The Police and Crime Commissioner for Suffolk and th Chief Constable for Suffolk Constabulary

Year ending 31March 2013

Audit Plan

February 2013

ERNST & YOUNG

Joint Audit Committee
The Office of the Police and Crime Commissioner for Suffolk
The Chief Constable for Suffolk Constabulary
Police Headquarters
Martlesham Heath
Ipswich
Suffolk
IP5 3QS

4 March 2013

Dear Member

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. The purpose of this report is to provide the Joint Audit Committee with a basis to review our proposed audit approach and scope for the 2012/13 audit. We will undertake our audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements. We also ensure our audit is aligned with the Audit Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for both the Office of the Police and Crime Commissioner for Suffolk and for The Chief Constable for Suffolk Constabulary and outlines our planned audit strategy in response to those risks.

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

Yours faithfully

Neil A Harris, Director
For and behalf of Ernst & Young LLP
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1. Overview

Impact of the Police Reform and Social Responsibility Act

The Police Reform and Social Responsibility (PR&SR) Act abolished Suffolk Police Authority and created the corporations sole of the Police and Crime Commissioner for Suffolk and the Chief Constable for Suffolk Constabulary. Assets and liabilities transferred from the former Suffolk Police Authority to the Police and Crime Commissioner on 22 November 2012. The Police and Crime Commissioner for Suffolk (the PCC) and the Chief Constable for Suffolk Constabulary (the CC) are now two separate legal entities.

The PCC and CC are both required to report their financial position as at 31 March 2013, including functions taken on from the Suffolk Police Authority as though both entities have been running from the start of the year, which means that the PCC and CC are both:

- required to publish a Statement of Accounts. For accounting purposes the CC is a fully controlled subsidiary, and the PCC, as parent, is required to produce group accounts for both the PCC and the CC to show the results of the group as one entity.

- subject to audit for which we give an audit opinion on the financial statements and a VFM Conclusion for the year ended 31 March 2013.

Context for the audit

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

- Our audit opinion on whether the financial statements of the Office of the Police and Crime Commissioner for Suffolk (PCC) and The Chief Constable for Suffolk Constabulary (CC) give a true and fair view of the financial position as at 31 March 2013 and of the income and expenditure for the year then ended; and

- A statutory conclusion on the PCC's and the CC's arrangements to secure economy, efficiency and effectiveness.

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements.
- Developments in financial reporting and auditing standards.
- The quality of systems and processes.
- Changes in the business and regulatory environment.
- Management's views on all of the above.

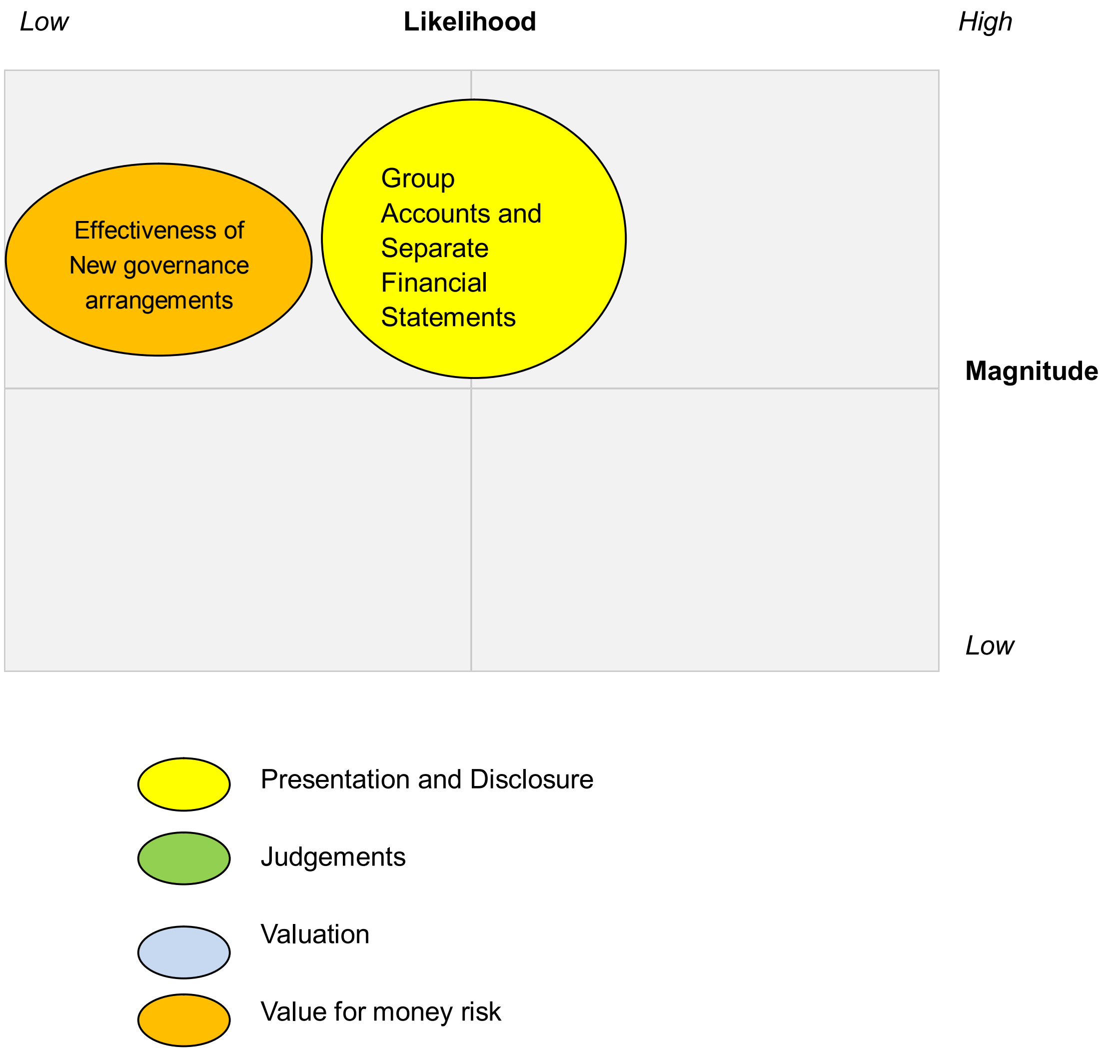
By considering these inputs, our audit is focused on the areas that matter, our feedback is more likely to be relevant to the PCC's and CC's .

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

In part 2 and 3 of this report we provide more detail on the areas which we believe present significant risk to the financial statements audit, and outline our plans to address these risks.

Details of our audit process and strategy are set out in more detail in section 4, and summarised below.

The grid below shows the overall assessment of these risks in terms of their likelihood of occurrence in 2012/13 as well as the perceived magnitude of the risk to our opinion.



We will provide an update to the Audit Committee on the results of our work in these areas in our report to those charged with governance scheduled for delivery in September 2013.

Our process and strategy

- Financial statement audit
  - We will apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. We set our materiality based on the PCC's and CC's level of gross expenditure. We also consider the size of useable reserves, the PCC's and CC's financial position, their public profile and the reporting and challenge history. Our audit is designed to identify errors above materiality.
  - We aim to rely on the PCC's and CC's internal controls in the key financial systems to the fullest extent allowed by auditing standards. We identify the controls we consider important and seek to place reliance on internal audit's testing of those controls. Where control failures are identified we consider the most appropriate steps to take.
  - We seek to place reliance on the work of internal audit, wherever possible. We have already liaised with Internal Audit regarding our review and re-performance of their work.
  - We will also place reliance on the work of HMIC taking account of the findings from their 2012/13 inspection work on transition and financial sustainability.
  - There has been a change to the scope of our audit compared to previous audits. This is the first year of the audit of the two sets of accounts for the PCC and the CC. The PCC, as parent, is also required to apply the concept of merger accounting and produce group accounts for both the PCC and the CC to show the results of the group as one entity.
- Arrangements for securing economy, efficiency and effectiveness
  - We adopt an integrated audit approach such that our work on the financial statement audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.
  - The Audit Commission revised its approach to auditors' local VFM audit work at police authorities for 2012/13, recognising the new arrangements arising from PR&SR and transition to PCCs and CCs. As in 2011/12 auditors will discharge their duties by reviewing the Annual Governance Statements, the results of the work of the Commission and other relevant regulatory bodies or inspectorates, to consider whether there is any impact on the auditor's responsibilities at the audited body, and undertaking other local risk-based work as appropriate. A detailed review of transition risks to PCC and CC status was completed by the Audit Commission in 2011/12 and we will follow up progress against the issues highlighted by this work.

2. Financial statement risks

We outline below our assessment of the key strategic or operational risks and the financial statement risks facing the PCC and CC, identified through our knowledge of the entity's operations and discussion with members and officers.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
Accuracy of Group Accounting and preparation of the financial statements for the PCC and for the CC	
The establishment of new organisations part way through the financial year presents a significant challenge for your finance officers in preparing two sets of financial statements for the PCC and the CC for the first time. Officers will need to prepare these statements with limited professional guidance as the accounting treatment will depend on judgement based on local arrangements between the PCC and the CC. Proper practices are required to produce accounts as if the PCC and the CC had been in existence throughout the financial year	Our approach will focus on whether the: ▶ Statements comply with the proper practices contained in the IFRS-based CIPFA Code of Practice on Local Authority Accounting; ▶ Assets, liabilities, income and expenditure are correctly reflected in the right accounts; ▶ Application of 'merger accounting' has been accurately applied; ▶ Approach to the allocation of indirect costs between the PCC and CC is reasonable; ▶ Presentation and disclosure of matters relate to the correct reporting entity rather than the Group.
Other risks	
Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud. Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk. The PCC and CC continues to face significant financial pressures due to reduced external funding. This adds further pressure on management to meet budget and savings targets. This presents a risk that the financial statements may be materially misstated.	▶ Based on the requirements of auditing standards our approach will focus on: ▶ identifying fraud risks during the planning stages; ▶ inquiry of management about risks of fraud and the controls put in place to address those risks; ▶ understanding the oversight given by those charged with governance of management's processes over fraud; ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud; ▶ determining an appropriate strategy to address those identified risks of fraud; and ▶ performing mandatory procedures regardless of specifically identified fraud risks. ▶ We will consider the results of the National Fraud Initiative and may make reference to any matters in our reporting to you. ▶

3. Economy, efficiency and effectiveness

Our work will focus on:

1. Whether there are proper arrangements in place for securing financial resilience at the PCC and the CC; and
2. Whether there are proper arrangements in place at the PCC and the CC to secure economy, efficiency and effectiveness in the use of resources.

Our approach will be to:

- ► review of the Annual Governance Statements (AGS);
- ► review the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on my responsibilities; and
- ► if necessary, undertake risk-based work considering guidance from the Audit Commission.

The table below provides a high-level summary of our risk assessment and our proposed response to those risks.

Significant risks		Our audit approach
Effectiveness of the new governance arrangements for the PCC and the CC		
The transition from police authorities to two separate legal entities, the PCC and the CC, required the timely establishment of effective governance arrangements. Whilst they are separate bodies, their success is intertwined. To succeed the PCC and the CC must dovetail their governance arrangements and strategic and operational plans so that they can work seamlessly to deliver a challenging agenda	Successful transition to two new statutory bodies. *The new PCC governance arrangements should be fully effective in holding the CC to account to ensure value for money is delivered.*	Our approach will focus on: ► Assessing whether the new PCC governance arrangements are ‘fit for purpose’ ► Reviewing whether the PCC is making good progress in terms of his / her new responsibilities in both holding the CC to account and commissioning of other services relevant to their role. ► Evaluating whether there is an adequate transition plan in plan to address Stage Two of the transition process.
Other risks		**Our audit approach**
Delivery of a sustainable medium term financial plan		
The significant financial management challenges for police over the coming years will be: • managing the implications of the current economic climate; • the significant reductions in the level of future central government funding; and • the outcome of the Winsor pay reform review. To meet this significant challenge, forces must improve their efficiency and productivity, reduce their costs, and have sustainable financial plans to ensure they are financially resilient.	Financial resilience *The PCC and the CC have proper arrangements in place for securing financial resilience.*	Our approach will focus on: ► Reviewing the progress made in achieving the planned savings in 12/13; ► Assessment of whether the PCC and the CC have good systems and processes in place to manage their financial risks and opportunities effectively, ► Commenting on the robustness of financial plans, taking account of the 2012/13 HMIC work on the sustainability of these plans. ► Evaluating the quality of financial governance and leadership at the PCC and the CC.

Other risks		Our audit approach
Arrangements for securing economy, efficiency and effectiveness		
The PCC and the CC are addressing the significant strategic, financial and operational challenges facing Suffolk Police both now and in the medium term. The two corporations face a huge challenge in meeting the expectations for a more visible and responsive policing service with reduced resources.	Economy, efficiency and effectiveness *The PCC and the CC have proper arrangements for challenging how they secure economy, efficiency and effectiveness*.	Our approach will focus on whether: ▶ Challenging targets are set and if the PCC and CC are working with others to achieve their priorities; ▶ Alternative and innovative approaches to delivering services are being considered to achieve efficiencies while keeping services at a level that will satisfy local people. ▶ Costs and productivity of key services are consistent with or better than other forces providing similar levels and standards of services.
Annual Governance Statements		
VFM conclusion guidance focuses on review of the Annual Governance Statements (AGS)	Financial resilience Economy, efficiency and effectiveness	Our approach will focus on: ▶ Arrangements for producing the AGS ▶ Considering content of AGS against our knowledge and understanding of the PCC and CC, including reliance on internal audit work
Work of regulatory and other bodies		
Audit Commission, H M Inspectorate of Constabulary (HMIC) and other regulatory bodies produce information which shows how well the PCC and CC are performing compared to other bodies.	Financial resilience Economy, efficiency and effectiveness	Our approach will focus on: ▶ Review of information provided by the Audit Commission , HMIC and other regulatory and independent bodies as it relates to the PCC and CC.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Audit Commission's Code of Audit Practice ('the Code'), dated March 2010, our principle objectives are to review and report on, to the extent required by the relevant legislation and the requirements of the Code, the PCC's and CC's:

i) financial statements; and

ii) arrangements for securing economy, efficiency and effectiveness in their use of resources.

We issue a two-part audit report covering both of these objectives.

i) Financial Statement Audit.

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

We will also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on your Whole of Government Accounts return

ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the PCC and CC have put in place proper arrangements to secure economy, efficiency and effectiveness in their use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of Her Majesty's Inspectorate of Constabularies (HMIC) in relation to corporate or service performance. In examining the PCC's and the CC's corporate performance management and financial management arrangements we have regard to the area of focus on transition, as specified by the Audit Commission:

- Transition: The new governance structures for the PCC and the CC cuts across all business. Strong partnership working between PCC and CC with common aims and vision is required. Given the strategic business issues around the delivery of economy, efficiency and effectiveness, good governance is key and we will review the effectiveness of the arrangements in place

As part of our work on transition and measuring the effectiveness of governance arrangements we will also review:

- Arrangements for securing financial resilience – whether the PCC and CC has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and

- Arrangements for securing economy, efficiency and effectiveness – whether the PCC and CC are prioritising their resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

4.2 Audit process overview

Our audit involves:

- assessing the key internal controls in place and testing the operation of these controls;

- review and re-performance of the work of your internal auditors;

- ► reliance on the work of other auditors where appropriate;
- ► reliance on the work of experts in relation to areas such as pensions and valuations; and
- ► substantive tests of detail of transactions and amounts.

Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will seek to test key controls, both manual and IT:

- Accounts receivable;
- Accounts payable;
- Payroll;
- Police Pensions.

Investments, loans, cash balances and property, plant and equipment will be tested substantively at year end

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular in respect of payroll, cash payments and receipts and journal entries. These tools:

- help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

As in prior years, we will review internal audit plans and the results of work undertaken. We will reflect the findings from these reports, together with reports from other work completed in the year, in our detailed audit plan, where issues are raised that could impact the year-end financial statements and/or the value for money conclusion.

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

Use of experts

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

Other procedures

In addition to the key areas of emphasis outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline the procedures we will undertake during the course of our audit.

Mandatory procedures required by auditing standards on:

- Addressing the risk of fraud and error.
- Significant disclosures included in the financial statements.
- Entity-wide controls.
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements.
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statements and the Remuneration Reports.
- Reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.
- Reviewing, and where appropriate, examining evidence that is relevant to the PCC's and CC's corporate performance management and financial management arrangements and reporting on these arrangements.

4.3 Materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

ISA (UK & Ireland) 450 (revised) requires us to record all misstatements identified except those that are "clearly trivial". We intend to treat misstatements less than £43,000 as clearly trivial. All uncorrected misstatements found above this amount will be presented to you in our year-end report.

4.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the PCC is £47,000 and for The CC's is £20,000.

4.5 Your audit team

The engagement team is led by Neil Harris, who has significant experience on the external audit of the former Suffolk Police Authority. Neil is supported by Chris Hewitt who is responsible for the day-to-day direction of audit work, and who is the key point of contact for the Chief Finance Officer and Assistant Chief Officer (Resources). Neil and Chris provide continuity having previously been part of the Audit Commission's engagement team for the former Suffolk Police Authority.

4.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts; and the deliverables we have agreed to provide to you through the Audit Committee cycle in 2012/13. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

We will provide a formal report to the Audit Committee in September 2013, incorporating the outputs from the interim audit and our year-end procedures respectively. From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate.

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

Audit phase	Timetable	timetable	Deliverables
High level planning:	**November/ December**	Audit Committee	Audit Fee Letter
Risk assessment and setting of scopes	**December/February**		
Testing of routine processes and controls	**January - March**	Audit Committee	Audit Plan
Year-end audit including WGA	**July – September**	Audit Committee	Report to those charged with governance, in this case the Police and Crime Commissioner and the Chief Constable Audit report (including our opinion on the financial statements and a conclusion as to whether the PCC's and CC's have put in place proper arrangements for securing economy, efficiency and effectiveness in their use of resources). Audit completion certificate
Reporting	**October**	Audit Committee	Annual Audit Letter

In addition to the above formal reporting and deliverables we will seek to provide practical business insights and updates on regulatory matters.

5. Independence

5.1 Introduction

The Auditing Practices Board (APB) Ethical Standards and ISA (UK and Ireland) 260 “Communication of audit matters with those charged with governance”, requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	Final stage
▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence.	▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements, the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. However we have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective.

Self interest threats

A self interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receives significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved and that are in compliance with the Audit Commission's Standing Guidance.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard 4.

There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Neil Harris, your audit engagement partner and the audit engagement team have not been compromised.

5.3 Other required communications

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 29 June 2012 and can be found here:

UK 2012 Transparency Report

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2012/13 £	Actual Fee 2011/12 £	Explanation of variance
Total Audit Fee – Code work		**84,010**	13% reduction reflects the savings achieved from the Audit Commission procurement exercise.
The Office of Police and Crime Commissioner for Suffolk	**47,000**		
The Chief Constable for Suffolk Constabulary	**20,000**		The 2011/12 audit fee also included £6,270 charged by the predecessor auditors for the audit of the joint Private Finance Initiative for the Police Investigation Centres in 2011/12.

The agreed fee presented above is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables.
- We are able to place reliance, as planned, on the work of internal audit.
- The level of risk in relation to the audit of accounts in consistent with that in the prior year.
- No significant changes being made by the Audit Commission to the value for money criteria on which our conclusion will be based.
- Our accounts opinion and value for money conclusion being unqualified.
- Appropriate quality of documentation is provided by the audited body.
- Effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with you in advance.

We are intending forward our work on the Private Finance Initiative for Police Investigation Centres. We will let you know if Ernst and Young's approach entails any further significant work in this area and if there is an impact for the audit fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee, or equivalent, of audited clients. These are detailed here:

Required communication	Reference
Planning and audit approach Communication of the planned scope and timing of the audit including any limitations.	Audit Plan
Significant findings from the audit ► Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ► Significant difficulties, if any, encountered during the audit ► Significant matters, if any, arising from the audit that were discussed with management ► Written representations that we are seeking ► Expected modifications to the audit report ► Other matters if any, significant to the oversight of the financial reporting process ► Findings and issues regarding the opening balance on initial audits	Report to those charged with governance
Misstatements ► Uncorrected misstatements and their effect on our audit opinion ► The effect of uncorrected misstatements related to prior periods ► A request that any uncorrected misstatement be corrected ► In writing, corrected misstatements that are significant	Report to those charged with governance
Fraud ► Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ► Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ► A discussion of any other matters related to fraud	Report to those charged with governance
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ► Non-disclosure by management ► Inappropriate authorisation and approval of transactions ► Disagreement over disclosures ► Non-compliance with laws and regulations ► Difficulty in identifying the party that ultimately controls the entity	Report to those charged with governance
External confirmations ► Management's refusal for us to request confirmations ► Inability to obtain relevant and reliable audit evidence from other procedures	Report to those charged with governance
Consideration of laws and regulations ► Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ► Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	Report to those charged with governance

Required communication	Reference
Independence Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence For listed companies, communication of minimum requirements as detailed in the ethical standards: ▶ Relationships between Ernst & Young, the audited body and senior management ▶ Services provided by Ernst & Young that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by Ernst & Young analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the ethical standards ▶ The Audit Committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit Plan Report to those charged with governance
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements	Report to those charged with governance
Significant deficiencies in internal controls identified during the audit	Report to those charged with governance
Group audits ▶ An overview of the type of work to be performed on the financial information of the components ▶ 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 ▶ 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 ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ 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	Audit Plan
Opening Balances (initial audits) ▶ Findings and issues regarding the opening balance of initial audits	Report to those charged with governance
Fee Information ▶ Breakdown of fee information at the agreement of the initial audit plan ▶ Breakdown of fee information at the completion of the audit	Audit Plan Report to those charged with governance and Annual Audit Letter if considered necessary

Appendix C Detailed scopes

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

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

- Full scope: locations deemed significant based on size and those with significant risk factors are subject to a full scope audit, covering all significant accounts and processes using materiality levels assigned by the Ernst & Young Cambridge audit team for purposes of the consolidated audit. Procedures are full-scope in nature, but may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements (as materiality thresholds support to the consolidated audit).
- Specific scope: locations where only specific procedures are performed by the local audit team, based upon procedures, accounts or assertions identified by the Ernst & Young Cambridge audit team.
- Limited Scope: limited scope procedures primarily consist of enquiries of management and analytical review. On-site or desk top reviews may be performed, according to our assessment of risk.

The preliminary audit scopes we have adopted to enable us to report on the group accounts are set out below. Our audit approach is risk based, and therefore the data below on coverage of gross income and net expenditure (before elimination of intercompany transactions) is provided for your information only.

Group audit scope	Number of locations	% of Gross income	% of Net expenditure
Full	0	0%	0%
Specific	0	0%	0%
On site limited	0	0%	0%
Off site limited (desktop)	0	0%	0%

ISA 600 (UK and Ireland) requires that we provide you with an overview of the nature of our planned involvement in the work to be performed by the component auditors of significant locations/reporting units. Our involvement can be summarised as follows.

We are not aware of any reporting units in respect of group accounts.

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