The Police & Crime Commissioner for Suffolk and the Chief Constable for Suffolk

Year ending 31 March 2016

Audit Plan

7 March 2016

Ernst & Young LLP

Building a better working world

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Building a better working world

INVESTOR IN PEOPLE

Tim Passmore
The Police & Crime Commissioner for Suffolk
Gareth Wilson
The Chief Constable for Suffolk
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IP5 3QS

7 March 2016

Dear Tim and Gareth

Audit Plan

We are pleased to attach our Audit Plan for the Police and Crime Commissioner for Suffolk (the PCC) and the Chief Constable of Suffolk Constabulary (the CC).

The Plan sets out how we intend to carry out our responsibilities as auditor. The purpose of this report is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2015/16 audit, in accordance with the requirements of Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. The purpose is also to ensure that our audit is aligned with the Audit Committee's service expectations.

This Plan summarises our initial assessment of the key risks driving the development of an effective audit for the PCC and CC, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this Audit Plan with you at 23 March 2016 Audit Committee and to understand whether there are other matters which you consider may influence our audit.

Yours sincerely

Kevin Suter
Executive Director
For and behalf of Ernst & Young LLP
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Contents

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

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

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

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use 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. Overview

Background

The Police Reform and Social Responsibility Act created two corporations sole:

- ► The Police & Crime Commissioner for Suffolk (the PCC); and
- ► The Chief Constable of Suffolk Constabulary (the CC).

We recognise the manner in which these two bodies are inter-linked and operate based on the governance documents and scheme of governance and consent that have been adopted.

Therefore, whilst each is a separate audit engagement, we have drafted one joint Audit Plan to set out our approach to the two engagements, recognising that the audit risks inherent in both engagements and the programme of work required have much in common.

Where relevant, we will set out separately, any risks which are solely pertinent to one of the bodies.

The PCC is responsible for preparing and publishing Group financial statements. The Group comprises the accounts of both the single entity PCC and the single entity CC. The CC is responsible for preparing and publishing the CC single entity financial statements.

Context for the audit

This Audit Plan covers the work that we plan to perform to provide you with:

- ► Our audit opinion on whether the financial statements of the Group, PCC and CC give a true and fair view of the financial position as at 31 March 2016 and of the income and expenditure for the year then ended; and
- ► Our conclusion on the PCC's and 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 the Group's Whole of Government Accounts return.

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

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; and
- ► Management's views on all of the above.

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

Changes in our audit scope

We have not made any changes to the scope of our audit.

Other key messages

Our 2014/15 Audit Plan included a significant value for money conclusion risk from the pressures from the Comprehensive Spending Review and securing medium to long term financial resilience including collaboration**.**

We have discussed financial sustainability with the PCC and CC Chief Finance Officer as part of the planning for the 2015/16 audit. While we understand that the impact of the financial settlement and the implementation of the Local Policing Plan for Suffolk have reduced financial pressures on the PCC and CC, the 2016/17 budget and medium term financial plan depend upon achieving significant savings, including from collaboration.

We have therefore continued to assess financial planning and sustainability as a significant risk in our Audit Plan. As part of this process we will we will be liaising with and considering the work of Her Majesty's Inspectorate of Constabulary (HMIC) on its PEEL assessment.

2. Financial statement risks

We outline below our current assessment of the financial statement risks facing the Group, PCC and CC, identified through our knowledge of the Group's, PCC's and CC's operations and discussion with those charged with governance and officers.

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

Significant risks (including fraud risks)	Our audit approach
Risk of fraud in revenue recognition	
Under ISA240 there is a presumed risk that revenue may be misstated due to improper recognition of revenue. In the public sector, this requirement is modified by Practice Note 10, issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition. One area which may be particularly susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Capital programme.	We will ► Review and test revenue and expenditure recognition policies; ► Review and discuss with management any accounting estimates on revenue or expenditure recognition for evidence of bias; ► Review and test revenue cut-off at the period end date; and ► Test the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.
Risk of management override	
As identified in ISA (UK and Ireland) 240, 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.	Our approach will focus on: ► Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ► Reviewing accounting estimates for evidence of management bias, and ► Evaluating the business rationale for significant unusual transactions.

New ERP System	
Suffolk and Norfolk Constabularies have implemented the new Enterprise Resource Planning system to support Human Resources, Duties, Finance, Procurement and Payroll. The ERP system aims to assist joint working and improve the efficiency of support departments to enable savings to be realised. The system was implemented in April 2015. We are aware that there were problems on inception and as this will be the first year that the financial statements are produced using the new ERP system there is a risk that the statements may be materially misstated.	We will ► Review the controls implemented by management to transfer its financial information to the new financial system, including reliance on the work performed by Internal Audit where relevant; ► Document the key financial systems and walkthrough the key processes and controls; ► Use data analytics to map the trial balance to the financial statements to identify any coding anomalies; ► Perform high level analytical procedures to help identify any significant unexpected year-on-year variances; ► Check the balance sheet opening balances to ensure these have been migrated correctly from the previous system; and ► Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements to ensure significant balances have been correctly classified.

2.1 Responsibilities in respect of fraud and error

We would like to take this opportunity to remind you that management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.

Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud. As auditors, we approach each engagement with a questioning mind that accepts the possibility that a material misstatement due to fraud could occur, and design the appropriate procedures to consider such risk.

Based on the requirements of auditing standards our approach will focus on:

- Identifying fraud risks during the planning stages;
- Enquiry of management about risks of fraud and the controls 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 any identified risks of fraud, and,
- Performing mandatory procedures regardless of specifically identified risks.

3. Value for money risks

We are required to consider whether the PCC and CC have put in place ‘proper arrangements’ to secure economy, efficiency and effectiveness on its use of resources.

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”

To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements:

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

The ‘proper arrangements’ are defined by guidance issued by the National Audit Office, and are set out in the table below. It is important to note that the guidance setting out the scope of proper arrangements does not set out ‘expected arrangements’ that auditors are required to consider, or indicate an expected work programme.

Sub-criteria	Proper Arrangements
Informed decision making	► Acting in the public interest, through demonstrating and applying the principles and values of sound governance ► Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management ► Reliable and timely financial reporting that supports the delivery of strategic priorities ► Managing risks effectively and maintaining a sound system of internal control
Sustainable resource deployment	► Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions ► Managing and utilising assets effectively to support the delivery of strategic priorities ► Planning, organising and developing the workforce effectively to deliver strategic priorities
Working with partners and other third parties	► Working with third parties effectively to deliver strategic priorities ► Commissioning services effectively to support the delivery of strategic priorities ► Procuring supplies and services effectively to support the delivery of strategic priorities

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government and the CIPFA Guidance Note for Police on the Framework to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice which defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work.

Our risk assessment therefore considers both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders. This has resulted in the following significant VFM risks which we view as relevant to our value for money conclusion

Significant value for money risks	Our audit approach
Financial planning and resilience	
Nationally the Police sector has been subject to funding reductions, In the autumn statement in November 2015 the Chancellor announced the funding settlement for police would be better than your previous expectations. The use of the budget support reserve has therefore been reduced. However, there are still cost pressures and the need for savings in both the 2016/17 budget and medium term financial plans.	Our approach will focus on reviewing: ► The key assumptions made within the 2016/17 annual budget; and ► The development of the savings plans. We will take into account the work of Her Majesty's Inspectorate of Constabulary (HMIC) on its PEEL assessment.

4. Our audit process and strategy

4.1 Objective and scope of our audit

Under the Code of Audit Practice our principal objectives are to review and report on the Group's, PCC's and CC's:

- Financial statements; and
- Arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

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

We report to you by exception in respect of your governance statement and other accompanying material as required, in accordance with relevant guidance prepared by the NAO on behalf of the Comptroller and Auditor General.

Alongside our audit report, we also review and report to the NAO on the Whole of Government Accounts return to the extent and in the form they require.

2. **Arrangements for securing economy, efficiency and effectiveness (value for money)**

We are required to consider whether the PCC and CC have put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

4.2 Audit process overview

The same audit team will be responsible for auditing the Group financial statements and the PCC and CC components. Appendix C provides an overview of the nature of our planned scope in respect of the Group, PCC and CC financial statements.

Our audit involves:

- Walking through the material financial systems, and assessing the design and implementation of key internal controls;
- Reviewing internal audit plans and the results of work undertaken;
- Considering the work of other regulators (for example Her Majesty's Inspectorate of Constabulary) where appropriate; and
- Reliance on the work of experts in relation to areas such as pensions and property, plant and equipment valuations.

Processes

Our initial assessment of the key processes across the PCC and CC has identified the following systems which we will document and walkthrough the key controls.

- General ledger
- Accounts receivable;
- Accounts payable;
- Payroll;
- Pensions;
- Treasury management;
- Cash; and
- Property, plant and equipment;

Internal audit

Our intention is to carry out a fully substantive audit in 2015/16 rather than rely on the operation of controls as we believe this is the most efficient approach, especially given the introduction of the new ERP system this year. As part of our working protocol with TIAA (internal audit) we will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where we raise issues that could have an impact on the year-end financial statements.

Analytics

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular 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.

Use of specialists

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Pensions	EY pensions team and PWC; PCC and CC actuary Hymans Robertson and GAD
Property, Plant and Equipment	PCC valuer

In accordance with Auditing Standards, we will evaluate each specialist’s professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the PCC's and CC's environment and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the expert to establish whether the source date is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

4.3 Mandatory audit procedures required by auditing standards and the Code

As well as the financial statement risks (section two) and value for money risks (section three), we must perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- 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; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO.

Finally, we are also required to discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014.

4.4 Materiality

For the purposes of determining whether the financial statements are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in aggregate, could reasonably be expected to influence the users of the financial statements. Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations implied in the definition.

We have determined that overall materiality for the financial statements for the Group and CC is £3.9 million and £3.6 million respectively based on 2% of Gross Revenue Expenditure.

Overall materiality for the PCC is £1.7 million based on 2% of Gross Assets. Overall materiality for the Police Pension Fund is £0.6 million based on 2% of Benefits Payable.

We will communicate uncorrected audit misstatements to you greater than of £195,000 (PCC Group), £180,000 (CC single entity), £85,000 (PCC single entity) and £30,000 (Police Pension Fund).

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 the circumstances that might ultimately influence our judgement. 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 financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

4.5 Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Communities and Local Government. PSAA has published a scale fee for all relevant bodies. This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the NAO Code. The indicative fee scale for the audit of the PCC is £31,733 (£42,310 2014/15) and for the audit of the CC is £15,000 (£20,000 2014/15).

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. The timetable includes the deliverables we have agreed to provide to the PCC and CC through the Audit Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAAs rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the PCC, CC and the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the PCC and CC and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	April 2015	June 2015	Audit Fee Letter
Risk assessment and setting of scopes	February – March 2016	March 2016	Audit Plan
Testing routine processes and controls	February - April 2016	June 2016	Interim results report (if appropriate)
Completion of audit	June – September 2016	September 2016	Report to those charged with governance via the Audit Results Report Audit report (including our opinion on the financial statements and, overall value for money conclusion) Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return
Conclusion of reporting	October 2016	November 2016	Annual Audit Letter

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

5. Independence

5.1 Introduction

The APB Ethical Standards and ISA (UK and Ireland) 260 ‘Communication of audit matters with those charged with governance’, requires us to communicate with you on a timely basis on all significant facts and matters that bear on our independence and objectivity. The Ethical Standards, as revised in December 2010, require that we do this formally both at the planning stage and at the conclusion of the audit, as well as during 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 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 PSAA Terms of Appointment 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.

During the course of the audit we must also communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of our safeguards, 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 contracted services, and details of any written proposal to provide non-audit services;

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 are disclosed and analysed in appropriate categories.

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 any principal threats. However we have adopted the safeguards below to mitigate these threats along with the reasons why they are considered to be effective.

Self-interest threats

A self-interest threat arises when EY has financial or other interests in your entity. Examples include where we have an investment in your entity; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with the PCC and CC.

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 the PCC and CC have approved and that are in compliance with the PSAA Terms of Appointment.

At the time of writing, the PCC and CC have not commissioned any non-audit services from EY for 2015/16. No additional safeguards are required.

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 the PCC and CC. We confirm that no member of our audit engagement team, including those from other service lines, is in this position, 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 other 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 where management is required to make judgements or decisions 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.

We have recently identified one threat of familiarity. Joanna Heal has been employed by Norfolk Police as a Financial Accountant from February 2016. Until this time Joanna had been working for EY as an Audit Executive and has worked closely with several members of the EY Cambridge Team, including Assistant Manager Dan Cooke. We have been informed that Joanna will be preparing some of the working papers for the financial statements audit. Although these working papers will be reviewed and authorised by the Head of Financial Accounting, to ensure ongoing independence, we have determined that changes will be needed to our audit team in order to demonstrate our continuing independence.

Overall Assessment

Overall we consider that the adopted safeguards appropriately mitigate the principal threats identified, and we therefore confirm that EY is independent and the objectivity and independence of Kevin Suter, Executive Director and the audit engagement team have not been compromised.

5.3 Other required communications

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

Details of the key policies and processes 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 June 2015 and can be found here:

http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2015

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2015/16 £	Scale fee 2015/16 £	Outturn fee 2014/15 £	Explanation
The PCC for Suffolk opinion Audit and VFM Conclusion	31,733	31,733	43,600	The reduction of 25% in audit fees between 2014/15 and 2015/16 represents the outcome of the Audit Commission's tendering exercise in March 2014. An additional fee to the PCC for Suffolk of £1,290 was agreed in 2014/15 in relation to additional PPE work and considering the dual role of the Chief Finance Officer.
The CC of Suffolk Police opinion Audit and VFM Conclusion	15,000	15,000	20,216	The reduction of 25% in audit fees between 2014/15 and 2015/16 represents the outcome of the Audit Commission's tendering exercise in March 2014. An additional fee to the CC for Suffolk of £216 was agreed in 2014/15 in relation to additional work considering the dual role of the Chief Finance Officer.
Total Audit Fee – Code work	**46,733**	**46,733**	**63,816**	
Non-audit work	0	0	0	

All fees exclude VAT.

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

- Officers meeting the agreed timetable of deliverables;
- We can rely on the work of internal audit as planned;
- Our accounts opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the PCC and CC; and
- The PCC and CC have an 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 the Chief Finance Officer in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Appendix B UK required communications with those charged with governance

There are certain communications that we must provide to the Audit Committee. 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	► 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 PCC and CC 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 PCC and CC into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the PCC and CC may be aware of	► Report to those charged with governance

Required communication	Reference
Independence Communication of all significant facts and matters that bear on EY's objectivity and independence Communication of key elements of the audit engagement director'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	► 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
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 ► Annual Audit Letter if considered necessary
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 ► Report to those charged with governance ► 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 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 EY Cambridge audit team for the 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 EY 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.

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 will undertake a full scope audit on the PCC and CC accounts. The same audit team will be responsible for auditing the Group financial statements and the PCC and CC components.

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