

# Staffordshire County 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](http://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 Standards 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.

Area of Work	Key Findings
<b>Status of the audit</b>	<p>We have substantially completed our audit of the financial statements of Staffordshire County Council for the year ended 2015/16. Subject to satisfactory completion of the following outstanding items, we expect to issue an audit opinion in the form which appears in Appendix D:</p> <ul style="list-style-type: none"> <li>▶ Audit completion steps including our subsequent events review; and</li> <li>▶ Receipt of the signed management representation letter.</li> </ul> <p>We have performed the procedures outlined in our Audit Plan and anticipate issuing an unqualified opinion on the Council's financial statements on 27 September 2016.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>We are completing the procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission. We currently have no issues to report.</p> <p>We expect to issue the audit certificate once the Council has produced the Pension Fund Annual Report.</p>
<b>Objections</b>	<p>We have not received any objections to the 2015/16 accounts from members of the public.</p>
<b>Audit differences</b>	<p>There are no unadjusted audit differences.</p> <p>A small number of audit adjustments were made during the course of our work, the largest of which relates to the Waste to Energy PFI scheme – none impacted the Council's general fund. All relate to technical accounting adjustments or narrative disclosures. Further details are set out at Appendix A.</p>
<b>Scope and materiality</b>	<p>In our audit plan presented at the March Audit and Standards Committee meeting, we communicated that our audit procedures would be performed using a materiality of £13.3million based on 1% of the Council's estimated gross revenue expenditure for 2015/16. 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.</p> <p>The threshold for reporting audit differences which impact the financial statements, being £667,850, has also not changed.</p> <p>There are some areas in the financial statements where we apply a lower threshold of materiality because a smaller misstatement may be important to the reader of the accounts. For Staffordshire County Council, we have applied a lower threshold to Note 27 Officers' Remuneration.</p>
<b>Significant audit risks</b>	<p>We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <ul style="list-style-type: none"> <li>▶ Risk of management override.</li> <li>▶ Revenue and expenditure recognition.</li> </ul> <p>In our audit plan, we identified one 'other' risk over accounting for the Waste to Energy PFI. As our work progressed, we reclassified this as a significant risk owing to the potential audit adjustments that emerged from our expert review.</p>

Area of Work	Key Findings
	The 'addressing audit risks' section of this report sets out how we have gained audit assurance over those issues.
<b>Other reporting issues</b>	We have no other matters we wish to report.
<b>Control observations</b>	We have adopted a fully substantive approach and have therefore not tested the operation of controls.
<b>Value for Money conclusion</b>	<p>As set out in our Audit Plan, we identified a significant risk that insufficient arrangements are in place to identify savings to bridge the gap between budget and income over the next 3 years</p> <p>In addition, we agreed to keep three areas under review:</p> <ol style="list-style-type: none"> <li>1. The work and reports of regulators, such as the Care Quality Commission and OFSTED.</li> <li>2. The local health economy, including adult social care, and in particular the outcome measures of the Better Care Fund.</li> <li>3. The outcome of other aspects of assurance work, such as the audited financial position and the Head of Internal Audit's opinion.</li> </ol> <p>On the basis of the work performed, we propose to issue an unqualified value for money conclusion.</p> <p>Further details are included at Section 4 to this report.</p>

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

Steve Clark  
 Partner  
 For and on behalf of Ernst & Young LLP

## 2. Responsibilities and purpose of our work

### 2.1 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.

### 2.2 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

#### 3.1 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.

Significant financial statements risk	EY’s audit response	Assurance gained and issues arising
<b>Risk of management override</b>		
<p>As identified in ISA (UK and Ireland) 240 ‘The Auditor’s responsibilities relating to fraud in the audit of financial statements’, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly 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>	<ul style="list-style-type: none"> <li>▶ Made inquiries of management about risks of fraud and the controls put in place to address those risks.</li> <li>▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</li> <li>▶ Reviewed accounting estimates for evidence of management bias.</li> <li>▶ Developed a testing approach to journal entries.</li> <li>▶ Assessed accounting estimates, particularly provisions, for evidence of management bias.</li> <li>▶ Remained sceptical for the existence of any significant unusual transactions.</li> <li>▶ Reviewed capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</li> </ul>	<p>Our audit work has not identified any evidence of management over-ride of controls. In particular, our testing of journal entries has not identified any significant issues.</p>
<b>Revenue and expenditure recognition</b>		
<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Staffordshire County Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p>	<ul style="list-style-type: none"> <li>▶ Reviewed and tested revenue and expenditure recognition policies;</li> <li>▶ Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias;</li> <li>▶ Developed a testing strategy to test material revenue and</li> </ul>	<p>Our audit work has not identified any significant issues in respect of expenditure recognition.</p>

Significant financial statements risk	EY's audit response	Assurance gained and issues arising
<ul style="list-style-type: none"> <li>▶ There is little incentive to manipulate revenue recognition.</li> <li>▶ Opportunities to manipulate revenue recognition are very limited.</li> </ul> <p>However, revenue in this context has been modified by Practice Note 10 which states that auditors should also consider the risk that material misstatements due to fraudulent financial reporting may arise for the manipulation of expenditure recognition. We therefore set out in our Audit Plan a significant risk of expenditure recognition within the financial statements of Staffordshire County Council.</p> <p>Having considered the factors for expenditure recognition, we believe the risk lies within other operating expenditure and in particular the completeness of short term creditors (specifically accruals) and the completeness of 'other service expenditure' (as defined by the Council in its financial statements).</p>	<p>expenditure streams; and</p> <ul style="list-style-type: none"> <li>▶ Reviewed and tested revenue cut-off at the period end date.</li> </ul>	
<b>Waste PFI (reclassified as significant)</b>		
<p>The Council has four PFI Schemes, the most significant of which is the Waste to Energy PFI Scheme, which has a liability at 1 April 2015 of £165 million.</p> <p>Accounting for this material scheme requires the use of a complex financial model, the calculation of estimates and the application of management judgement. As such, it is an area of particular focus and requires the use of specialist input in this first year.</p>	<p>We involved our financial modelling and PFI experts to:</p> <ul style="list-style-type: none"> <li>▶ Confirm the accounting arrangements under IFRIC 12 Accounting for Service Concessions.</li> <li>▶ Review and audit the consequential accounting entries that result from the decisions made under IFRIC 12, including the calculation of the overall liability, valuation of the asset, and identifying the correct split between capital and revenue within the contract.</li> <li>▶ Test the integrity of the financial model used by the Council.</li> <li>▶ Test the completeness and accuracy of the inputs to the financial model and the subsequent correct application of the outputs to the financial statements.</li> </ul>	<p>Our PFI experts have reviewed the accounting arrangements for the Waste to Energy PFI scheme and, following detailed and extensive debate, proposed an adjustment to the accounting. The adjustment is technical in nature and has no direct impact on the Council's general fund position.</p> <p>The centre of the debate and subsequent accounting change relates to the operator's right to sell electricity to third parties. The Council had previously included this within the calculation of the overall liability. In our view, it is more appropriate to split the accounting for the scheme into two elements:</p> <ul style="list-style-type: none"> <li>▶ The payments for the asset that generates electricity are accounted for by giving the operator an intangible asset in the right to revenue from electricity sales. Because</li> </ul>



Significant financial statements risk	EY's audit response	Assurance gained and issues arising
		<p>the granting of the right to generate electricity is accounted for separately, this reduces the total liability and creates a deferred revenue balance.</p> <ul style="list-style-type: none"> <li>▶ The payments for the remainder of the scheme are accounted for separately, following the same methodology currently applied by the Council.</li> </ul> <p>The overall impact is to re-profile the finance costs in the income and expenditure account with lower values because the liability has reduced and a deferred revenue balance, which is amortised over the remaining life of the contract, created.</p> <p>Whilst the figures are material, and a Prior Period Adjustment is proposed, under local government accounting there is no impact on actual payments made by the Council, nor on its general fund position.</p> <p>Details of the impact to the financial statements are set out at Appendix A.</p>

## 3.2 Opening balances

We have performed relevant audit procedures on the Council's opening balances.

Whilst, as set out in section 3.1, we have reported a prior period adjustment for the Waste to Energy PFI scheme, we have no further observations or matters to report relating to the opening financial position as at 1 April 2015.

## 3.3 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.

### 3.4 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.

Our IT audit specialists performed tests of controls over the Council's SAP ECC system and provided us with sufficient audit evidence to rely on this system.

Beyond SAP ECC, we have adopted a fully substantive approach and have therefore not tested the operation of controls.

### 3.5 Group audit

As set out in our audit plan, we designated Penda and Entrust Support Services Limited as non-significant components, meaning we judged it necessary to perform only limited audit procedures.

Planned procedures from the Audit Plan	Entrust Support Services	Penda
<ul style="list-style-type: none"> <li>▶ Communication with each entity's external auditor to understand their audit strategy, risk assessment, materiality thresholds and the timing of planned work.</li> <li>▶ Communicating with each entity's external auditor on completion of their work to obtain the audit results and to ascertain the impact of any material issues arising.</li> <li>▶ Obtaining the audited financial statements of each joint venture.</li> <li>▶ Overall analytical procedures on the transactions recorded in the Council's financial statements.</li> <li>▶ Reviewing related party disclosures.</li> <li>▶ Reviewing all material adjustments between the Council's single entity accounts and the Group accounts.</li> </ul>	<ul style="list-style-type: none"> <li>▶ We wrote to the external auditor who confirmed that the external audit of Entrust was completed and an unqualified audit opinion issued on 17 May 2016.</li> <li>▶ As a non-significant component, we were satisfied that no further work was required to inform our opinion on the Council's group accounts.</li> </ul>	<ul style="list-style-type: none"> <li>▶ Subsequent to planning procedures, we established that no accounts were to be filed in the period.</li> <li>▶ As this is a non-significant component, we were satisfied that no further work was required to inform our opinion on the Council's group accounts.</li> </ul>

### 3.6 Annual Governance Statement

We have reviewed the Annual Governance Statement and suggested a small number of narrative improvements. We can confirm that it is not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

### 3.7 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 E.

### **3.7.1 Whole of Government Accounts**

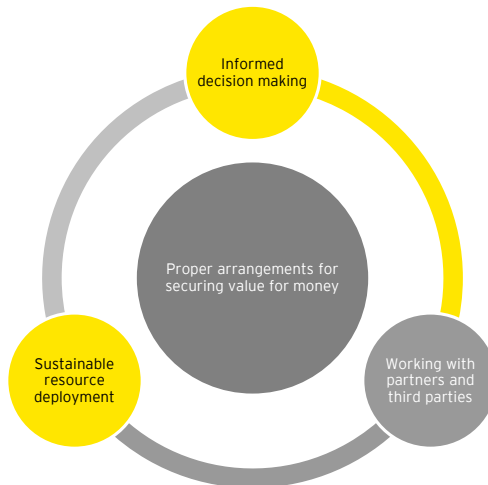
Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

We are currently concluding our work in this area and will report any matters that arise to the Audit and Standards 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.

For 2015/16 this is based on the overall evaluation criterion: “In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.”



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.

### 4.1 Risks

As set out in our Audit Plan, we identified a significant risk that insufficient arrangements are in place to identify savings to bridge the gap between budget and income over the next 3 years

In addition, we agreed to keep three areas under review:

1. The work and reports of regulators, such as the Care Quality Commission and OFSTED.
2. The local health economy, including adult social care, and in particular the outcome measures of the Better Care Fund.
3. The outcome of other aspects of assurance work, such as the audited financial position and the Head of Internal Audit’s opinion.

#### 4.1.1 Significant Risk - medium term financial planning

Reduced levels of central government funding mixed with challenging local socio-economics and demographics means the Council needs to identify a significant amount of efficiency and cost savings in the next three years.

When the 2015/16 Medium Term Financial Strategy (MTFS) was agreed in February, the position was a balanced one over the five year period, with headroom in years two and three and a budget gap in years four and five.

The Council has a track record of delivering savings, with £123 million being identified and delivered in the past four years (up to and including 2014/15). The forecast for 2015/16 is to achieve a further £33.1 million of savings making a total of £156 million over five years. The Council still has a number of challenges ahead and the way residents’ needs are met and services are provided will need to continue to evolve. The delivery of challenging savings

targets and the management of current and future pressures is crucial to the delivery of the MTFS and Strategic Plan.

Planned procedures	Work performed	Conclusions reached
Document the Council's approach to the identification, development and implementation of efficiencies and savings.	We met with management and reviewed key reports and minutes of meetings to obtain a clear understanding of the Council's arrangements to develop specific savings as monitored through the savings tracker as well as those savings monitored through budget management.	We are satisfied that for 2015/16, the Council had adequate arrangements in place.
Assess the Council's overall arrangements, plans and risk strategy.	We reviewed the Council's risk reports to confirm that the financial position was included in the risk register. Our review of financial reports confirmed the Council routinely reported financial risks including over/under spends and non-delivery of savings. This included a review of the financial gap arising through the Better Care Fund as set out at Section 4.1.2 below.	We are satisfied that for 2015/16, the Council had adequate arrangements in place.
Review key financial reports, including the 2015/16 outturn position to evaluate the Council's record of financial management.	We scrutinised the Council's key financial reports, combining this with our audit of the financial statements.	We are satisfied that for 2015/16, the Council had adequate arrangements in place.
Assess the Council's key financial performance indicators.	We reviewed the Council's own key financial performance indicators and ensured these were routinely reported to Members.	We are satisfied that for 2015/16, the Council had adequate arrangements in place.
Evaluate the Council's internal risk assessment of savings identified across 2016/17 to 2018/19.	We discussed and reviewed the Council's process in developing the MTFS for 2015/16 and for 2016/17 and beyond. We read and evaluated the Council's savings tracker for 2015/16 and also the most recent version presented to cabinet, using the information presented to evaluate the Council's financial resilience.	The Council's position over the medium term is challenging, but for 2015/16 we are satisfied that the Council's arrangements were adequate.

In completing our assessment of the Council's arrangements for financial management, we reviewed all key financial reports to Cabinet to ensure consistency in reporting and the appropriate escalation of risk.

Revenue budget (£'m)	Budget	Forecast	Variance	Variance %
Cabinet meeting on 15 July 2015 First Quarter Budget Monitoring Report	477.3	481.9	4.6	1.0%
Cabinet meeting on 21 October 2015 Second Quarter Budget Monitoring Report	477.3	477.8	0.5	0.1%
Cabinet meeting on 16 March 2016 Third Quarter Budget Monitoring Report	483.3	482.8	-0.5	-0.1%

Revenue budget (£'m)	Budget	Forecast	Variance	Variance %
Cabinet meeting on 20 April 2016 Fourth Quarter Budget Monitoring Report	477.3	477.4	0.1	0.0%
Cabinet meeting on 15 June 2016 Final Financial Outturn Report 15-16	483.5	484.8	1.3	0.3%

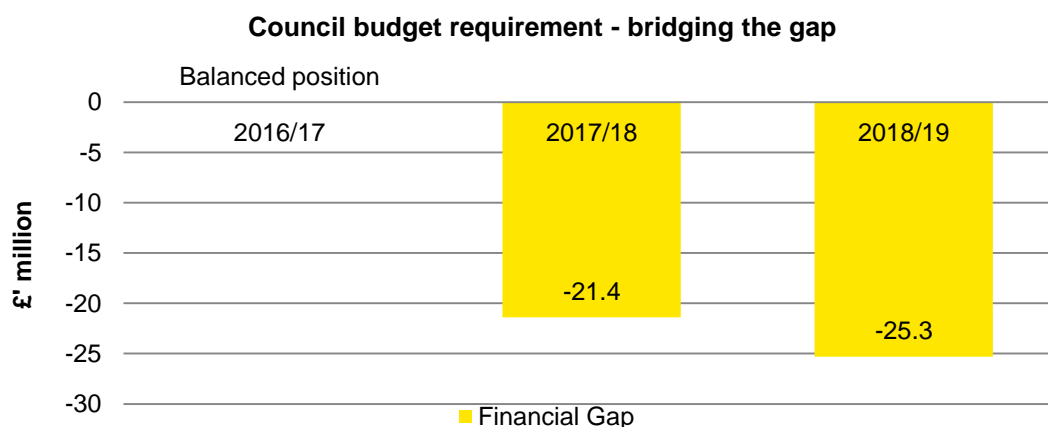
In addition, we tracked the Council's reported savings position:

Savings tracker (£'m)	Budget	Q1	Q2	Q3	Q4	Final
Delivered	17.9	17.9	22.5	23.8	25.8	27.2
At risk	15.2	11.6	7.0	5.7	1.4	0.0
Undelivered	0	3.6	3.6	3.6	5.9	5.9
<b>Total</b>	<b>33.1</b>	<b>33.1</b>	<b>33.1</b>	<b>33.1</b>	<b>33.1</b>	<b>33.1</b>

Whilst £5.9million of planned savings was undelivered in 2015/16, this does not paint the whole picture. The Council's budget management arrangements run in parallel to the savings tracker to capture alternative savings, additional income or spending freezes. Overall, the Council's final revenue outturn overspent by £1.3million, being within 0.3% of the budget. This is within the Council's own target of a 2% variation. The narrative report to the Council's financial statements provides a summary of the key variances to budget.

Mid-way through 2015/16, the Council needed to react to the Autumn Statement (November 2015). Whilst the statement permitted a social care Council Tax 'precept' of 2% and a commitment to local retention of business rates, it was confirmed that Revenue Support Grant would be phased out.

In response, the Council began to challenge its in-year and future spending. This resulted in the Council's Strategic Plan and MTFs, as presented to the 3 February Cabinet meeting, identifying £46.7 million of required savings from 2017/18 to 2018/19:



The Council has been able to demonstrate that it took steps to revisit its arrangements during 2015/16 to respond to the financial position it was in. The First Quarter Budget Monitoring Report presented to Cabinet on 20 July showed £10.9million savings had been delivered against a target of £29.2million for 2016/17.

It does, however, also report a potential overspend of £13.4million, which indicates that there is likely to be a significant risk to the 2016/17 Value for Money conclusion.

## 4.1.2 Areas kept under review

### **The work and reports of regulators, such as the Care Quality Commission and OFSTED**

From meetings with management and from our independent review of the work of the Care Quality Commission and OFSTED, there are no indicators of inadequate scores or ratings from the regulator that indicate that the Council has inadequate arrangements.

### **The local health economy, including adult social care, and in particular the outcome measures of the Better Care Fund**

The County Council agreed with Staffordshire's Clinical Commissioning Groups (CCGs) to provide additional funding of £16.9million for the protection of adult social care from 2015/16 to 2017/18. This funding was split into three elements:

1. £1.9million for implementation of the Care Act.
2. £5million for protection of adult social care per year.
3. A 50/50 gain share from £20million savings to be identified (with £10million to protect Social Care and £10million to support CCG financial recovery).

The gain share was included within the Better Care Fund, but not in the pooled budget. The objectives and ambitions for the Better Care Fund were challenging and are made more administratively difficult working with a large number of partners in a challenged health economy.

The 2015/16 MTFS assumed the County Council would receive an additional £15million from the Better Care Fund (BCF), with the risk highlighted that not all this funding may be received as schemes may not start to deliver benefits immediately. As 2015/16 developed, competing priorities emerged, savings that did materialise were not attributed to the gain share and the Council received £23million of the expected £33million. This has a continuing effect into 2016/17, where the budget gap is £15million.

We held a number of meetings with management over the performance of the Better Care Fund in 2015/16. Supported by a review of reports and minutes of meetings, we discussed the arrangements put in place to establish governance over the Better Care Fund and also during the year and the Council's response to escalate, report and recover from the budget gap.

From the evidence obtained and pertinent to our Value for Money Conclusion, the key highlights noted were:

- ▶ On 21 October 2015, Cabinet received the Second Quarter Budget Monitoring Report, which highlighted a potential £10million loss of income through the Better Care Fund.
- ▶ Healthy Staffordshire Select Committee 19th January 2016 also received a report explaining the financial gap, respective party concerns and also potential solutions.
- ▶ The County Council meeting on 11 February 2016 confirmed the income risk to the Better Care Fund had materialised and would impact on 2016/17.
- ▶ The Third Quarter Budget Monitoring Report to Cabinet on 16 March 2016 highlighted a £6million loss of income through the Better Care Fund. Bridging finance of £4million was also included to meet the budget gap.

Overall, therefore, we believe that the Council had adequate arrangements in place to monitor and report the risk of any financial gap in the Better Care Fund.

Whilst the 2016/17 Better Care Fund Plan has not yet been agreed, the Council recognises that delivery of its objectives will not be fully achieved without the co-ordinated input of all partners within the health and social care system. We are now in the second year of the Better Care Fund existence and many partners have developed their plans for collaborative working, including:

- ▶ Reviewing care pathways to deliver improved patient outcomes and genuine system wide efficiencies;
- ▶ Revisiting governance arrangements after a year's experience;
- ▶ Working towards fully integrating commissioning;
- ▶ Further honing arrangements for reporting financial and non-financial information; and
- ▶ Delivering fair risk share arrangements between partners.

Bodies will need to work together to a far greater extent than ever before to ensure that sustainability and financial plans are viable, and successfully delivered. Failure to do this could have wider adverse financial and service delivery consequences across the whole local area.

As your external auditor we need to gain an understanding of your wider approach and plans, and the impact of greater partnership working on your governance, internal control and financial reporting.

#### **The outcome of other aspects of assurance work, such as the audited financial position and the Head of Internal Audit's opinion**

We have met with Internal Audit and reviewed key reports on the Council's control environment. We note that the Internal Audit Annual Report for 2015/16, as presented to the June meeting of the Audit and Standards Committee, reported that an "Adequate Assurance" opinion has been given on the overall adequacy and effectiveness of the organisation's governance, risk and control framework, i.e. the control environment in 2015/16."

We are satisfied that there were no new or undetected significant risks to the value for money conclusion arising through the work of Internal Audit.

The Council's Movement in Reserves Statement provides a useful summary of the Council's financial position:

	General Fund Balance	Schools	Other Reserves Revenue	Total Revenue Reserves	Total Capital Reserves	Total Usable Reserves
	£m	£m	£m	£m	£m	£m
Balance at 1 April 2014	-15.9	-43.3	-5.9	-49.2	-32.1	-97.2
Balance at 31 March 2015 carried forward	-14.8	-45.2	-20.4	-65.6	-44.2	-124.6
(Increase)/decrease in year	2.9	2.9	-18.6	-15.7	-5.1	-17.9
<b>Balance at 31 March 2016 carried forward</b>	<b>-11.9</b>	<b>-42.3</b>	<b>-39</b>	<b>-81.3</b>	<b>-49.3</b>	<b>-142.5</b>

Overall, there has been a £15.7million increase to revenue reserves and £5.1million increase in capital reserves during 2015/16. As such, we do not believe this to be an indicator of a significant risk to the VFM conclusion.



## 4.2 **Overall conclusion**

Based on the work performed and key findings as set out above, we expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

## Appendix A – Detailed audit findings

### Unadjusted misstatements

There are no audit findings that have not been adjusted for by management.

### Corrected audit differences

We set out below the corrected audit differences above £667,850 that were identified during the course of our audit and warrant communicating to you. These items have been corrected by management within the revised financial statements. No adjustment impacts on the Council's general fund.

#### *PFI Adjustment*

The adjustments to the Waste to Energy PFI scheme are purely technical accounting differences arising from our interpretation of a more appropriate approach to accounting for this complex scheme. The Council's approach and treatment was subject to a great deal of debate and discussion, highlighting the complexity and highly technical nature of such agreements.

The PFI contract gives the operator the right to earn revenue by selling excess capacity in the plant to third parties. In accounting terms, this means the Council does not hold the risk and reward of the income generated through electricity sales, impacting the way the PFI liability is calculated and also creating a 'deferred revenue' balance that represents the operator's right to generate income from third parties. The Council has named this deferred revenue balance: "PFI Third Party Liability."

The PFI liability is reduced and a deferred revenue liability is created which is then written down over the life of the contract. A lower PFI liability means a lower accounting interest payment charge on the contract.

Whilst there are changes to both the Statement of Financial Position and the Comprehensive Income & Expenditure Statement, there is no overall impact to the Council's general fund or cash balances: all transactions are reversed out of Income & Expenditure to comply with local government accounting regulations.

The following table illustrates the adjustments:

	2014/15		2015/16		Commentary
	Before (£'m)	After (£'m)	Before (£'m)	After (£'m)	
<b>Effect on Statement of Financial Position (SOFP)</b>					
PFI Asset	165.8	165.8			Once the asset is recognised, there is no continuing accounting impact through the PFI model.
PFI Liability	-165.0	-77.9	-164.0	-77.2	The overall effect on the SOFP is to reduce the PFI liability and create a deferred revenue balance.
PFI Third Party Liability	0.0	-83.7	0.0	-80.3	
<b>Effects on Comprehensive Income &amp; Expenditure Statement (CIES)</b>					
Cost of Services	-24.1	-13.2	-24.1	-13.2	The main impact to the CIES arises from lower interest charges because the PFI liability has reduced. The
Financing and investment (income)/expenditure					
Interest Payable	23.2	9.1	23.2	9.1	

	2014/15		2015/16		Commentary
	Before (£'m)	After (£'m)	Before (£'m)	After (£'m)	
Total Comprehensive Expenditure	-0.8	-4.0	-1.0	-4.1	c£4million 'gain' to the Council is notional - there is no cash benefit to the Council.

#### Other adjustments

Balances effected	Amount £'m	Explanation	Impact
Current debtors and current creditors	7.9	Debit balances were found on the creditors ledger which was understating both figures. This classification adjustment increases both debtors and creditors by the same amount.	No impact on the Council's net assets or on the general fund.
Capital contributions received in advance and capital contributions unapplied	2.2	To correctly classify capital contributions on the balance sheet.	No impact on the Council's net assets or on the general fund.
Business rate appeals	2.8	The Council previously showed the net position of its share of business rates from the district councils (ie income due net of the provision.	No impact on the Council's net assets or on the general fund.

#### Disclosures

The following adjustments relate to the supporting notes in the financial statements and have no impact on the Council's reported position.

Disclosure	Explanation
<b>Note 12 – Financial Instruments</b>	To comply with accounting standards, the Council has removed council tax and business rate debtors and creditors from this disclosure note because they are not classed, in accounting terms, as a financial instrument. The difference is as follows: <ul style="list-style-type: none"> <li>▶ £4.9million removed from trade debtors as at 31 March 2016; and</li> <li>▶ £5.8million removed from trade creditors as at 31 March 2016.</li> </ul> With similar adjustments to the prior year figures. The overall debtor and creditor position in the balance sheet is not affected.
<b>Note 23 – Segmental Analysis</b>	From our work, we identified that the figures were incorrectly shown, with £87.2million incorrectly categorised in 2015/16 and £66.8million incorrectly categorised in 2014/15. This adjustment has no impact on actual income or expenditure; it is a simple reclassification within the note.
<b>Note 32 – Penda Ltd</b>	We requested the Council include Penda Ltd as a related party.

In addition to the above, we made a small number of other narrative adjustments to disclosures, none of which are judged significant enough to be brought to the attention of the Audit and Standards Committee.

## Appendix B – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated February 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 Standards Committee in September 2016.

We confirm that we have met the reporting requirements to the Audit and Standards 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 February 2016.

## Appendix C – Auditor fees

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

	Predecessor auditor fee	EY planned fee	EY forecast fee
Financial statements and VFM conclusion	146,340	109,755	109,755

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 D – Draft audit report

### Independent auditor's report to the members of Staffordshire County Council

#### Opinion on the Authority's financial statements

We have audited the financial statements of Staffordshire County Council for the year ended 31 March 2016 the Local Audit and Accountability Act 2014 (the "Act"). The Authority financial statements comprise the Authority Movement in Reserves Statement, the Authority Comprehensive Income and Expenditure Statement, the Authority Balance Sheet, the Authority Cash Flow Statement and the related notes 1 to 44; and the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, and the Group Cash Flow Statement.

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 the Authority, as a body, in accordance with Part 5 of the Act and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. 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 Chief Finance Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer 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, which 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 Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Narrative Statement and the Annual Governance Statement 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 Staffordshire County Council as at 31 March 2016 and of its expenditure and income for the year then ended;
- ▶ give a true and fair view of the financial position of the Group 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 other information published together with the audited financial statements in the Narrative Statement and the Annual Governance Statement is consistent with the audited financial statements.

#### Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement does not comply with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 (updated as at December 2012);
- ▶ we issue a report in the public interest under section 24 of the Act; or
- ▶ we make a written recommendation to the Authority under section 24 of the Act; or

- ▶ we exercise any other special powers of the auditor under the Act.

We have nothing to report in these respects.

## **CONCLUSION ON STAFFORDSHIRE COUNTY 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 in November 2015, as to whether Staffordshire County Council 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 Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Staffordshire County Council 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, Staffordshire County Council 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, Staffordshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

### **Delay in certification of completion of the audit**

We are required to give an opinion on the consistency of the pension fund financial statements of the Authority included in the Pension Fund Annual Report with the pension fund financial statements included in the Statement of Accounts. The Local Government Pension Scheme Regulations 2013 require authorities to publish the Pension Fund Annual Report by 1 December 2016. As the Authority has not prepared the Pension Fund Annual Report at the time of this report we have yet to issue our report on the consistency of the pension fund financial statements. Until we have done so, we are unable to certify that we have completed the audit of the financial statements in accordance with the requirements of the Act and the Code.

## Appendix E – Management representation letter

### DATE

Ernst & Young  
No. 1 Colmore Square  
Birmingham  
B4 6HQ

This representation letter is provided in connection with your audit of the consolidated and parent financial statements of Staffordshire County Council (“the Group and Council”) for the year ended 31 March 2016. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent financial statements give a true and fair view of the Group and Council financial position of Staffordshire County Council as of 31 March 2016 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.

We 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, we make the following representations that, based on enquiries of other Chief Officers and members of the Authority with relevant knowledge and experience, are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our 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. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance 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. We have approved 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 members of management of the Group and Council, we believe that the Group and 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.

### B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group and Council’s internal controls over financial reporting. In addition, we 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. We 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 Group and Council.

### C. Compliance with Laws and Regulations

1. We 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. We have provided you with:



- Access to all information of which we are 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 us 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. We have made available to you all minutes of the meetings of the Council and Cabinet and Audit & Standards committees held through the Financial Year to the most recent meeting on the following date: 17/08/2016.
  4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are 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 Financial Year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
  5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
  6. We 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. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Accounting Policies to the financial statements all guarantees that we have given to third parties.
4. No claims in connection with litigation have been or are expected to be received.

#### **F. Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **G. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the Valuations of specified Land and Property 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. We 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 we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
2. We agree with the significant judgements and interpretation of accounting standards that underpin our accounting for each PFI scheme.

#### **H. Comparative Information**

1. The comparative amounts have been correctly restated to reflect the accounting adjustments for the Waste to Energy PFI scheme and appropriate note disclosure of this this restatement has been included in the current year's financial statements.

Yours faithfully,

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(Director of Finance & Resources)

I confirm that this letter has been discussed and agreed at the Audit Committee on 26 September 2016

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(Chair of the Audit & Standards Committee)

## Appendix F – Required communications with the Audit and Standards Committee

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

Required communication	Reference
<p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>	Audit Plan
<p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶ Findings and issues regarding the opening balance on initial audits</li> </ul>	Audit Results Report
<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>	No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about Staffordshire County Council's ability to continue as a going concern for the 12 months from the date of our report.
<p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>	Audit Results Report
<p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the Audit and Standards 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>	We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.
<p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	We have no matters we wish to report.

Required communication	Reference
<p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management’s refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	We have received all requested confirmations.
<p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit and Standards 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 and Standards Committee may be aware of</li> </ul>	We have not identified any material instances of non-compliance with laws and regulations.
<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>	Audit Plan and Audit Results Report
<p><b>Significant deficiencies in internal controls identified during the audit</b></p>	Annual Audit Letter/Audit Results Report
<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>	Audit Plan and Audit Results Report
<p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> </ul> <p>Breakdown of fee information at the completion of the audit</p>	<p>Audit Plan</p> <p>Audit Results Report</p> <p>Annual Audit Letter (if considered necessary)</p>
<p><b>Certification work</b></p> <p>Summary of certification work undertaken</p>	Certification Report

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