Basingstoke and Deane Borough Council

Audit Results Report - ISA (UK and Ireland) 260 for the year ended 31 March 2016

September 2016

Ernst & Young LLP
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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.
1. Executive summary

The National Audit Office’s Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit and Accounts Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

### Status of the audit

We have completed our audit of the financial statements of Basingstoke and Deane Borough Council for the year ended 2015/16. We will issue an audit opinion in the form which appears in Appendix C.

We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Authority’s financial statements.

We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

We have performed the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We had no issues to report.

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

### Audit differences

There are no unadjusted or adjusted audit differences.

### Scope and materiality

In our audit plan presented at the 11 April 2016 Audit and Accounts Committee meeting, we communicated that our audit procedures would be performed using a materiality of £2,000,000. We have reassessed this based on the actual results for the financial year and there has been no change to the materiality level we have applied. The basis of our assessment is 2% of gross operating expenditure.

The threshold for reporting audit differences which impact the financial statements has also not changed.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas, the areas identified and audit strategy applied include:

- Remuneration disclosures including any severance payments, exit packages and termination benefits; and
- Related party transactions.

### Significant audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:

- The risk of management override; and
- Valuation of investment properties.

The ‘addressing audit risks’ section of this report sets out how we have gained audit assurance over those issues and others identified during the audit.
### Other reporting issues

We have no other matters we wish to report.

### Control observations

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We would like to take this opportunity to thank the Council’s staff for their assistance during the course of our work.

---

Paul King

Executive Director
For and on behalf of Ernst & Young LLP
2. Responsibilities and purpose of our work

The Council’s responsibilities
The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Purpose of our work
Our audit was designed to:

- Express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- Report on an exception basis on the Annual Governance Statement;
- Consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- Discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council’s accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.
3. Financial statements audit

Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity’s controls relevant to each risk and assess the design and implementation of the relevant controls.

<table>
<thead>
<tr>
<th>Significant Risks (including fraud risks)</th>
<th>Audit procedures performed</th>
<th>Assurance gained and issues arising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Valuation of investment properties</td>
<td>Our approach focused on:</td>
<td>Audit valuations and classification testing found that investment properties have been accounted for in line with the Code of Audit Practice and the relevant accounting standards.</td>
</tr>
<tr>
<td></td>
<td>► Reviewing the accounting treatment in 2015/16;</td>
<td>Similarly, our work found that lease classifications were also in line with the Code of Audit Practice and the relevant accounting standards.</td>
</tr>
<tr>
<td></td>
<td>► Reviewing the lease classifications to ensure compliance with the Code;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>► Reviewing any valuer’s report on the investment properties; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>► Reviewing disclosure to ensure appropriateness.</td>
<td></td>
</tr>
</tbody>
</table>

As with the previous auditors, ISAs (UK&I) 500 and 540 require us to undertake certain procedures on the use of external expert valuers and processes and assumptions underlying fair value estimates.

Also, the Council receives material income streams from the rental of investment properties and the classification of leases between operating and finance is important for the council in that income from operating leases is treated as usable income whereas income from finance leases is treated as capital. Therefore, any change in classification, or change to the accounting standards, could significantly affect the Council’s income streams.
Other matters
As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to you oversight of the Council's financial reporting process, including the following:

- Qualitative aspects of your accounting practices, estimates and disclosures;
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- Any significant difficulties encountered during the audit; and
- Other audit matters of governance interest

We have no matters we wish to report.

Control themes and observations
It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We are not expressing an opinion on the overall effectiveness of internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.
Request for written representations

We have requested a management representation letter to gain management’s confirmation in relation to a number of matters, as outlined in Appendix D.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We have concluded our work in this area and have no matters to report to the Audit and Accounts Committee.
4. Value for money

We are required to consider whether the Council has put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

► Take informed decisions;
► Deploy resources in a sustainable manner; and
► Work with partners and other third parties.

Overall conclusion

We did not identify any significant risks in relation to these criteria.

We have performed the procedures outlined in our audit plan and did not identify any significant weaknesses in the Council’s arrangements. We did not identify any significant weaknesses in the Council's arrangements.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

Other matters to bring to your attention

We did not identify any other matters that require bringing to your attention.
Appendix A – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated April 2016.

We complied with the Auditing Practices Board’s Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)’s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit and Accounts Committee on 26 September 2016.

We confirm that we have met the reporting requirements to the Audit and Accounts Committee, as ‘those charged with governance’ under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of March 2016.
Appendix B – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

<table>
<thead>
<tr>
<th>Description</th>
<th>Proposed final Fee 2015/16 £</th>
<th>Scale Fee 2015/16 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Audit Fee - Code work</td>
<td>55,559</td>
<td>55,559</td>
</tr>
<tr>
<td>Certification of claims and returns</td>
<td>17,304</td>
<td>17,304</td>
</tr>
</tbody>
</table>

Our actual fee is in line with the scale fee set by the PSAA at this point in time, subject to satisfactory clearance of the outstanding work.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.
Appendix C – Draft audit report

Independent auditor’s report to the members of Basingstoke and Deane Borough Council

Opinion on the Authority’s financial statements

We have audited the financial statements of Basingstoke and Deane Borough Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement; and
- Collection Fund and the related notes 1 to 3, and financial statement notes 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

This report is made solely to the members of Basingstoke Borough Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Executive Director of Finance and Resources and auditor

As explained more fully in the Statement of the Executive Director of Finance and Resources’ Responsibilities set out on page 50, the Executive Director of Finance and Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Executive Director of Finance and Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Statement of Accounts for the year ended 31 March 2016 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of
any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Basingstoke and Deane Borough Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

Opinion on other matters

In our opinion, the information given in the Statement of Accounts for the year ended 31 March 2016 for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

Conclusion on Basingstoke Borough Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.
Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the [name of body] had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, Basingstoke and Deane Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Certificate

We certify that we have completed the audit of the accounts of Basingstoke and Deane Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Signature

Paul King (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor

Reading

Date
To be prepared on the Authority’s letterhead

Ernst & Young
Apex Plaza
Forbury Road
Reading
Berkshire
RG1 1YE

This letter of representations is provided in connection with your audit of the financial statements of Basingstoke and Deane Borough Council (“the Council”) for the year ended 31/03/16. I recognise that obtaining representations from myself concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Council as of 31/03/16 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

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

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

A. Financial Statements and Financial Records

1. I have fulfilled my responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

2. I acknowledge, as a member of management of the Council, my responsibility for the fair presentation of the financial statements. I believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16. I have authorised the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As a member of management of the Council, I believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16, that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
Appendix D – Management representation letter

B. Fraud

1. I acknowledge that I am responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.

2. I have disclosed to you the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud.

3. I have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council’s internal controls over financial reporting. In addition, I have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. I have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by “whistleblowers”) which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

C. Compliance with Laws and Regulations

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

D. Information Provided and Completeness of Information and Transactions

1. I have provided you with:
   - Access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from myself for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.

3. I have made available to you all minutes of the meetings of the Council, Cabinet and Audit and Accounts Committee (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 29 June 2016.

4. I confirm the completeness of information provided regarding the identification of related parties. I have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which I am aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements where required.

5. I believe that the significant assumptions I used in making accounting estimates, including those measured at fair value, are reasonable.

6. I have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of
non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.

2. I have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. I am not aware of any pending or threatening litigation, proceedings, hearings or claims negotiations which may result in significant loss to the Authority that have not already been provided for.

4.

F. Subsequent Events

1. As described in Note 27 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Ownership of Assets

1. The Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.

2. There are no formal or informal compensating balance arrangements with any of the council's cash and investment accounts.

H. Reserves

1. I have properly recorded or disclosed in the financial statements the useable and unusable reserves.

I. Use of the Work of a Specialist

1. I agree with the findings of the specialists that I engaged to evaluate the valuation of Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. I did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and I am not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

J. Accounting Estimates

1. I believe that the measurement processes, including related assumptions and models, used to determine the accounting estimates have been consistently applied and are appropriate in the context of the applicable financial reporting framework.

2. I confirm that the significant assumptions used in making accounting estimates appropriately reflect my intent and ability to carry out specific courses of action on behalf of the council.
3. I confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with the applicable financial reporting framework.

4. I confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements due to subsequent events.

**K. Retirement benefits**

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

Yours faithfully,

Kevin Jaquest  
(Executive Director of Finance and Resources)  
For and on behalf of Basingstoke and Deane Borough Council

Date:.............................  
As minuted by the Audit and Accounts Committee at its meeting on 26th September 2016
# Appendix E – Required communications with the Audit and Accounts Committee

There are certain communications that we must provide to the Audit and Accounts Committee of UK clients. These are detailed here:

<table>
<thead>
<tr>
<th>Required communication</th>
<th>Reference</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Planning and audit approach</strong></td>
<td>Audit Plan</td>
</tr>
<tr>
<td>Communication of the planned scope and timing of the audit, including any limitations.</td>
<td></td>
</tr>
<tr>
<td><strong>Significant findings from the audit</strong></td>
<td>Audit Results Report</td>
</tr>
<tr>
<td>► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</td>
<td></td>
</tr>
<tr>
<td>► Significant difficulties, if any, encountered during the audit</td>
<td></td>
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<tr>
<td>► Significant matters, if any, arising from the audit that were discussed with management</td>
<td></td>
</tr>
<tr>
<td>► Written representations that we are seeking</td>
<td></td>
</tr>
<tr>
<td>► Expected modifications to the audit report</td>
<td></td>
</tr>
<tr>
<td>► Other matters if any, significant to the oversight of the financial reporting process</td>
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<tr>
<td><strong>Going concern</strong></td>
<td>Audit Results Report</td>
</tr>
<tr>
<td>Events or conditions identified that may cast significant doubt on the entity’s ability to continue as a going concern, including:</td>
<td></td>
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<tr>
<td>► Whether the events or conditions constitute a material uncertainty</td>
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<tr>
<td>► Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</td>
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<tr>
<td>► The adequacy of related disclosures in the financial statements</td>
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<tr>
<td><strong>Misstatements</strong></td>
<td>Audit Results Report</td>
</tr>
<tr>
<td>Uncorrected misstatements and their effect on our audit opinion</td>
<td></td>
</tr>
<tr>
<td>The effect of uncorrected misstatements related to prior periods</td>
<td></td>
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<tr>
<td>A request that any uncorrected misstatement be corrected</td>
<td></td>
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<tr>
<td>In writing, corrected misstatements that are significant</td>
<td></td>
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<tr>
<td><strong>Fraud</strong></td>
<td>Audit Results Report</td>
</tr>
<tr>
<td>Enquiries of the Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</td>
<td></td>
</tr>
<tr>
<td>Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</td>
<td></td>
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<tr>
<td>A discussion of any other matters related to fraud</td>
<td></td>
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<tr>
<td><strong>Related parties</strong></td>
<td>Audit Results Report</td>
</tr>
<tr>
<td>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</td>
<td></td>
</tr>
<tr>
<td>► Non-disclosure by management</td>
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<tr>
<td>► Inappropriate authorisation and approval of transactions</td>
<td></td>
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<tr>
<td>► Disagreement over disclosures</td>
<td></td>
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<tr>
<td>► Non-compliance with laws and regulations</td>
<td></td>
</tr>
<tr>
<td>► Difficulty in identifying the party that ultimately controls the entity</td>
<td></td>
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</tbody>
</table>
## Required communication

<table>
<thead>
<tr>
<th>Required communication</th>
<th>Reference</th>
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<tbody>
<tr>
<td><strong>External confirmations</strong></td>
<td>Audit Results Report</td>
</tr>
<tr>
<td>► Management’s refusal for us to request confirmations</td>
<td></td>
</tr>
<tr>
<td>► Inability to obtain relevant and reliable audit evidence from other procedures</td>
<td></td>
</tr>
<tr>
<td><strong>Consideration of laws and regulations</strong></td>
<td>Audit Results Report</td>
</tr>
<tr>
<td>► Audit findings regarding non-compliance where the non-compliance is</td>
<td></td>
</tr>
<tr>
<td>material and believed to be intentional. This communication is subject to</td>
<td></td>
</tr>
<tr>
<td>compliance with legislation on tipping off</td>
<td></td>
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<tr>
<td>► Enquiry of the Audit and Accounts Committee into possible instances of</td>
<td></td>
</tr>
<tr>
<td>non-compliance with laws and regulations that may have a material effect</td>
<td></td>
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<tr>
<td>on the financial statements and that the Audit and Accounts Committee</td>
<td></td>
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<tr>
<td>may be aware of</td>
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<tr>
<td><strong>Independence</strong></td>
<td>Audit Plan and Audit Results</td>
</tr>
<tr>
<td>Communication of all significant facts and matters that bear on EY’s</td>
<td>Report</td>
</tr>
<tr>
<td>objectivity and independence</td>
<td></td>
</tr>
<tr>
<td>Communication of key elements of the audit engagement partner’s</td>
<td></td>
</tr>
<tr>
<td>consideration of independence and objectivity such as:</td>
<td></td>
</tr>
<tr>
<td>► The principal threats</td>
<td></td>
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<tr>
<td>► Safeguards adopted and their effectiveness</td>
<td></td>
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<tr>
<td>► An overall assessment of threats and safeguards</td>
<td></td>
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<tr>
<td>► Information about the general policies and process within the firm to</td>
<td></td>
</tr>
<tr>
<td>maintain objectivity and independence</td>
<td></td>
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<tr>
<td><strong>Significant deficiencies in internal controls identified during the audit</strong></td>
<td>Audit Results Report</td>
</tr>
<tr>
<td><strong>Fee Information</strong></td>
<td>Audit Plan</td>
</tr>
<tr>
<td>► Breakdown of fee information at the agreement of the initial audit plan</td>
<td>Audit Results Report</td>
</tr>
<tr>
<td>► Breakdown of fee information at the completion of the audit</td>
<td>Annual Audit Letter</td>
</tr>
<tr>
<td><strong>Certification work</strong></td>
<td>Certification Report</td>
</tr>
<tr>
<td>► Summary of certification work undertaken</td>
<td></td>
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</tbody>
</table>