the Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources; ensure proper stewardship and governance; and review regularly the adequacy and effectiveness of these arrangements. We annually update our understanding and assessment of these corporate performance management and financial management arrangements.
  - ▶ We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness
  - ▶ In assessing risks relating to audited bodies' arrangements to secure economy, efficiency and effectiveness, we consider:
    - the audited body's own assessment of the risks it faces, and its arrangements to manage and address its risks;
    - evidence gained from previous audit work, including the response of the audited body to that work; and
    - the work of the Commission, other inspectorates and review agencies (where these come to the attention of the auditor and are relevant to the auditor's responsibilities under the Code the Audit Commission Code of Audit Practice).
  - ▶ We will keep our risk assessment under review taking into account: our discussions with the Council; our review of reports and minutes; the results of internal audit work; our opinion and certification work; review of the Annual Governance Statement; and the work of other regulators

## 2. Financial Statement Risks

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

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<b>Risk of management override</b>	
As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records 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>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;</li> <li>▶ Reviewing accounting estimates for evidence of management bias; and</li> <li>▶ Evaluating the business rationale for significant unusual transactions.</li> </ul>
<b>Other financial statement risks</b>	
<b>Academy schools</b>	
A number of schools, including Milton Cross, are expected to achieve academy status in 13/14.	We will review the accounting for transfers, including any related impairments, and whether they are disclosed correctly.
<b>Pooled budgets</b>	
This is the first full year of account for the Continuing Healthcare pooled budget, which now represents a material item of account.	We will review the Council's accounting for its share of the income, expenditure, asset and liabilities of the pooled budgets; and whether they are correctly presented in the accounts.
<b>Changes to accounting for business rates</b>	
From April 2013, there were changes to the arrangements for business rates that require the Council to make a provision for appeals against rating list valuations.	We will review the reasonableness of the provision and whether it is accounted for and disclosed correctly.
<b>Pilots National Pension Fund</b>	
Following a High Court determination the scheme's actuaries are determining the Council's share of the fund's liabilities.	We will review the reasonableness of the provision and whether it is accounted for and disclosed correctly.

### **Respective responsibilities in relation to 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 put in place 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.
- ▶ Inquiry of management about risks of fraud and the controls put in place 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 those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks.

We will consider the results of the National Fraud Initiative and may make reference to it in our reporting to you.

### 3. Economy, Efficiency & Effectiveness

Our work will focus on:

1. Whether there are proper arrangements in place for securing financial resilience at Portsmouth City Council; and
2. Whether there are proper arrangements in place at the Council to secure economy, efficiency and effectiveness in the use of resources.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks.

Other risks	Impacts arrangements for securing:	Our audit approach
<b>Governance arrangements</b>		
<p>Last year the Council developed a new corporate plan-on-a-page, which updated its strategic objectives in accordance with the vision of “working together to shape the great waterfront city”.</p> <p>Alongside this, the Council redeveloped its performance management arrangements, its risk management arrangements, and strengthened the corporate expectation that services prepare three year indicative financial plans.</p>	<p>Economy, efficiency and effectiveness</p>	<p>Our approach will focus on reviewing how this revised framework has been applied in the 2014/15 planning round. We will focus this by reviewing one service’s:</p> <ul style="list-style-type: none"> <li>▶ business and financial plans,</li> <li>▶ indicators and targets chosen used to measure its performance,</li> <li>▶ risk management processes, and</li> <li>▶ corporate reporting against the above.</li> </ul>
<b>Integration of Health and Social Care</b>		
<p>The aggregation of existing funding streams into the Better Care Fund has transformed and accelerated the integration agenda.</p> <p>The Council and Portsmouth CCG need to agree how to use funds in order to achieve better outcomes for patients, subject to some exacting national conditions attached to the grant.</p> <p>While planning initially has a two year horizon, local plans should be part of a five-year strategy for local health and care services. As such the Health and Wellbeing Board need to support the development of a shared vision of what future local services should look like.</p>	<p>Economy, efficiency and effectiveness</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Reviewing the two year local plan submitted in February 2014 and assessing progress with the development of the linked 5 year strategy</li> <li>▶ Assessing plans for the expansion of pooled budgets in April 2015 and evidencing of progress against national conditions and the performance measures set out in the locally agreed plan.</li> </ul>



## 4. Our audit process and strategy

### 4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principle objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the Council's:

- i) financial statements; and
- ii) arrangements for securing economy, efficiency and effectiveness in its use of resources.

We issue a two-part audit report covering both of these objectives.

#### i) Financial Statement Audit

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

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

#### ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ Arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and
- ▶ Arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## 4.2 Audit process overview

### Processes

Our initial assessment of the key processes across the entity has identified the following where we will seek to place reliance on the operation of key controls, both manual and IT:

- Accounts receivable (Oracle)
- Accounts payable (Oracle)
- Payroll (Oracle)
- Cash and bank (Oracle)
- SWIFT (Oracle)
- Council tax (Northgate)
- Non domestic rates (Northgate)
- Housing benefits (Northgate)
- Housing rents (Northgate)

Property Plant and Equipment and schools expenditure will be tested substantively at year end. If control weaknesses are identified in other systems we may need to test them substantively instead. We will keep this strategy under review throughout the audit and may elect to test processes substantively where this would lead to audit efficiencies.

### Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of payroll and 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 Audit Committee.

### Internal audit

As in prior years, we will review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements.

### Use of experts

We will utilise specialist EY resource, as necessary, to help us to form a view on judgments made in the financial statements. Our plan currently includes the involvement of specialists in pensions and valuations..

### **Mandatory procedures required by auditing standards**

In addition to the financial statement risks outlined in section xx, we have to 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.

- ▶ 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.
- ▶ Auditor independence.

### ***Procedures required by the Code***

- ▶ Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement and the Remuneration Report.
- ▶ Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- ▶ Reviewing, and where appropriate, examining evidence that is relevant to the Council's corporate performance management and financial management arrangements and reporting on these arrangements.

## **4.3 Materiality**

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We have determined that overall materiality for the financial statements of the Council is £11,991,700 based on 2% of gross revenue expenditure.

We will communicate uncorrected audit misstatements greater than £599,585 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 of the circumstances that may ultimately influence our judgement about materiality. 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 accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

## **4.4 Fees**

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Council is £198,180.

## **4.5 Your audit team**

The engagement team is led by Kate Handy, who has significant experience on the Portsmouth City Council audit. Kate is supported by Mark Justesen who is responsible for

the day-to-day direction of audit work, and who is the key point of contact for the Head of Finance.

## 4.6 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; and the deliverables we have agreed to provide to you through the audit committee cycle in 2014. These dates are determined to ensure our alignment with the Audit Commission’s rolling calendar of deadlines.

We will provide a formal report to the Audit Committee in September 2014. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate.

Following the conclusion of our audit we will prepare an annual audit letter in order to communicate to the Council and external stakeholders, including members of the public, the key issues arising from our work.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning:	<b>April 2013</b>		Audit Fee letter
Risk assessment and setting of scopes	<b>February 2014</b>	March 2014	Audit Plan
Testing of routine processes and controls	<b>March/June</b>	June 2014	Interim Report, if needed
Value for money conclusion	<b>March/June</b>	September 2014	Report to those charged with governance
Year-end audit	<b>July – September</b>	September 2014	Report to those charged with governance  Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).  Audit completion certificate  Whole of Government Accounts certification
Reporting	<b>October</b>	November 2014	Annual Audit Letter
Grant claims	<b>December</b>	January 2015	Report on the audit of grant claims

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

## 5. Independence

### 5.1 Introduction

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 upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of 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"> <li>▶ The principal threats, if any, to objectivity and independence identified by EY including consideration of all relationships between the you, your affiliates and directors and us;</li> <li>▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review;</li> <li>▶ The overall assessment of threats and safeguards;</li> <li>▶ Information about the general policies and process within EY to maintain objectivity and independence.</li> </ul>	<ul style="list-style-type: none"> <li>▶ 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;</li> <li>▶ Details of non-audit services provided and the fees charged in relation thereto;</li> <li>▶ Written confirmation that we are independent;</li> <li>▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and</li> <li>▶ An opportunity to discuss auditor independence issues.</li> </ul>

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

## 5.2 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 the principal threats, if any.

### ***Self- interest threats***

A self interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; 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 you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved and that are in compliance with the Audit Commission's Standing Guidance.

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 you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, 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 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 your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision 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 safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Kate Handy, your audit engagement director and the audit engagement team have not been compromised.

## 5.3 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 in place 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 28 June 2013 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2013>

## Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2013/14 £'000	Actual Fee 2012/13 £'000
<b>Total Audit Fee – Code work</b>	198,180	198,180
Certification of claims and returns*	28,600	30,900
Non-audit work	0	0

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

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ We are able to place reliance, as planned, on the work of internal audit;
- ▶ The level of risk in relation to the audit of accounts is consistent with that in the prior year;
- ▶ No significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- ▶ Our accounts opinion and use of resources conclusion being unqualified
- ▶ Suitable accommodation and access to Council ICT is provided;
- ▶ Appropriate quality of documentation is provided by the audited body
- ▶ 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 you 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.

\*Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission. In 2012/13 the scale fee was £26,500 but a variation of £4,400 was agreed by the Audit Commission for the certification of two additional Local Transport Plan Major Project claim



## Appendix B UK required communications with those charged with governance.

There are certain communications that we must provide to the audit committee of audited clients. These are detailed here:

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit including any limitations.</p>	<a href="#">Audit Plan</a>
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	<a href="#">Report to those charged with governance</a>
<p><b>Misstatements</b></p> <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>▶ In writing, corrected misstatements that are significant</li> </ul>	<a href="#">Report to those charged with governance</a>
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>	<a href="#">Report to those charged with governance</a>
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <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 regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	<a href="#">Report to those charged with governance</a>
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	<a href="#">Report to those charged with governance</a>
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ 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</li> </ul>	<a href="#">Report to those charged with governance</a>

Required communication	Reference
<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	
<p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>For listed companies, communication of minimum requirements as detailed in the ethical standards:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the audited body and senior management</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the ethical standards</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	<p><a href="#">Audit Plan</a></p> <p><a href="#">Report to those charged with governance</a></p>
<p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <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>	<p><a href="#">Report to those charged with governance</a></p>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<p><a href="#">Report to those charged with governance</a></p>
<p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<p><a href="#">Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</a></p>
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>	<p><a href="#">Audit Plan</a></p> <p><a href="#">Report to those charged with governance and Annual Audit Letter if considered necessary</a></p>

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