

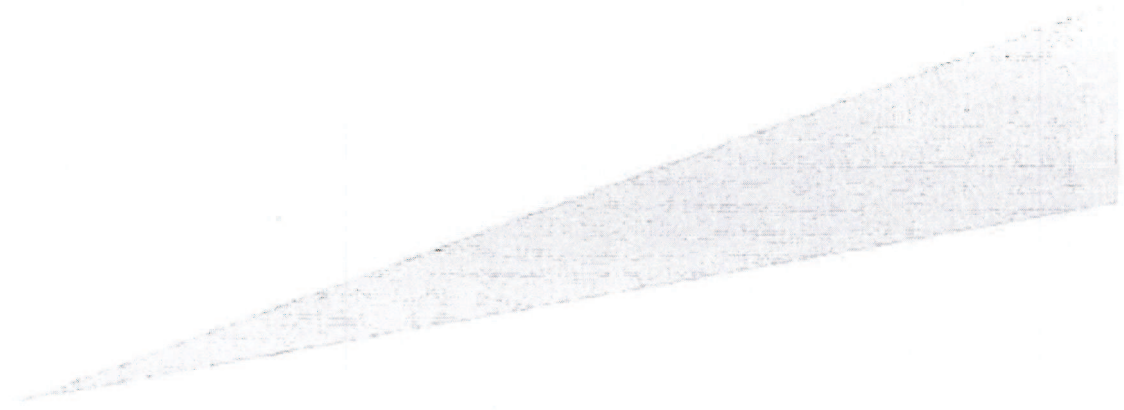
# Audit Plan

Year end 31 March 2014

Merton Council

March 2014

Ernst & Young LLP



Ernst & Young LLP



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

Tel +44 20 7951 2000  
Fax: +44 20 7951 1345  
ey.com



**General Purposes Committee**  
Merton Council  
Civic Centre  
London Road  
Merton  
SM4 5DX

3 March 2014

Dear Members

## **Audit Plan**

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the General Purposes Committee with a basis to review our proposed audit approach and scope for the 2014 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 Merton Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 12 March 2014 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

David Wilkinson  
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 Merton 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 outline our plans to address these risks.

We will provide an update to the General Purposes 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 have not yet finalised our overall materiality for the Council's consolidated financial statements, but this will be set in the range of between £4.909 million and £9.818 million based on 1% - 2% of gross operating expenditure.
- ▶ We are assessing your control environment and we expect to be able to rely on internal controls, both manual and IT-based where this is the most efficient approach. For other areas we will apply a substantive approach.
- ▶ To the fullest extent permissible by auditing standards, we will seek to place reliance on the work of internal audit wherever possible to support our work, notwithstanding that changes to auditing standards prohibit our directing the work of internal audit.
- ▶ Your audit engagement partner, director and manager remain unchanged.
- ▶ Changes to the scope of our audit
  - ▶ We will report on our work in response to whistleblowing allegations about the appointment and use of consultants.
  - ▶ The Council will include the results for its subsidiary company - Constructors Health and Safety Assessment Scheme (CHAS) - for the first time in its financial statements. Appendix C provides an overview of the nature of the planned involvement in the work to be performed by the external auditors of CHAS (the component auditors).
- ▶ 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 will assess the Council against the criteria and areas of focus set out by the Audit Commission. There are no specific risks identified to date for which additional work is to be performed, other than those associated with the whistleblowing allegations.

## 2. Financial Statement Risks

We outline below our assessment of the financial statement risks facing the Council, identified through our knowledge of the Council'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
<p><b>Property, plant and equipment (PPE)</b></p> <p>The Council has made material changes to the valuation, classification and completeness of disclosures of its property, plant and equipment in recent years. We also identified material errors and omissions in last year's audit.</p> <p>The Council is proposing further changes in 2013/14 through a reclassification of its investment properties. This will lead to a material change to the financial statements. These changes indicate wider risks around the completeness of property, plant and equipment disclosed in the Council's financial statements and the accurate classification of these assets.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> <li>▶ Management controls over the completeness and classification of assets in the asset register and underlying records</li> <li>▶ Tests of detail over the completeness and classification of assets and corresponding valuations</li> <li>▶ Tests of detail on the reasonableness of the valuation including assessment against central reports provided by the Audit Commissions expert valuer.</li> <li>▶ Use of our own valuation expert. This will only be required if the results of our other work are unsatisfactory. We will consult with you before using our own expert to explain the reasons why we consider this to be necessary.</li> </ul>
<p><b>Risk of management override</b></p> <p>As identified in ISA (UK &amp; 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> <p>We also consider the findings from our work responding to allegations made about the Council's appointment and use of consultants.</p>	<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;</li> <li>▶ Evaluating the business rationale for significant unusual transactions; and</li> <li>▶ Assessing the findings from our work responding to the allegations made about the Council's appointment and use of consultants.</li> </ul>

### 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 the Council; and
2. Whether there are proper arrangements in place at the Council to secure economy, efficiency and effectiveness in the use of resources.

Our planning and work to date has not identified any significant risks or specific risks for which additional work is to be performed. However, given that the Council is operating in a wider public environment under financial pressure, and our work on investigation of the employment of consultants included the value for money of these arrangements, we will keep these areas under review as our audit progresses.

## 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.

The Council has established a trading company – Constructors Health and Safety Assessment Scheme (CHAS) - for its health and safety assessments for the construction industry. The Council will consolidate the results for this subsidiary in its financial statements for 2013/14. As a company the subsidiary will need to put in place external audit arrangements in accordance with the Companies Act requirements. If we are appointed as the external auditor, we will plan our audit procedures for the subsidiary to identify misstatements that could be material to the statutory financial statements of the individual entity (CHAS). Appendix C provides an overview of the nature of the planned involvement in the work to be performed by the external auditors of the subsidiary (the component auditors).

#### 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

We are assessing your entity level controls. We have identified the key controls in your major financial systems and are in the process of testing these in cooperation with Internal Audit. As a result of our assessments we intend to place reliance on the key controls in your financial systems where this is the most efficient audit approach. Where this is not the most efficient approach, we will adopt a substantive approach to gain the assurances we require.



We reported in last year's audit results report on the number of individual financial systems you operate and the importance of manual reconciliations as a key element of your control environment. Therefore, we will not assess your IT general controls this year as this does not provide the most efficient audit approach.

To the fullest extent permissible by auditing standards, we are placing reliance on the work of internal audit wherever possible notwithstanding that changes to auditing standards prohibit our directing the work of internal audit.

#### **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, both manual and IT:

- Cash processing
- Accounts receivable
- Procure to pay
- Payroll
- Pensions – IAS19 disclosures
- Property, plant and equipment (PPE)
- Business rates
- Council tax
- Housing Benefits and Rents
- Education – SIMS system
- Social Services (Carefirst).

As elements of the payroll process is outsourced to the shared service hosted by the London Borough of Sutton, we will utilise the findings set out in the independent assurance report to be provided to the Council (ISAE 3402).

#### **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, cash payments and receipts 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 General Purposes 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, valuations, financial reporting and tax.

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

In addition to the financial statement risks outlined in section 2, 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 not yet finalised our overall materiality for the Council's consolidated financial statements, but this will be set in the range of between £4.909 million and £9.818 million based on 1% - 2% of gross operating expenditure. We will communicate our final materiality levels to members at a future committee meeting. We will communicate the level above which we will communicate uncorrected audit misstatements to you at a future committee meeting.

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 £188,730. In addition, the Commission has set an indicative fee of £54,500 for the certification of grant claims.

The indicative scale fee may be subject to variation to reflect the following factors:

- ▶ The work carried out in response to the allegations made by whistle-blowers in the Council over the appointment and use of consultants. This work is in addition to our existing responsibilities under the Code.
- ▶ The consolidation of the results of the Council's trading subsidiary Constructors Health and Safety Assessment Scheme (CHAS) into the Council's financial statements in accordance with the relevant accounting requirements. This requirement to produce consolidated financial statements affects the scope and extent of our audit work on the Council's financial statements. The audit engagement will be in addition to our role as appointed auditor to the Council.

Any variations to the indicative scale fees for these factors will need to be discussed and agreed with the Council. Any variations will also need to be considered by the Audit Commission and subject to their determination. We will report any agreed variations to the 4 General Purposes Committee.

## 4.5 Your audit team

The engagement team is led by David Wilkinson, Partner. David is supported by Paul King, Director, who has significant experience on council audits. David is also supported by Michael Yeats who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the chief accountant.

## 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 General Purposes Committee in September 2014, incorporating the outputs from our 2013/14 audit. We will also provide a progress report to the March and June 2014 meetings of the General Purpose Committee on our progress on the various elements of our audit. From time to time matters may arise that require immediate communication with the General Purposes Committee and we will discuss them with the General Purposes 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	General Purposes Committee timetable	Deliverables
High level planning:	December 2013 / January 2014		Audit Fee letter (presented to 27 June 2013 General Purposes Committee)
Risk assessment and setting of scopes	December/ January	12 March 2014 Committee	Audit Plan Audit Progress Report
Testing of routine processes and controls	January/ February 2014	26 June 2014 Committee	Audit Progress Report
Year-end audit	July – September	25 September 2014 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).
	November	6 November 2014 Committee	Audit completion certificate 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. We will bring updates to the General Purposes Committee as these are available.



## 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. 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 David Wilkinson, your audit engagement partner 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	Actual Fee 2012/13	Explanation of variance
	£	£	
<b>Total Audit Fee – Code work</b>	<b>188,730~</b>	<b>188,730#</b>	
Certification of claims and returns*	54,500	50,597	
Non-audit work (provide details)	0	0	

~ excludes any fee variations that may be agreed for the work and reporting in response to allegations raised by whistle-blowers and the consolidation of the results of the Council's trading subsidiary CHAS into the Council's financial statements, as set out above. # - fee excludes work in response to questions raised by a local elector – we are in discussions with the Council and Audit Commission over the quantum to be charged.

\*Our fee for the certification of grant claims in 2013/14 is based on the indicative scale fee set by the Audit Commission.

### Indicative fee

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 (where we have prior year experience);
- ▶ 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
- ▶ 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.



## 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>	<b>Audit Plan</b>
Communication of the planned scope and timing of the audit including any limitations.	
<b>Significant findings from the audit</b>	<b>Report to those charged with governance</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> </ul>	
<b>Misstatements</b>	<b>Report to those charged with governance</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>	
<b>Fraud</b>	<b>Report to those charged with governance</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>	
<b>Related parties</b>	<b>Report to those charged with governance</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>	
<b>External confirmations</b>	<b>Report to those charged with governance</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>	
<b>Consideration of laws and regulations</b>	<b>Report to those charged with governance</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> </ul>	

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>Audit Plan</p> <p>Report to those charged with governance</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>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>Group audits</b></p> <ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements</li> </ul>	<p>Audit Plan</p>



Required communication	Reference
<b>Certification work</b>	
▶ Summary of certification work undertaken	Annual Report to those charged with governance summarising grant certification, and Annual Audit Letter if considered necessary
<b>Fee Information</b>	
▶ Breakdown of fee information at the agreement of the initial audit plan	Audit Plan
▶ Breakdown of fee information at the completion of the audit	Report to those charged with governance and Annual Audit Letter if considered necessary

## Appendix C Detailed Scopes

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

We set audit scopes for each reporting unit which, when taken together, enable us to form an opinion on the group accounts (those for the Council and its subsidiary CHAS). We take into account the size, risk profile, changes in the business environment and other factors when assessing the level of work to be performed at each reporting unit.

- ▶ Full scope: locations deemed significant based on size and those with significant risk factors are subject to a full scope audit, covering all significant accounts and processes using materiality levels assigned by the EY audit team for purposes of the consolidated audit. Procedures are full-scope in nature, but may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements (as materiality thresholds support to the consolidated audit).

ISA 600 (UK and Ireland) requires that we provide you with an overview of the nature of our planned involvement in the work to be performed by the component auditors of significant locations/reporting units. On the basis we are appointed auditors, and to ensure an efficient audit, our involvement can be summarised as follows:

- ▶ All full scope locations will attend the Group audit team's planning events to be held in London in January and February
- ▶ Audit will review working papers relating to the key disclosures in the Council's financial statements
- ▶ Attendance at EY internal closing meetings.

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Ernst & Young LLP, 3 Alder Lane, Place London, SE1 2AF

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