Corby Borough Council
Audit Results Report

Year ended 31 March 2021

15 September 2023

Building a better working world

15 September 2023

Dear Governance and Audit Committee Members

2020/21 Audit Results Report

We attach our audit results report, summarising the status of our audit of Corby Borough Council's 2020/21 financial statements.

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on the Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects.

As at the date of writing this report our field work is complete, although we have a number of consultations to undertake and closing audit procedures to carry out, the details of this and context is provided in the detail of the report. As reported at the last committee meeting, we have struggled to obtain sufficient and appropriate evidence to support all balances and transactions in the accounts. We are making progress and are continuing to work with officers to audit the accounts and the current status is provided in the body of this report.

This report is intended solely for the information and use of the Governance and Audit Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties. We welcomed the opportunity to discuss the contents of this report with you at the upcoming Governance and Audit Committee meeting.

Yours faithfully

Janet Dawson, Partner
For and on behalf of Ernst & Young LLP
Encl

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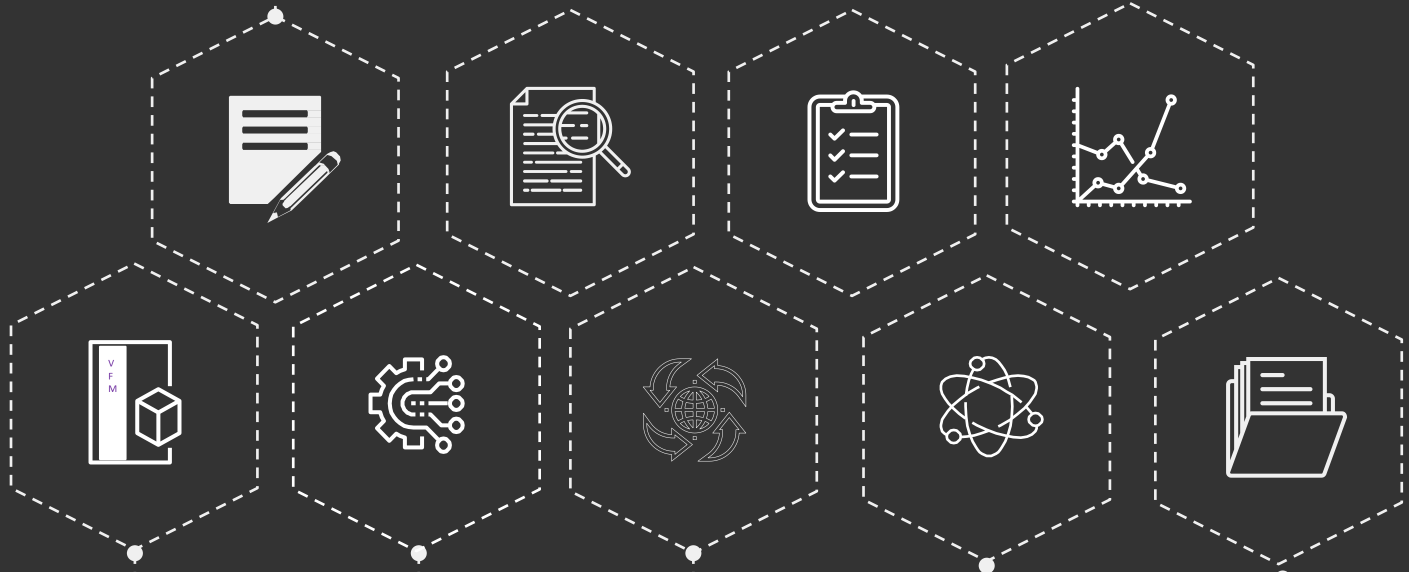


Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature. This report is made solely to the Governance and Audit Committee and management of Corby Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Governance and Audit Committee, and management of Corby Borough Council those matters we are required to state to them in this 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 Governance and Audit Committee and management of Corby Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary

Scope update

In our audit planning report dated 24 January 2023, presented to the Governance and Audit Committee, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following updates:

Our materiality is unchanged from planning. Materiality has been set at £1,118,860, which represents 2% of gross expenditure on provision of services in the 2020/21 draft financial statements. There was no significant change to our materiality as a result of the extensive changes that were required to the draft financial statements.

Materiality	Authority (£m)
Planning Materiality	£1.1m
Performance Materiality	£0.5m
Audit Differences	£0.05m

Additional audit procedures as a result of Covid-19:

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

Information Produced by the Entity (IPE):

We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity. We undertook the following to address this risk:

- *Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and*
- *Agreed IPE to scanned documents or other system screenshots.*

Going Concern:

Our review of managements updated going concern assessment for the period until 31/03/25 is ongoing.

Due to the demise of Corby Borough Council and the establishment of the successor body North Northamptonshire Council, we will include an emphasis of matter in our audit report to highlight the disclosure. We will consult with our Professional Practice Department on our going concern procedures and the emphasis of matter wording.

Executive Summary

Context of the 2020/21 audit

In our audit plan we reported that we received the draft 2020/21 accounts for audit on 24 November 2022. We communicated our planned audit visit timing for the 2020/21 audit well in advance of the accounts being prepared and asked management to meet this deadline for having all working papers ready for day one of the audit on 9 January 2023. We did not receive all working papers in line with this deadline and those that were received were not of sufficient quality for us to undertake audit testing as needed. The overall quality of the working papers has been poor and we have returned a large number of them to officers as they did not reconcile to the draft accounts. In addition, due to officer changes it has been difficult for the current finance team to locate supporting evidence and answer queries about working papers and balances relating to 2020/21 transactions.

The overall quality of the draft 2020/21 accounts submitted for audit was also poor. Based on the Partner and Senior Manager read through of the accounts we have identified a number of errors within them. This includes inconsistencies in the figures and narrative, notes not casting and disclosures being incorrect for the Council. The accounts should have been subject to quality review before submission to audit. The combination of the accounts and working papers issues has resulted in issues arising with the audit from day one and additional procedures needing to be undertaken across all areas of the accounts.

Due to the above issues, the risk profile of the Council increased during the audit and the Partner in Charge has changed from Elizabeth Jackson to Janet Dawson as Corby is now a high risk audit.

Audit differences and issues arising during the audit

We have identified a large number of errors in the accounts and within the sample testing which has resulted in significant amendments to the current version of the Accounts and also a number of adjustments to the prior year comparators. We are satisfied that the latest set of accounts presented to the Committee today reflects the current agreed position and all amendments identified to date have been processed. We continue to work with management to be able to conclude on the 2020/21 accounts based on the level of information and supporting evidence that has been provided to date.

As a result, we are still finalising our work in a number of areas, t*he following items relating to the completion of our audit procedures are ongoing at the point of preparing of this report:*

- *Review of updated working papers in respect of going concern disclosures and updated cashflow to the period 31/3/2025, note 7 Expenditure and Funding Analysis (EFA), note 8* **Expenditure and income analysed by nature** *, note 17 Financial Instruments and note 19 Cash and Cash Equivalents;*
- *Internal consultations to agree the prior year adjustments and modification to audit report in respect of the restructuring of the Council and value for money;*
- *Final partner review in a number of areas;*
- *Audit completion procedures, including a reassessment of materiality for the change in the Comprehensive Income and Expenditure Statement to determine if the level determined at planning remains appropriate; and*
- *Receipt of signed financial statements, statement of responsibilities, management representation letter and completion of post balance sheet events.*

Until all these matters are complete, further matters may be identified.

We have agreed a number of amendments to the 2020/21 accounts based on the work we have been able to conclude and these are set out in section 04 of this report.

Executive Summary

Our Audit Planning Report identified key areas of focus for our audit of the Council's financial statements This report sets out our observations and conclusions.

Risk	Risk identified	Findings & Conclusions
Misstatements due to fraud or error	*Fraud Risk / Significant Risk*	*We have not identified any evidence of material management override; instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.* *We have identified an internal control weakness in relation to the posting of journals by a senior member of the finance team. We have tested all of the journals posted by the officer and have not identified any fraud or error within them. However, there is no review process for journals in the year so this exposes the Authority to risk of fraudulent behaviour.* *Our work in this area is complete.*
Inappropriate capitalisation of revenue expenditure	*Fraud Risk / Significant Risk*	*A key way of improving the Council's revenue position in the short and medium term is through the inappropriate capitalisation of revenue expenditure. We therefore identify this as an area of potential management override, and have sample tested additions to property, plant and equipment and investment property to ensure that they were correctly classified as capital and included at the correct value in order to identify any revenue items that were inappropriately capitalised.* *Our testing of capital additions has highlighted two errors:* • *a number of representative sample items that have been capitalised for which the Council is unable to evidence compliance with the capitalisation criteria set out in IAS 16. These have been amended in the revised financial statements; and* • *the Council has capitalised £457k of internal recharges. The Council has been unable to evidence how these roles meet the definition of IAS16. The Council is not proposing to adjust the financial statements for this error on the basis of materiality and we will seek management representation to this effect.* *Our work in respect of REFCUS and capital journals is complete with no issues arising.*
Valuation of Investment Property	*Significant Risk*	*Investment Property (IP) is a significant balance in the Council's Balance Sheet. The valuation of IP is complex and subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements. We raised a number of challenges on the valuation of investment properties. As a result of our testing the value of investment property increased by £5.2m from the draft financial statements.* *The issues identified included, but were not limited to:* • *Incorrect land sizes being used.* • *The inclusion of a property which had been sold.* • *Incorrect componentisation, resulting in valuation errors.*

Executive Summary

Risk	Risk identified	Findings & Conclusions
Valuation of Council Dwellings	*Significant Risk*	*Council Dwellings with a total carrying value of £296 million have undergone a full revaluation during the year. This led to a significant movement of £46 million.* *We have completed our testing of the current year valuations in line with the work programme detailed in this report and not identified any issues with the 2020/21 valuations.*
Valuation of PPE	*Inherent Risk*	*Our work in this area is complete subject to internal review and consultation. As a result of our work the net book value of PPE increased by £1.2m from the draft financial statements.* *Our testing highlighted errors in the classification of surplus assets, the valuation basis of community centres and the accuracy of the revaluation reserve. As these errors resulted in material misstatements and these were prevalent in the prior year, under the provisions of IAS8 the Council were required to calculate the impact on the prior year and restate the comparators in the 2020/21 financial statements.* *A number of adjustments were required to the valuations based on the results of the work of our specialist.*
Recognition of grant income associated with Covid 19	*Inherent Risk*	*Our work in this area complete, our testing highlighted a small number of immaterial misstatements which have been corrected by management.* *We have no further matters to report.*
Valuation of defined benefit pension scheme	*Inherent Risk*	*Our work in this area is complete subject to Partner review.* *No issues were identified as a result of our testing.*

Executive Summary

Auditor responsibilities under the Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Authority a commentary against specified reporting criteria (see below) on the arrangements the Authority has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- *Financial sustainability*
  How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- *Governance*
  How the Authority ensures that it makes informed decisions and properly manages its risks; and
- *Improving economy, efficiency and effectiveness:*
  How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

Within the audit opinion we will still only report by exception where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Status of the audit – Value for Money

In the audit planning report presented to the Governance and Audit Committee, we reported that we were yet to complete our detailed value for money (VFM) risk assessment. However we highlighted that we had identified one risk of significant weakness in relation to the lack of bank reconciliations during 2019/20 and 2020/21.

We subsequently completed our planning risk assessment and identified one further risk that the Council did not update, maintain or present risk registers to those charged with governance throughout 2020/21. Additionally, from our work on the financial statements we have identified a number of weaknesses in the internal control environment that should underpin the production of the accounts.

We have concluded our work on the risks identified and concluded that these represent a significant weakness in proper arrangements in relation to the governance criterion. We have modified our audit report accordingly.

More details are within section 05 of this report.

Executive Summary

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement (AGS) for consistency with our knowledge of the Council. The draft presented for audit has been revised to ensure it is reflective of the Council's arrangements in 2020/21, reflecting the issues included within this report in respect of the preparation of accounts and supporting working papers and the wider risk management and governance arrangements in place during 2020/21. Our conclusion is that there was inadequate consideration of the issues arising at the Council in the year during the preparation and review of the AGS before submitting to audit.

The NAO as group auditor has confirmed that no further assurances will be required from us as component auditors in respect of the 2020/21 Whole of Government Accounts submission.

We have no other matters to report at this stage, however, our work is still ongoing as we are waiting to receive the final AGS including the final agreed amendments.

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls.

Control deficiencies identified can be found in section 07 of this report. We have identified a high number of weaknesses in the internal control environment to support the production of the accounts.

Independence

Please refer to Section 08 for our update on Independence. We have no independence issues to report.

02 Areas of Audit Focus

Significant risk

Misstatements due to fraud or error

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 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.

What judgements are we focused on?

Our assessment of risk led us to create a series of criteria for the testing of journals, focusing specifically on areas that could be open to management manipulation. We have also focused specifically on capitalisation of expenditure as a potential area of manipulation (see next slide).

What did we do?

Our approach focused on:

- *Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.*
- *Assessing accounting estimates for evidence of management bias.*
- *Evaluating the business rationale for significant unusual transactions.*

Further to this, we have:

- *Inquired of management about risks of fraud and the controls put in place to address those risks, as well as gaining an understanding of the oversight given by those charged with governance of management's processes over fraud.*
- *Considered the effectiveness of management's controls designed to address the risk of fraud.*

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above.

What are our conclusions?

We have not identified any evidence of material management override; instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business.

We have identified an internal control weakness in relation to the posting of journals by a senior member of the finance team. We have tested all of the journals posted by the officer and have not identified any fraud or error within them. However, there is no review process for journals in the year so this exposes the Council to risk of fraudulent behaviour.

More detail is included within section 07 of this report.

Our work in this area is complete.

Significant risk

Inappropriate capitalisation of revenue expenditure

What is the risk and potential impact on the financial statements?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. 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.

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure, as there is an incentive to reduce expenditure which is funded from Council Tax. This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

What did we do and what judgements did we focus on?

We:

- *Tested additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.*
- *Considered the need to test REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ring fenced capital resources. However, we note that expenditure capitalised as REFCUS was well below our performance materiality level so there was no requirement to undertake any detailed testing.*
- *Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.*

In testing the capitalised expenditure we focused on the following judgements:

- *We sought to gain assurance the capitalised spend clearly enhanced or extended the useful like of assets rather than simply repairing or maintaining the assets on which it was incurred.*
- *We sought to gain comfort that any development or other related costs that were capitalised were reasonable to capitalise i.e. the costs incurred were directly attributable to bringing the asset into operational use.*

We sought to utilise our data analytics capabilities to assist with our work, including journal entry testing.

What are our conclusions?

Our testing of capital additions has highlighted two errors:

- *a number of representative sample items that have been capitalised for which the Council are unable to evidence compliance with the capitalisation criteria set out in IAS 16. These have been amended in the revised financial statements; and*
- *the Council has capitalised £457k of internal recharges, the Council have been unable to evidence how these roles meet the definition of IAS16. The Council are not proposing to adjust the financial statements for this error on the basis of materiality and we will seek management representation to this effect.*

Our work in respect of REFCUS and capital journals is complete with no issues arising.

Significant risk

Valuation of Investment Property (IP)

What is the risk?

Investment Property (IP) is a significant balance in the Council's Balance Sheet. The valuation of IP is complex and subject to a number of assumptions and judgements. A small movement in these assumptions can have a material impact on the financial statements.

The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 (C-19) on markets might cause a valuer to conclude that there is a material uncertainty.

The risk is heightened for traditional retail assets due to market difficulties such as reduced consumer confidence and competition from internet based retailers with lower cost bases. This has led to a large number of retailers, including well known names, closing stores, going into administration or otherwise seeking to reduce their rental costs by renegotiating existing leases, perhaps by way of a Creditors Voluntary Arrangements. These difficulties have had a direct impact on the value of the retail units (high street shops, out of town retail parks and shopping centres) leased to retailers or owned by them.

What did we do?

We:

- *considered the competence, capability and objectivity of the Council's valuers (Wilks, Head & Eve);*
- *considered the scope of valuers' work;*
- *ensured IP has been annually revalued as required by the Code;*
- *considered if there are any specific changes to assets that should have been communicated to the valuer(s);*
- *sample tested key inputs used by the valuer(s) when producing valuations;*
- *considered the results of the valuers' work;*
- *challenged the assumptions used by the Council's valuers by reference to external evidence and our EY valuation specialists (where necessary);*
- *tested journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements;*
- *tested a sample of assets revalued in year to confirm that the valuation basis is appropriate and the accounting entries are correct; and*
- *reviewed assets that are not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated.*

What are our conclusions?

We raised a number of challenges on the valuation of investment properties. As a result of our testing the value of investment property increased by £5.2m from the draft financial statements.

The issues identified included, but were not limited to:

- *Incorrect land sizes being used.*
- *The inclusion of a property which had been sold.*
- *Incorrect componentisation, resulting in valuation errors.*

Significant risk

Valuation of Council Dwellings

What is the risk and potential impact on the financial statements?

Council Dwellings with a total carrying value of £296 million has undergone a full revaluation during the year. This led to a significant movement of £46 million.

Due to the significance of the value and the increase as a result of the full revaluation, we have identified the valuation of this category of asset as a significant risk.

What did we do and what judgements did we focus on?

We took a substantive approach to respond to the risk, undertaking the following procedures related to the valuation of property:

- *Considered the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;*
- *Sample tested key asset information used by the valuers in performing their valuation;*
- *Tested a sample of beacon properties to ensure that the value is in line with market value;*
- *Reviewed assets that are not subject to valuation in 2020/21 to confirm the remaining asset base is not materially misstated;*
- *Considered changes to the useful economic lives as a result of the most recent valuation;*
- *Tested accounting entries, ensuring these have been correctly processed in the financial statements including testing the classification of assets; and*
- *Considered if the valuation movements in the current year are indicative of errors in the prior year.*

What did we do and what judgements did we focus on?

We have completed our testing of the current year valuations in line with the work programme detailed in this report and not identified any issues with the 2020/21 valuations.

Other areas of audit focus

What is the risk/area of focus?	What did we do?
Valuation of PPE *The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and is subject to valuation changes and impairment reviews.* *Management is required to make material judgements about key assumptions and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.*	*We:* ▪ *Considered the work performed by the Council's valuers (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;* ▪ *Challenged the assumptions used by the Council's valuer by reference to external evidence and our EY valuation specialists as necessary – for example, significant or unusual movements in valuation, difficult to value specialist assets, or investments in areas of the economy under stress such as retail;* ▪ *Sample tested key asset information used by the valuers in performing their valuation (e.g. building areas to support valuations based on price per square metre);* ▪ *Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE, and annually for IP. We also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;* ▪ *Reviewed assets not subject to valuation in 2019/20 to confirm that the remaining asset base is not materially misstated;* ▪ *Considered changes to useful economic lives as a result of the most recent valuation; and* ▪ *Tested accounting entries have been correctly processed in the financial statements.*

What did we do and what judgements did we focus on?

Our work in this area is complete subject to internal review and consultation, as a result of our work the NBV of PPE increased by £1.2m from the draft financial statements. A summary of the ongoing issues identified to date is detailed below:

- *Surplus Assets – Within Surplus assets the Council holds land valued at circa £1.2m with an undetermined use, in accordance with IAS40 these should be classified as investment property and revalued annually. As a result of this error the Council have amended the current year and also the prior year under the requirements of IAS8;*

- *Community Centres have been valued using existing use value (EUV), our RICS qualified experts view is that this undervalues the service potential of the Council holding/providing the assets and there is no sales market in order to assess value and they should therefore be valued at Depreciated Replacement Cost (DRC). The Council have amended this is the revised financial statements and also restated the prior year under the requirements of IAS8;*

- *The revaluation reserve did not reconcile to underlying working papers. The Council have had to undertake extensive work to reconcile this, which has been impacted by errors in prior years. We have agreed the amendments that have been made. As the changes required were material the Council has also restated the prior year under the requirements of IAS8; and*

- *A number of adjustments were required to the valuations based on the results of the work of our specialist.*

Other areas of audit focus

What is the risk/area of focus?	What did we do?
Recognition of grant income associated with Covid 19 *The Council has received additional funding in the form of grants as a result of Covid-19. There is the potential for the recognition and treatment of these grants (including business rate related grants) to be manipulated to improve the reported position.* *We will consider the elements of grant income, their susceptibility to manipulation and the appropriate audit response.*	*We will consider the Council's judgement on material grants received in relation to whether it is acting as:* ▪ *An Agent, where it has determined that it is acting as an intermediary; or* ▪ *A Principal, where the Council has determined that it is acting on its own behalf.* *Our work in this area complete. Our testing highlighted a small number of immaterial misstatements which have been corrected by management.* *We have no further matters to report.*
Valuation of defined benefit pension scheme *The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Northamptonshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet.* *The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council.* *Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.*	*We:* ▪ *Liaised with the auditors of Northamptonshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Corby Borough Council;* ▪ *Assessed the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by The National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and* ▪ *Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.* *Our work in this area is complete subject to Partner review.* *No issues were identified as a result of our testing.*

03 Audit Report

Audit Report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORBY BOROUGH COUNCIL

To be updated on completion of our work..

04 Audit Differences

Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as "known" or "judgemental". Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We have identified a large number of presentational and casting errors within the accounts, and have had ongoing discussions with the Council and shared our concerns over the quality of the accounts and supporting working papers.

At the time of this report we have completed our fieldwork and we are satisfied that the latest set of accounts presented to the Committee today reflects the current agreed position and all amendments identified to date have been processed. However, the Council is currently updating a final version of accounts for approval by the Committee and our review procedures are in progress. We have identified the following adjustments that have been made to the final version accounts:

- ***Investment property – The draft statements included a number of errors in relation to the valuation of investment property resulting in an understatement in the draft statements of £5.2m. These included but were not limited to:***
    - ***The accounts included a property that had been sold in year resulting in an overstatement of investment property of £921k;***
    - ***Reclassification of a surplus asset to investment property valued at circa £1.2m with an undetermined use, in accordance with IAS40 the correct classification is as investment property, which is required to be revalued annually. As the Council classified these as surplus assets, which do not have the same revaluation requirements, the Council obtained updated valuations from their valuers covering 1 April 2019, 31 March 2020 and 31 March 2021. This required a restatement of prior years under the requirements of IAS8;***
    - ***Valuation differences resulting in an understatement of IP in the draft financial statements of £5.1m; and***
    - ***A number of other minor adjusted misstatements in relation to opening balances.***
- ***Property Plant & Equipment (PPE) – In addition to the errors noted above impacting both investment property and surplus assets, our work has highlighted two further errors which required the Council to restate prior year balances under IAS8:***
    - ***Community Centres were valued using existing use value (EUV) in the draft financial statements. Our expert's view is that this undervalues the service potential of the Council holding/providing the assets, there is no sales market in order to assess value and they should therefore be valued at Depreciated Replacement Cost (DRC). This adjustment has resulted in the value of PPE increasing by £6.3m in 2020/21. As this is material the Council have been required to restate the prior year comparators and prepare a third balance sheet under the provision of IAS8;***
    - *The revaluation reserve did not reconcile to underlying working papers. The Council have had to undertake extensive work to reconcile this, which has been impacted by errors in prior years. We have agreed amendments totalling £1.7m. As the changes required were material the Council has also restated the prior year under the requirements of IAS8; and*
    - *There were a number of further adjustments to the valuation of PPE as a result of using overstated income figures for the valuations and other gains and losses on revaluations not being accounted for correctly. These errors impacted the current year only.*

Audit Differences

Summary of adjusted differences (continued)

- *Cashflow – The cashflow note presented for audit does not comply with the Code, which requires the disclosure of changes in liabilities. This was omitted in the prior year and as such under IAS8 requires a prior year adjustment. In addition our testing highlighted differences between the values disclosed and the underlying working papers. The cashflow has been updated in the revised financial statements. In addition there is an unreconciled difference of £230k within purchases of property, plant and equipment, which is a balancing item required for the cashflow to balance.*
- ***Cash – There was a reclassification of short term investments to cash of £1.5m to ensure the financial statements agreed with underlying ledger balances. There was a further adjustment of £5.0 million between cash and short term investments as the funds held with the debt management office did not meet the definition of cash under IAS7.***
- ***Financial Instruments – The financial instruments disclosure has been updated to correctly analyse short and long term borrowings and correct for the error of including prepayments and non financial assets in the disclosure. As these issues were also prevalent in the prior year these have been restated under the requirements of IAS8. As noted on slide 6 our work to review the revised disclosures in this area is ongoing.***
- ***Note 7 Expenditure and Funding Analysis (EFA) & Note 8 Expenditure and income analysed by nature have both been updated to reflect the changes made in the financial statements. In addition corrections have been made to correct recharges which had been incorrectly disclosed. This had a material impact on the amounts disclosed and therefore the prior year has been restated under the requirements of IAS8. As noted on slide 6 our work to review the revised disclosures in this area is ongoing at the timing of writing this report.***
- ***Valuation Office Agency (VOA) – The VOA duplicated a property within the valuation schedule which resulted in the Council billing the same property twice. The value of the debtor raised was £0.8m, with the share of this attributable to Corby £0.3m. This reduced the debtors of the Council.***
- *Pensions – The pension liability was reduced by £0.8m as a result of updated information being available in respect of the remeasurement loss identified in the OCI.*
- ***Debtors – Our work identified three errors within debtors totalling £1.1m, all of which had the effect of reducing the year end reported position:***
- ***Credit Notes – The Council issued credit notes to the value of £379k after year end demonstrating that the amount was not collectable. Debtors have been reduced accordingly.***
- ***Write offs – Subsequent to the end of the financial year the Council has written off £0.4m of uncollectable debt from their sales ledger. As these amounts are uncollectable they have been removed from the year end debtor balance.***
- ***Debtors – A number of amendments were made to debtors resulting in a reduction of £0.2m of the year end balance. This included the removal of control account balances which could not be supported, debts which had already been paid and updates to the bad debt provision on both the general fund and Housing revenue account.***
- ***Debtors and creditors had been incorrectly grossed up for £0.8m income in advance where no cash had actually been received. In addition creditors receipts in advance of £0.3m were grossed up with a corresponding entry in debtors. There was no net impact of these adjustments.***
- ***Misclassification of covid grant between debtors and creditors of £417k. There is no impact on the net assets of the Council as a result of this misstatement.***

We include specific details in Section 02 in our response to areas of audit focus.

A significant number of other amendments were made to disclosures appearing in the financial statements as a result of our work.

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Governance & Audit Committee and provided within the Letter of Representation:

- ***The Council has capitalised £457k of internal recharges. The Council has been unable to evidence how these roles meet the definition of IAS16.***
- *Cashflow - there is an unreconciled difference of £230k within purchases of property, plant and equipment, which is a balancing item to make the cashflow statement balance.*

There are also a number of projected misstatements where we have identified errors in our representative sampling, which include:

- ***Creditors – Over accrual of expenditure £113k.***
- ***Prior year expenses included in the current year expenditure listing £84k.***

	CIES DR	CIES CR	BS DR	BS CR	Equity DR	Equity CR
	£000	£000	£000	£000		
HRA internal recharges	457			(457)		
Projected misstatement - Creditors over accrual		(113)	113			
Projected misstatement – Prior year expenses		(83)			83	
Net Impact	261			(344)	83	

Audit Differences - Accounts amendments – Balance Sheet

	Orignal £k	Amendment £k	Revised Version £k
Property, Plant & Equipment	400,230	1,185	401,415
Heritage Assets	216	0	216
Investment Properties	80,219	5,245	85,464
Intangible Assets	120	0	120
Long Term Debtors	332	-22	310
Long Term Assets	**481,117**	**6,408**	**487,525**
Short Term Investments	0	10,000	10,000
Inventories	102	0	102
Short Term Debtors	16,447	-110	16,337
Cash and Cash Equivalents	22,136	-9,931	12,205
Current Assets	**38,685**	**-41**	**38,644**
Short Term Borrowing	-19,700	-10,646	-30,346
Short Term Creditors	-17,744	-188	-17,932
Provisions	-856	0	-856
Current Liabilities	**-38,300**	**-10,834**	**-49,134**
Long Term Provisions	-1,534	0	-1,534
Long term Borrowing	-108,967	10,646	-98,321
Liability related to DB Pension Scheme	-48,630	780	-47,850
Grant receipts in advance - capital	-3,704	343	-3,361
Long Term Liabilities	**-162,835**	**11,769**	**-151,066**
Net Assets	**318,667**	**7,302**	**325,969**
Usable Reserves	53,620	510	54,130
Unusable Reserves	265,041	6,797	271,838
Total Reserves	**318,661**	**7,307**	**325,968**

Audit Differences - Accounts amendments – Comprehensive Income & Expenditure

	Orignal	**Amendment**	**Revised Version**
	£k	**£k**	**£k**
Chief Exec	2,322	0	2,322
Neighbourhood Pride	552	0	552
Planning	5,974	-2	5,972
Culture	4,332	-247	4,085
Corp Services	372	-646	-274
CB Property	-581	-569	-1,150
HR	19	1	20
HRA	-3,179	-448	-3,627
Other	-380	260	-120
Cost of Services	**9,431**	**-1,651**	**7,780**
Other operating Expenditure	-598	146	-452
Financing & Investment Inc & Exp	1,857	-3,713	-1,856
taxation & non-specific grant income	-13,520	65	-13,455
Deficit on prov of services	**-2,830**	**-5,153**	**-7,983**
Surplus on reval of Non Current Assets	-44,078	1,535	-42,543
Re-measurement of net defined benefit liability	9,373	-781	8,592
Other Comprehensive income & expenditure	**-34,705**	**754**	**-33,951**
Total Comprehnsive Inc & Exp	**-37,535**	**-4,399**	**-41,934**

Audit Differences - Accounts amendments – Note 14 & 15

	Orignal	**Amendment**	**Revised Version**
	£k	**£k**	**£k**
Cost/Valuation at 1/4/2020	368,076	1,223	369,299
Additions	8,469	-251	8,218
Reval to RR	44,078	-1,534	42,544
Revalution to CIES	-1,702	-614	-2,316
Disposals	-8,344	6,642	-1,702
Other Derecognition	0	-4,979	-4,979
Reclassifications	0	0	0
Reclassifed Assets held for sale	0	0	0
Cost/Valaution at 31/3/2021	**410,577**	**487**	**411,064**
Acc'd Depreciation at 1/4/2020	-9,986	1,467	-8,519
Depreciation in year	-5,904	-70	-5,974
Depreciation to RR	107	4,630	4,737
Disposal	8,078	-7,972	106
Other Derecognition	0	0	0
Acc'd Depreciation at 31/3/2021	**-7,705**	**-1,945**	**-9,650**
Net Book Value 31/3/2021	**402,872**	**-1,458**	**401,414**
Investment Property NBV	**80,219**	**5,245**	**85,464**

05 Value for Money

Value for money

The Authority's responsibilities for value for money (VFM)

The Authority is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Authority is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the Cipfa code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibility under the new code

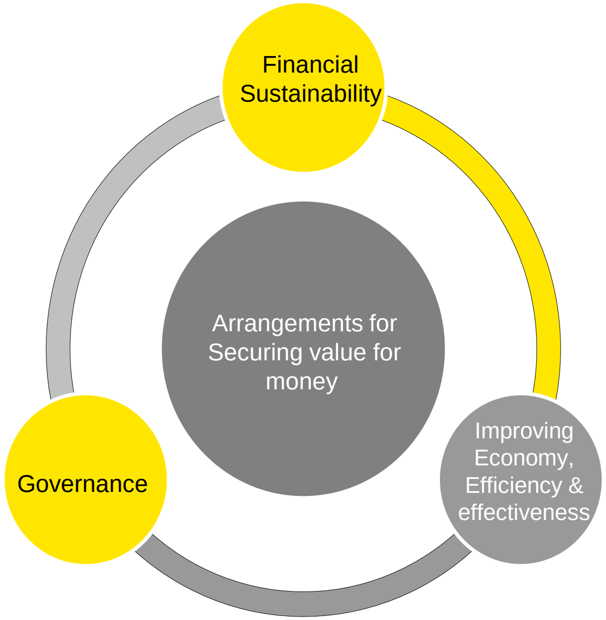
On 1 April 2020, the NAO's new Code of Audit Practice (the 2020 Code) came into force. This sets out how local auditors are expected to approach and report their work on value for money (VFM) arrangements under the new Code and applies to audits of 2020/21 financial statements onwards.

Under the 2020 Code, we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified criteria are:

- *Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;*
- *Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and*
- *Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.*

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.



Value for Money

Risk assessment

In the Audit Planning Report, we reported that we were yet to complete our value for money (VFM) risk assessment but had identified one risk of significant weakness.

We subsequently completed our planning risk assessment and identified one further risk in that the Council did not update, maintain or present risk registers to those charged with governance throughout 2020/21. Additionally, from our work on the financial statements we have identified a number of weaknesses in the internal control environment that should underpin the production of the accounts.

We have concluded our work on the risks identified and concluded that this represents a significant weakness in proper arrangements in relation to the governance criterion. We will modify our audit opinion accordingly.

What is the significant value for money risk?	What arrangements did the risk affect?	What are our findings?
During the audit we identified that management had not undertaken a bank reconciliation in 2019/20 and 2020/21 financial year. *The bank reconciliation is a key financial control in the production of the financial statements and other financial information which the Council rely upon.*	*Governance* *Improving economy, efficiency and Effectiveness*	*During the course of the audit we identified that management had not undertaken a bank reconciliation throughout 2020/21 financial year.* *The Annual Governance Statement has been updated to reflect that the Council did not perform a bank reconciliation between April 2019 and April 2021. The bank reconciliation is a key component of the control environment and necessary for the prevention and detection of fraud and error. As the entity did not perform a bank reconciliation during 2020/21, management would be unable to detect whether their internal reporting throughout the year was materially complete and accurate.* *The issue above is evidence of significant weaknesses in relation to the governance – how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. As a result of this we have issued a modified auditors report in respect of our value for money conclusion.*
Our initial planning procedures highlighted that no risk registers had been prepared in year. *Additionally, our initial work on the financial statements highlighted a number of internal control weaknesses which impacted the quality of financial reporting.*	*Governance* *Improving economy, efficiency and Effectiveness*	*Our planning identified that the Council did not prepare risk registers for the 2020/21 financial year and that risk management was not effectively managed or presented to members throughout the year.* *Our review of the financial statements and subsequent work has highlighted a number of control weaknesses. The accounts prepared for audit were of poor quality and records in support of those in some instances have not been retained. Section 7 of this report details some of the significant control weaknesses identified.* *The issue above is evidence of significant weaknesses in relation to the governance – how the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud. As a result of this we have issued a modified auditors report in respect of our value for money conclusion.*

06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement
We must give an opinion on the consistency of the financial and non-financial information in the 2020/21 Financial Statements document with the audited financial statements. We have no matters to report. *We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance. The draft presented for audit has been revised to ensure it is reflective of the Authority's arrangements in 2020/21, reflecting the issues included within this report in respect of the preparation of accounts and supporting working papers and the wider risk management and governance arrangements in place during 2020/21.* *We have no other matters to report at this stage, however, our work is still ongoing.*

Whole of Government Accounts
The NAO as group auditor has confirmed that no further assurances will be required from us as component auditors in respect of the 2020/21 Whole of Government Accounts submission. *We have no other matters to report at this stage, however, our work is still ongoing.*

Other reporting issues

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

To date we have nothing to report in respect of these matters.

Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- *Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;*
- *Any significant difficulties encountered during the audit;*
- *Any significant matters arising from the audit that were discussed with management;*
- *Written representations we have requested;*
- *Expected modifications to the audit report;*
- *Any other matters significant to overseeing the financial reporting process;*
- *Findings and issues around the opening balance on initial audits (if applicable);*
- *Related parties;*
- *External confirmations; and*
- *Consideration of laws and regulations.*

We have nothing further to report on these issues that is not contained within other sections of our report about the weaknesses identified in the preparation of the financial statements and working papers.

07 Assessment of Control Environment

Assessment of Control Environment

Assessment of Control Environment

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.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed and we considered whether circumstances arising from COVID-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely.

As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

As reported in our audit plan we reported that our initial planning work identified a number of weaknesses in the control environment to produce the financial statements:

- *We did not receive all working papers in line with the agreed timetable;*
- *The quality of the working papers that we did receive within the agreed timetable received was poor and were not of sufficient quality for us to undertake audit testing as needed.*
- *Subsequent working papers that have been received are poor and we have returned a large number of them to officers as they do not reconcile to the draft accounts.*
- *Due to officer changes it is difficult for the current finance team to locate supporting evidence and answer queries about working papers and balances.*
- *The overall quality of the draft 2020/21 accounts submitted for audit is also poor. Based on the Partner and Senior Manager read through of the accounts we have identified a significant number of errors within them. This includes inconsistencies in the figures and narrative, notes not casting and disclosures being incorrect for the Council. The accounts should have been subject to quality review before submission to audit.*
- *We have identified that journals have been posted by the Assistant Director of Finance without any further authorisation or review. This is one of the key risks we look for when undertaking our journal testing. As a result we had to extend our testing to review all such journals, our testing did not identify any further issues to report.*

The combination of the accounts and working papers issues has resulted in issues arising with the audit from day one and significant additional procedures needing to be undertaken to obtain the required assurance to enable us to issue an audit report.

8 Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Authority and its members and senior management and its affiliates, including all services provided by us and our network to the Authority, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table below sets out a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

The agreed fee presented is based on the following assumptions:

- *Officers meeting the agreed timetable of deliverables;*
- *Our accounts opinion and value for money conclusion being unqualified;*
- *Appropriate quality of documentation is provided by the Council; and*
- *The Council has 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 Council in advance.

There will be a significant scale fee variation for the 2020/21 audit to respond to the significant and inherent risks, areas of focus on our audit of the Council's financial statements as well as our work on value for money arrangements as set out in this report.

We have also communicated to management the need for additional fee due to the level of error identified in the draft accounts based on our read through of the accounts and the poor quality working papers provided for audit. The level of audit work being undertaken to get assurance over the transactions and balances in the draft accounts is extensive with the majority of samples needing to be extended to reach a conclusion over the error in the population.

We will report our proposed variations to officers and the Governance and Audit Committee at the conclusion of our 2020/21 audit and before we submit to PSAA for approval and determination.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Fee – Scale Fee	39,692	39,692	39,692
Scale Fee Rebasing: Changes in work required to address professional and regulatory requirements and scope associated with risk (see next page)	To be confirmed	To be confirmed	28,377
Changes in scope	To be confirmed	-	-
Total audit fees	To be confirmed	To be confirmed	68,069

Other communications

EY Transparency Report 2022

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 end 30 June 2022:

EY UK 2022 Transparency Report | EY UK

9 Appendices

Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- *Existence: An asset, liability and equity interest exists at a given date*
- *Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date*
- *Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items*
- *Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded*
- *Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework*

There were no significant changes to our audit approach apart from the additional work we were required to undertake to address the requirements of the new auditing standard on accounting estimates. This primary impacted out audit procedures on:

- *The revaluation of land and buildings classified as Property, Plant and Equipment (PPE), Investment Property (IP) and Surplus Assets.*
- *Pension liability and asset valuation.*

Appendix B

Required communications with the Governance and Audit Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the Governance and Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	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	Audit Results Report

Appendix B

		Our Reporting to you
Required communications	***What is reported?***	***When and where***

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*
	• *Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:*
	  • *Management;*
	  • *Employees who have significant roles in internal control; or*
	  • *Others where the fraud results in a material misstatement in the financial statements.*
	• *The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected*
	• *Any other matters related to fraud, relevant to Governance and Audit Committee responsibility.*
		Audit Results Report

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*	*Audit Results Report*
Independence	*Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, 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*	*Audit Plan* *Audit Results Report*

Appendix B

		Our Reporting to you
Required communications	***What is reported?***	***When and where***
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 related to going concern* • *Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements* • *The appropriateness of related disclosures in the financial statements*	*Audit Results Report*
Misstatements	• *Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation* • *The effect of uncorrected misstatements related to prior periods* • *A request that any uncorrected misstatement be corrected* • *Material misstatements corrected by management*	*Audit Results Report*
Subsequent events	• *Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.*	*Audit Results Report*
External confirmations	• *Management's refusal for us to request confirmations* • *Inability to obtain relevant and reliable audit evidence from other procedures.*	*Audit Results Report*
Consideration of laws and regulations	• *Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur* • *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*	*Audit Results Report*

Appendix B

		Our Reporting to you
Required communications	***What is reported?***	***When and where***
Significant deficiencies in internal controls identified during the audit	• *Significant deficiencies in internal controls identified during the audit.*	*Audit Results Report*
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.*	*N/A*
Written representations we are requesting from management and/or those charged with governance	• *Written representations we are requesting from management and/or those charged with governance*	*Audit Results Report*
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	• *Material inconsistencies or misstatements of fact identified in other information which management has refused to revise*	*Audit Results Report*
Auditors report	• *Key audit matters that we will include in our auditor's report* • *Any circumstances identified that affect the form and content of our auditor's report*	*Audit Results Report*

Management representation letter

To be updated upon completion of our work.