Item 5

Hampshire Police

Year ending 31 March 2013

Joint Audit Plan for the Police & Crime Commissioner and the Chief Constable

25 June 2013

Ernst & Young

Chair of the Joint Audit Committee
Hampshire Police
Office of the Hampshire Police and Crime Commissioner
Westgate Chambers
Staple Gardens
Winchester
SO23 8AW

25 June 2013

Dear Mike

2012/13 Joint Audit Plan for Hampshire Police – Office of the Police & Crime Commissioner and Chief Constable

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. The purpose of this report is to provide the Joint 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 both the Police & Crime Commissioner and the Chief Constable, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you on 25 June 2013 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Kate Handy
Director
For and behalf of Ernst & Young LLP
Enc

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1. Overview

Impact of the Police Reform and Social Responsibility Act

The Police Reform and Social Responsibility (P&SR) Act abolished Hampshire Police Authority and created Hampshire Police & Crime Commissioner. Assets and liabilities transferred from the Police Authority to the Police and Crime Commissioner on 22 November 2012. Hampshire Police and Crime Commissioner (the PCC) and Hampshire Constabulary (the CC) are now two separate legal entities.

You are both required to report your financial position as at 31 March 2013, including functions taken on from the Police Authority as though both entities have been operating from the start of the year, which means that you are both:

- Required to publish a Statement of Accounts: For accounting purposes the Chief Constable is a fully controlled subsidiary, and the PCC, as parent, is required to produce group accounts for both the PCC and the CC to show the results of the group as one entity.
- Subject to audit: We are required to give an audit opinion on the PCC, CC and PCC group financial statements. We are also required to give a PCC and separately a CC value for money conclusion for the year ended 31 March 2013.

Context for the audit

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

- Our audit opinions on whether the financial statements of the PCC and the CC give a true and fair view of their financial positions as at 31 March 2013 and of the income and expenditure for the year then ended;
- Our statutory value for money conclusions on both the PCC's and the CC'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 returns.

When planning the joint audit of the PCC and CC we take into account several key inputs:

- Strategic, operational and financial risks relevant to both sets of financial statements and both value for money conclusions.
- 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. By focusing on the areas that matter, our feedback is more likely to be relevant to both the PCC and the CC.

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. We will provide a conclusion to the Joint Audit Committee on the results of our work in these areas in our report to those charged with governance on 24 September 2013.

Our process and strategy

- ***Financial statements audit***
  - We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the PCC and the CC's level of gross expenditure. We also consider qualitative issues, such as the impact on the public's and other stakeholder understanding of your accounts and the information contained. Our audit is designed to identify errors above materiality.
  - We aim to rely on the PCC's and the CC's internal controls in the key financial systems to the fullest extent allowed by auditing standards. We identify the controls we consider important and seek to place reliance on internal audit's 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 and have already commenced our review and re-performance of their work.
- This is the first year of the audit of the two sets of accounts for the PCC and the CC. The PCC, as parent, is also required to apply the concept of merger accounting and produce group accounts for both the PCC and the CC to show the results of the group as one entity.
- ***Arrangements for securing economy, efficiency and effectiveness***
  - We adopt an integrated audit approach such that our work on the financial statement audits feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness at both the PCC and the CC. We will be reviewing the establishment of timely effective governance arrangements that allow the PCC and the CC to deliver their challenging agendas.
  - We will also place reliance on the work of HMIC taking account of the findings from their 2012/13 inspection work on transition and financial sustainability.

2. Financial statement risks

We outline below our assessment of the key strategic or operational risks and the financial statement risks facing both the PCC and the CC, identified through our knowledge of the entities' 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
Preparation of the financial statements for the PCC and for the CC, including group accounting	
The establishment of new organisations part way through the financial year presents a significant challenge for your finance officers in preparing two sets of financial statements for the PCC and the CC for the first time. Officers will need to prepare these statements with limited professional guidance as the accounting treatment will depend on judgement based on local arrangements between the PCC and the CC. The accounts should be produced as if the PCC and the CC had been in existence throughout the financial year	Our approach will focus on whether: ► The statements comply with the proper practices contained in the IFRS-based CIPFA Code of Practice on Local Authority Accounting. ► Assets, liabilities, income and expenditure are correctly recognised in either the PCC or CC financial statements. ► 'Merger accounting' has been accurately applied; ► The approach to the allocation of indirect costs between the PCC and CC is reasonable.
Other financial statement risks	**Our audit approach**
Impact of the Estates Strategy	
The new Estates Strategy, launched on 22 May 2013, includes plans to sell the Winchester HQ and Alpha Park. There may be a risk that these properties are incorrectly valued and their accounting treatment may not be appropriately disclosed.	Our approach will focus on: ► Whether the valuation of the assets and disclosures are in accordance with the accounting standards and correctly reflect the date the decision to sell these assets was made.
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. ► 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 the management of the transition of functions from the Police Authority to the PCC and CC as new bodies. Review of these transition risks will also include consideration of relevant aspects of the following two specified value for money (vfm) criteria:

1. Whether there are proper arrangements in place for securing financial resilience at the PCC and the CC; and

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

The table below provides a high-level summary of our risk assessment of both the PCC and the CC and our proposed response to those risks. We will look at progress on the Estates Development Programme (EDP) as a tracer to consider your arrangements under the following headings.

Significant risks	Impacts arrangements for securing:	Our audit approach
Effectiveness of the new governance arrangements for the PCC and the CC		
The transition from police authorities to two separate legal entities, the PCC and the CC, required the timely establishment of effective governance arrangements. Whilst they are separate bodies, to succeed the PCC and the CC must dovetail their governance arrangements and strategic and operational plans so that they can work seamlessly to deliver a challenging agenda.	Successful transition to two new statutory bodies. *The new PCC governance arrangements should be fully effective in holding the CC to account to ensure value for money is delivered.*	Our approach will focus on: ► Assessing whether the new PCC governance arrangements are 'fit for purpose.' ► Reviewing whether the PCC is making good progress in terms of its new responsibilities in both holding the CC to account and commissioning of other services relevant to its role. ► Commenting on how well the Police and Crime Panel review and scrutinise the decisions and actions of the PCC. ► Evaluating whether there is an adequate transition plan in plan to address stage two of the transition process.

Other risks	Impacts arrangements for securing:	Our audit approach
Delivery of a sustainable medium term financial plan		
The significant financial management challenges for police over the coming years will be: • managing the implications of the current economic climate; • the significant reductions in the level of future central government funding; and • the outcome of the Winsor pay reform review. To meet this significant challenge, forces must improve their efficiency and productivity, reduce their costs, and have sustainable financial plans to	Financial resilience *The PCC and the CC have proper arrangements in place for securing financial resilience.*	Our approach will focus on: ► Reviewing the progress made in achieving the planned savings in 2012/13. ► Assessment of whether the PCC and the CC have good systems and processes in place to manage their financial risks and opportunities effectively. ► Assessing the robustness of financial plans, taking account of the 2012/13 HMIC work on the sustainability of these plans. ► Evaluating the quality of financial governance and leadership at the PCC and the CC.

ensure they are financially resilient.

Other risks	Impacts arrangements for securing:	Our audit approach
Arrangements for securing economy, efficiency and effectiveness		
The PCC and the CC are addressing the significant strategic, financial and operational challenges facing them both now and in the medium term. The two corporations face a huge challenge in meeting the expectations for a more visible and responsive policing service with reduced resources.	Economy, efficiency and effectiveness *The PCC and the CC have proper arrangements for challenging how they secure economy, efficiency and effectiveness*.	Our approach will focus on whether: ► Challenging targets are set and the PCC and CC are working with others to achieve their priorities. ► Alternative and innovative approaches to delivering services are being considered to achieve efficiencies while keeping services at a level that will satisfy local people. ► Costs and productivity of key services are consistent with or better than other forces providing similar levels and standards of services.

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, both the PCC’s and the CC’s:

i) financial statements; and

ii) arrangements for securing economy, efficiency and effectiveness in their 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 both the PCC and the CC have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources.

For 2012/13, the Audit Commission is continuing to disapply the specified vfm conclusion criteria relating to financial resilience and prioritising resources for police bodies outside London. This is to enable auditors to focus on the key risks relating to the demise of police authorities and the transition to establishing PCCs and chief constables as new bodies. Review of these transition risks will, however, include consideration of relevant aspects of the two specified vfm criteria, recognising that police authorities will disappear but their functions will transfer to the new bodies. The two specified vfm criteria are:

- Whether there are proper arrangements in place for securing financial resilience at the PCC and the CC. Our work will focus on whether there are robust systems and processes to manage financial risks and opportunities, and to secure a stable financial position that enables the PCC and CC to continue to operate for the foreseeable future; and
- Whether there are proper arrangements in place at the PCC and the CC to secure economy, efficiency and effectiveness in the use of resources. In particular, whether the PCC and the CC are prioritising their resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

We will meet our value for money duty for 2012/13 by:

- Reviewing the annual governance statement (AGS);
- Reviewing the results of the work of the Commission and other relevant regulatory bodies or inspectorates, for example Her Majesty's Inspectorate of Constabulary (HMIC), to consider whether there is any impact on our audit; and
- Undertaking local risk-based work, or any work that may be mandated by the Commission.

In relation to the specific risks presented by the transition arrangements we will consider the new governance structures for the PCC and the CC. Governance structures cut across all areas of police business and strong partnership working between PCC and CC with common aims and vision is required. Given the challenges around the delivery of economy, efficiency and effectiveness, good governance is key and we will review the effectiveness of the arrangements in place

In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of Her Majesty's Inspectorate of Constabularies (HMIC) in relation to corporate or service performance

Both the PCC and CC require a conclusion for the whole of the 2012/13 financial year, including the period from 1 April to 21 November 2012 before the abolition of the Police Authority. The Police Authority does not require a separate part-year vfm conclusion.

4.2 Audit process overview

- ► As part of our audit planning procedures we have assessed the design of your internal controls, determining that an effective audit strategy will be to take a controls reliance approach. Therefore, we will test the controls we determine as key to preventing and detecting material misstatement in the processes we list below.
- ► In implementing this strategy, we intend to place reliance on the work of internal audit as much as possible, while complying with the requirements of auditing standards. The intended pieces of internal audit work identified as directly relevant to our audit strategy are shown below:

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:

Process	Covered by IA in 12/13?
• Accounts receivable	• Yes
• Procure to pay	• No
• Cash processing	• No
• Payroll	• Yes
• Treasury management	• No
• Pensions	• Yes

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.

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 planning, where issues are raised that could impact the year-end financial statements.

In addition to the key areas of emphasis outlined above, 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.

Use of experts

We will utilise specialist Ernst & Young resource, as necessary, to help us to form a view on judgments made in the financial statements. We have access to expertise and specialists in pensions, valuations, financial reporting and tax.

Other procedures

In addition to the key areas of emphasis 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 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.
- Reviewing, and where appropriate, examining evidence that is relevant to the PCC's and the CC'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". We intend to treat misstatements less than £255k as 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 police bodies, analysed for both the PCC and the CC. 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 PCC is £61,000 and for the CC is £25,000.

4.5 Your audit team

The engagement team is led by Kate Handy, Director who has significant experience of the audit. Kate is supported by Justine Thorpe, Manager, who is responsible for the day-to-day direction of audit work, and is the key point of contact for the Chief Financial Officers. Justine is supported by Steve Belshaw, Qualified Executive, who leads on the fieldwork.

4.6 Timetable of communication, deliverables and insights

We have set out overleaf 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 Joint 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 Joint Audit Committee on a quarterly basis. From time to time matters may arise that require immediate communication with the Joint Audit Committee and we will discuss them with the Joint Audit Committee Chairman as appropriate.

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

Timetable of communication and deliverables to the Joint Audit Committee

Audit phase	Timetable	Joint Audit Committee timetable	Deliverables
High level planning:	***February / March***	Joint Audit Committee on 10 May	Audit Fee letter
Risk assessment and setting of scopes	***March***	Joint Audit Committee on 25 June	Audit Plan
Testing of routine processes and controls	***April***		
Year-end audit	***July / August***		
Reporting	***September***	Joint Audit Committee on 24 September	Report to those charged with governance, in this case addressed to the Police and Crime Commissioner and the Chief Constable Audit report (including our opinion on the financial statements and a conclusion as to whether the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources). Audit completion certificate
	September	Joint Audit Committee on 24 September	Draft 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**
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence.	► A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that we are independent; ► Details of any inconsistencies between APB Ethical Standards, the 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 ► An opportunity to discuss auditor independence issues.

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 receives 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 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:

UK 2012 Transparency Report

Appendix A Fees

A breakdown of our agreed fee is shown below. We wrote to the PCC and separately to the CC on 20 March 2013 setting out our planned PCC and CC fees for 2012/13 and 2013/14 audit years. In these letters, we set out the basis of the fee from the Audit Commission's work programme and fee scales, our fee assumptions, how this compared to the audit fees for the former Police Authority and billing arrangements. We summarise the PCC and CC planned 2012/13 fees and assumptions below.

	PCC Planned Fee. 2012/13 (£'000)	CC Planned Fee. 2012/13 (£'000)
Opinion Audit and Value for Money Conclusion	61,000	25,000
Total Audit Fee – Code work	**61,000**	**25,000**

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 for the PCC and the CC is consistent with that of the Police Authority for 2011/12;
- No significant changes being made by the Audit Commission to the VFM Conclusion criteria on which our conclusion will be based;
- Our accounts opinions and VFM Conclusions 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 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
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process ▶ Findings and issues regarding the opening balance on initial audits.	Report to those charged with governance
Misstatements ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant	Report to those charged with governance
Fraud ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud	Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity	Report to those charged with governance
External confirmations ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures	Report to those charged with governance
Consideration of laws and regulations ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the 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	Report to those charged with governance
Independence Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and	Audit Plan Report to those charged with governance

Required communication	Reference
independence For listed companies, communication of minimum requirements as detailed in the ethical standards: ► Relationships between Ernst & Young, the audited body and senior management ► Services provided by Ernst & Young that may reasonably bear on the auditors' objectivity and independence ► Related safeguards ► Fees charged by Ernst & Young analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ► A statement of compliance with the ethical standards ► The audit committee should also be provided an opportunity to discuss matters affecting auditor independence	
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ► Whether the events or conditions constitute a material uncertainty ► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ► The adequacy of related disclosures in the financial statements	Report to those charged with governance
Significant deficiencies in internal controls identified during the audit	Report to those charged with governance
Fee Information ► Breakdown of fee information at the agreement of the initial audit plan ► Breakdown of fee information at the completion of the audit	Audit Plan Report to those charged with governance

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