

**Thurrock Council**  
Year ending 31 March 2013

**Audit Plan**

February 2013

Audit Committee  
Thurrock Council  
Civic Offices  
New Road  
Grays  
Essex RM17 6SL

February 2013

Dear Members

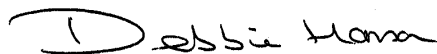
## **Audit Plan**

We are pleased to attach our Audit Plan for Thurrock Council which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2012/13 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 6 March 2013 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

A handwritten signature in black ink that reads "Debbie Hanson". The signature is written in a cursive style with a large initial 'D'.

Debbie Hanson  
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 Thurrock Council give a true and fair view of the financial position as at 31 March 2013 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.

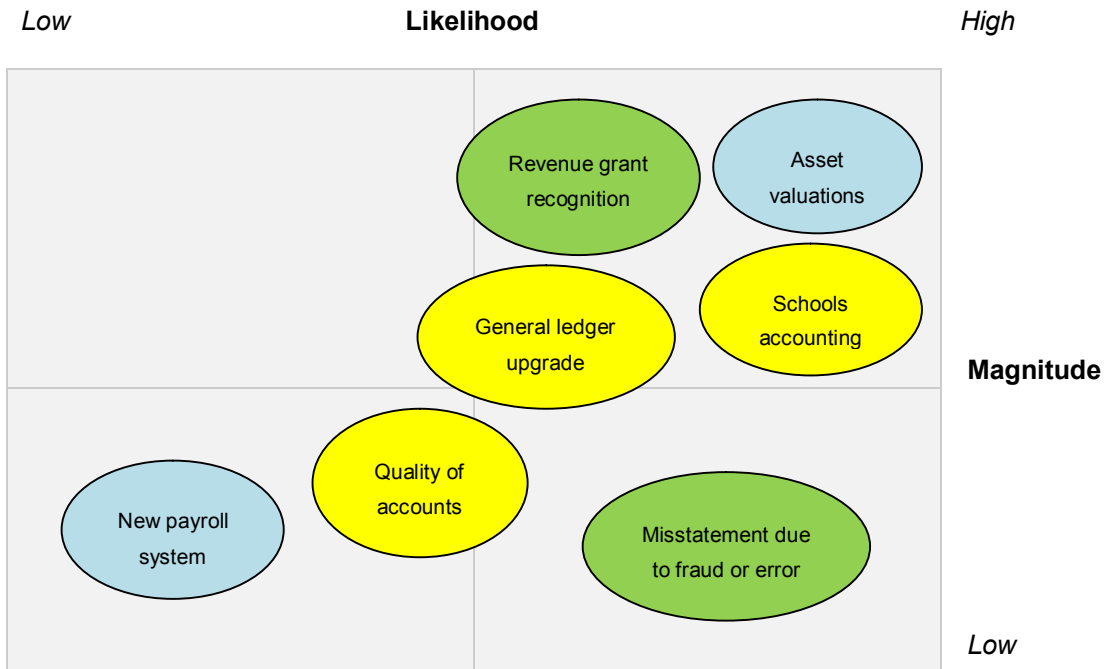
Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.




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 outline our plans to address these risks. Details of our audit process and strategy are set out in more detail in section 4, and summarised below.

There are no significant changes to the Council's accounting requirements for 2012/13. We are not aware of any major structural change that would impact on the accounts, as the Development Corporation assets and liabilities transferring to the Council were fully incorporated into the 2011/12 financial statements.

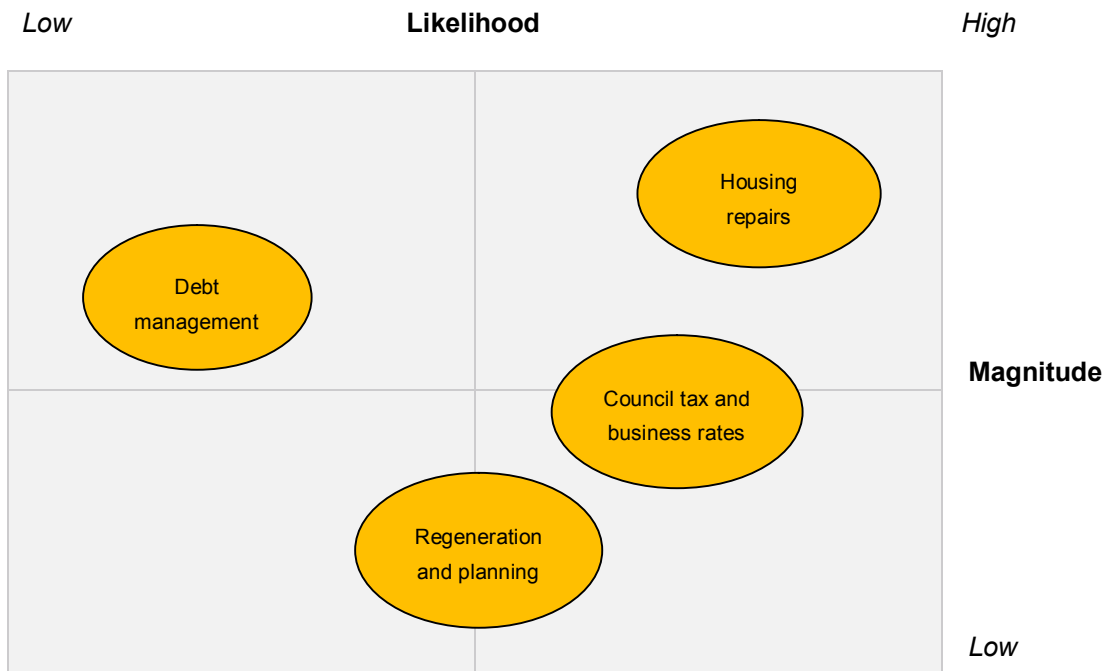
The grids below show the overall assessment of these risks in terms of their likelihood of occurrence in 2012/13 as well as the perceived magnitude of the risk to our opinion and value for money conclusion.

**Opinion risks**



-  Presentation and disclosure
-  Judgements
-  Valuation

**Value for money risks**



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 2013.

## **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 internal audit testing of those controls. Where control failures are identified we consider the most appropriate steps to take.
- ▶ We 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.
- ▶ Your previous auditor has highlighted issues with the quality of the financial statements and working papers to support them produced by the Council. We will monitor your closedown arrangements and will undertake work on the full asset revaluation exercise you have undertaken before year end so our views can be incorporated in the draft financial statements due in June 2013.
- ▶ Although this is our first year as your Appointed Auditor, our team includes a number of auditors who have worked on your audit for some years with the Audit Commission.
- ▶ There has been no change to the scope of our audit compared to previous audits as the Audit Commission.

### ***Arrangements for securing economy, efficiency and effectiveness***

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.

We have considered the risks relevant to our value for money conclusion and have identified one significant risk relating to the management of the housing repairs contract, as well as a number of other areas that we will consider as part of our work. These are summarised below:

- ▶ The Council has terminated the housing repairs contract with Morrisons and has let an interim contract with Mears while a full retender exercise is undertaken. We will review the Council's continuing arrangements for managing housing repairs.
- ▶ The Council has taken on responsibility for regeneration and planning from the Thurrock Thames Gateway Development Corporation. We will review the arrangements for providing these functions and also the use being made of both the assets inherited from the Development Corporation and the other assets held by the Council.
- ▶ As with all Councils, the collection fund arrangements have changed as a result of the Localism Act and resulting changes to council tax support and non domestic rates. We will review the Council's revised budgeting arrangements to ensure they appropriately reflect these changes.
- ▶ The Council continues to maintain a high proportion of its debt portfolio as short term temporary borrowing to take advantage of current low interest rates. We will review the Council's monitoring of its debt position taking into account the need for the Council to consider when it is appropriate to move to longer term debt.

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 key strategic or operational risks and 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>General ledger upgrade</b>	
The general ledger was upgraded on 1 April 2012 with a new reporting package and also a new chart of accounts.	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Ensuring all balances have been brought forward correctly at 1 April 2012</li> <li>▶ Testing the controls operating over the upgrade</li> <li>▶ Testing to ensure the new chart of accounts feeds through properly into the financial statements</li> </ul> <p>We will seek to rely on Internal Audit's work in this area.</p>
<b>Grant revenue recognition</b>	
The Council receives significant grant funding. The recognition of this revenue may be dependent on conditions being met and there is therefore a risk that grant income may be incorrectly reflected in the accounts.	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ The controls operating within the Council to ensure grant revenue is accounted for in accordance with requirements.</li> <li>▶ Review of grant control account reconciliations.</li> <li>▶ Management consideration of grant considerations being met.</li> </ul>
<b>Double counting of schools income and expenditure</b>	
In previous years, material errors have arisen in the financial statements due to double counting of schools income and expenditure.	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Testing to ensure that journals do not lead to duplication of schools income and expenditure.</li> </ul> <p>Management expect that the new chart of accounts should ensure this does not happen.</p>
<b>Asset valuations</b>	
Material errors have occurred in previous years on asset valuations. The Council has undertaken a full asset revaluation exercise during 2012/13	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Reviewing the outputs from the revaluation exercise undertaken by Europa (the Council's valuers) and the amendments put through to the fixed asset register as a result</li> <li>▶ Considering the results of this exercise and assessing whether the Council's proposed journal to bring the resulting changes into the general ledger is materially correct.</li> </ul>
<b>Other financial statement risks</b>	
<b>Payroll system change</b>	
The Council has migrated the payroll from the Delphi system to Oracle during 2012/13 and made the first live payment from Oracle in January 2013	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Testing controls over Delphi payroll</li> <li>▶ Obtaining assurance over the material accuracy of the payroll costs from January 2013 to March 2013 paid using Oracle using predictive analytical techniques.</li> <li>▶ Reviewing Internal Audit testing of the migration to Oracle in order to place reliance on their work.</li> </ul>
<b>Quality of accounts and working papers</b>	
The Council has a history of producing poor quality accounts and supporting working papers.	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Providing a client assistance schedule of expected working papers and discussing progress with management</li> </ul>

- ▶ Reviewing and monitoring managements closedown processes and in particular the quality assurance arrangements in place to ensure the accounts and supporting working papers are of an appropriate standard.
- ▶ Reviewing the accounts provided for audit to ensure they are reasonable quality

**Risk of misstatement due to fraud and error**

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. This would include review of areas where significant judgement is required, such as provisions and review of transactions before and after the year end to ensure they are accounted for in the correct financial period.
- ▶ 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 and effectiveness

Our work will focus on:

1. Whether there are proper arrangements in place for securing financial resilience at Thurrock 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.

Significant risks	Impacts arrangements for securing:	Our audit approach
<b>Housing repairs contract</b>		
The Council has recently terminated its housing repairs contract with Morrisons, and let an interim contract with Mears while a full retender process takes place.	Economy, efficiency and effectiveness	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ The Council's management of the housing repairs contract with Morrisons</li> <li>▶ Ensuring the lessons learnt are incorporated into the new contract.</li> </ul>
<b>Other risks</b>		
<b>Development Corporation</b>		
The Council resumed responsibility for regeneration and planning from the Thurrock Thames Gateway Development Corporation on 1/4/2012. This included transfer of a number of assets which the Council has now included within its asset management arrangements.	Economy, efficiency and effectiveness	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Ensuring arrangements are in place to make effective use of the Council's existing and new assets.</li> </ul>
<b>Changes to arrangements for council tax support and business rates</b>		
From April 2013, there will be changes to the arrangements for both Local council tax support and business rates. These changes represent a significant change for the Council and bring both financial and reputational risks and need to be reflected in the 2013/14 budget.	Financial resilience	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ The process the Council has followed in setting its budget to take account of these changes</li> <li>▶ Reasonableness of significant assumptions, including those relating to bad debts and changes in income streams and how these have been built into its future financial projections.</li> </ul>
<b>Debt portfolio</b>		
The Council continues to maintain a high proportion of its debt in short term arrangements to take advantage of current low interest rates. The Council needs to continue to monitor this position to ensure that debt is moved to longer term at the appropriate time.	Financial resilience	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Ensuring the Council continues to monitor the position to ensure debt is moved to longer term borrowing when appropriate.</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 principal 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 key processes where we will seek to test key controls for at least part of the year, both manual and IT:

- Accounts receivable (Oracle)
- Procure to pay (Oracle): this includes adult social care (Controcc) and housing repairs (Saffron)
- Payroll (Delphi and then Oracle)
- Council tax (Northgate)

- Non domestic rates (Northgate)
- Housing benefits (Northgate)
- Housing rents (Saffron)

Fixed assets, schools and cash balances will be tested substantively at year end. If control weaknesses are identified in other systems we may need to test substantively.

### **Analytics**

We plan to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of 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 reports to those charged with governance, where issues are raised that could impact the year-end financial statements.

We will seek to place reliance on the work of internal audit wherever possible in line with auditing standards. We have already liaised with Internal Audit and in March will commence our review and re-performance of their work on the systems detailed above.

### **Use of experts**

We will utilise specialist Ernst & Young resource, as necessary, to help us to form a view on judgements made in the financial statements. Our plan currently includes the involvement of no specialists.

### **Other procedures**

In addition to the key areas of emphasis outlined, we have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline the procedures we will undertake during the course of our audit.

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

- ▶ 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 would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

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.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are "clearly trivial". All uncorrected misstatements found above this amount will be presented to you in our year-end report.

### **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 Thurrock Council is £177,227.

Please see appendix A for more information on the fee.

### **4.5 Your audit team**

The engagement team is led by Debbie Hanson, who has significant experience on the Thurrock audit. Debbie is supported by Wendy Borgartz who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the Head of Corporate 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 2013. 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 2013. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chairman 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>December/January</b>		Audit Fee letter
Risk assessment and setting of scopes	<b>February/March</b>	Audit Committee	Audit Plan
Testing of routine processes and controls	<b>February/June</b>	Audit Committee	Interim Report
Year-end audit	<b>July – September</b>	Audit Committee	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
Reporting	<b>October</b>		Annual Audit Letter

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 Ernst &amp; Young (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. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

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

A self interest threat arises when EY has financial or other interests in your entity. Examples include where we 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 Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

### **5.3 Other required communications**

Ernst & Young (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 29 June 2012 and can be found here:

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

# Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2012/13 £'000	Actual Fee 2011/12 (Audit Commission Audit Practice) £'000	Explanation of variance
Total Audit Fee – Code work	177,227	295,380	40% saving as a result of the Audit Commission Procurement Exercise
Certification of claims and returns*	28,950	53,344	Saving as a result of the Audit Commission Procurement Exercise and reduction in number of claims requiring certification.

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;
- ▶ 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;
- ▶ Appropriate quality of documentation is provided by the audited body; and
- ▶ Effective control environment and system controls.

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.

## 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
<b>Planning and audit approach</b> Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
<b>Significant findings from the audit</b> <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> <li>▶ Findings and issues regarding the opening balance on initial audits (<a href="#">delete if not an initial audit</a>)</li> </ul>	Report to those charged with governance
<b>Misstatements</b> <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>	Report to those charged with governance
<b>Fraud</b> <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>	Report to those charged with governance
<b>Related parties</b> Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <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>	Report to those charged with governance
<b>External confirmations</b> <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>	Report to those charged with governance
<b>Consideration of laws and regulations</b> <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> <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>	Report to those charged with governance
<b>Independence</b> Communication of all significant facts and matters that bear on Ernst & Young's	Audit Plan

Required communication	Reference
<p>objectivity and independence 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 Ernst &amp; Young, the audited body and senior management</li> <li>▶ Services provided by Ernst &amp; Young that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by Ernst &amp; Young 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>Report to those charged with governance</p>
<p><b>Going concern</b> 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>Report to those charged with governance</p>
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	<p>Report to those charged with governance</p>
<p><b>Opening Balances (initial audits)</b></p>	<p>Report to those charged with governance</p>
<ul style="list-style-type: none"> <li>▶ Findings and issues regarding the opening balance of initial audits</li> </ul>	<p>Report to those charged with governance</p>
<p><b>Certification work</b></p>	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>
<ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>	<p>Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary</p>
<p><b>Fee Information</b></p>	<p>Audit Plan Report to those charged with governance and Annual Audit Letter if considered necessary</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>Audit Plan Report to those charged with governance and Annual Audit Letter if considered necessary</p>

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