London Borough of Harrow

Planning Report to the Governance, Audit and Risk Management and Standards Committee for the year ending 31 March 2015

the Distinctive audit

16 March 2015

Contents

I am delighted to present this planning report for the 2014/15 audit of the London Borough of Harrow. The report sets out our audit approach and the more significant areas where we will focus our attention this year. As our contract with the Audit Commission comes to an end this is our last year as your auditors - we will continue to deliver an efficient high quality audit.

(Paul Schofield, Audit Partner)

The big picture

The Big Picture

Key developments in your business

- During the year there was a local government election after which David Perry was appointed leader of the Council.
- The post of the Chief Executive was reinstated in the current year. The former Chief Executive, Michael Lockwood, was appointed to this post.
- The 2014-15 Quarter 3 revenue financial monitoring indicates a balanced position.

Key measures from the FY15 Budget (original)

Budget requirement - £174m (2014: £181m)

Amount to be met by government grants and taxpayers - £138m (2014: £145m)

General Fund at 1 April 2014 - £10m

Earmarked revenue reserves at 1 April 2014 - £25m

HRA balance at 1 April 2014 - £3.6m

Surplus on Collection Fund at 1 April 2014 - £1.5m

Estimated materiality

Overall - £7.5m (2013: £7m)
Housing Revenue Account - £2.9m (£2.5m)

Key developments in financial reporting requirements

- There is only one change to accounting guidance which is expected to have a significant impact on the 2014/15 financial statements. This relates to the accounting for non-current assets used by local authority maintained schools (further detail provided on page 12). The Council will need to evaluate the existing accounting treatment for schools in the light of this new guidance. During our initial discussions with management they have indicated that this is not expected to have a significant impact on the Council given the nature of the schools in the Borough.
- The CIPFA/LASAAC Code Board may issue mid-year updates to the Code. Officers should remain alert to pronouncements impacting on 2014/15 financial statements.
- Looking forwards, CIPFA have set out the timetable for the implementation of new guidance for the measurement of transport infrastructure assets. The change in accounting policy will apply for the first time from 1 April 2016 and have a significant impact on the measurement of these assets. The 2014/15 Code explains that the change will require restatement of prior period information in the 2016/17 financial statements. As a result Harrow will also need to maintain records on this new basis from 1 April 2015.

Key developments in our audit response

- No changes to the overall scope of the audit.
- Recognition of grant income identified as an audit risk taking account of the risk of fraud in revenue recognition presumed in auditing standards and in view of the judgements involved in recognition of grant income.
- Risk of management override of controls, as presumed by auditing standards..
- Valuation of properties continues to be an area of audit forcus in view of the judgement involved in estimating the value of the portfolio.
- Valuation of pension liabilities continues to be an area of audit focus due to the complex nature of the calculation and the size of the pension liability.

Statement of Accounts

Changes in your Statement of Accounts
New reporting requirements

We set out for the Governance, Audit, Risk Management and Standards ('GARMS') Committee a summary of the latest developments in financial reporting which will impact this year end.

Changes in Code of Practice on Local Authority Accounting requirements	Impact on the Council
LAAP Bulletin 101 - Accounting for Non-Current Assets Used by Local Authority Maintained Schools – was issued in December 2014. The Bulletin is designed to give practical guidance on the circumstances in which non-current assets should be recognised and accounted for on a local authority balance sheet. The recognition of non-current assets represents a change in accounting policy if those non-current assets are not recognised currently in the Council's balance sheet. Alternatively, application of the guidance might require assets to be derecognised. The Bulletin sets out transitional arrangements for these situations.	The Bulletin provides a generalised accounting analysis for the different categories of schools and conclusion based on the likely situation. However, the guidance emphasises that local authorities will need to determine whether the situation and accounting analysis described in the Bulletin are applicable in each case. During January 2015 we have held discussions with management on their proposed process of accounting for this change. We have requested a detailed assessment of the impact on the Council, including supporting documentation where necessary. The key area of judgement is likely to be around the treatment of voluntary aided schools. We understand that the officers have performed an assessment and have determined that out of the 9 voluntary aided schools in the Borough the decision is clear for 7 schools, whilst the investigation is ongoing for the final 2 schools and the impact of these are yet to be determined.
The provisions relating to accounting for local government reorganisation and other combinations, have been clarified and augmented including a new definition of a function, clarification of the requirements for a transfer by absorption or a transfer by merger and relevant disclosure requirements.	This is not expected to impact on the 2014/15 financial statements as there are not expected to be any relevant transactions.
The 2014/15 Code includes amendments on the presentation of financial statements to reflect the amendments to IAS 1 as required by the Annual Improvements to IFRS 2009–2012 Cycle issued in May 2012 and also to include local authority statutory reporting requirements in the complete list of financial statements	This is not expected to impact on the 2014/15 financial statements in practice.
Amendments to IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Liabilities), December 2011, requiring reference to the amended application guidance for offsetting financial assets and liabilities, where applicable.	This is not expected to impact on the 2014/15 financial statements in practice.
The introduction of the requirements of the five new or amended standards introduced by the IASB in May 2011, ie IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Ventures, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (as amended in 2011) and IAS 28 Investments in Associates and Joint Ventures (as amended in 2011).	This is not expected to impact on the 2014/15 financial statements as group financial statements are not prepared for the Council and officers anticipate that changes to the definitions on control will not in practice change past assessments of whether entities and arrangements in which the Council has an interest will fall within the group accounting boundary.

Changes in your Statement of Accounts
New reporting requirements (continued)

Changes in Code of Practice on Local Authority Accounting requirements	Impact on the Council
A new appendix has been introduced in the 2014/15 Code to confirm for authorities the changes to the future editions of the Code for the measurement of transport infrastructure assets.	This will change significantly the way in which transport infrastructure assets are measured. The change in accounting policy will apply for the first time from 1 April 2016. The 2014/15 Code explains that the change will require restatement of prior period information in the 2016/17 financial statements. As a result the Council will also need to maintain records on this new basis from 1 April 2015. We raised a finding in relation to the maintenance of infrastructure asset information on the fixed asset register after our 2013/14 audit. We recommend that the Council take this into account when planning to respond to this change to the Code.
The Code's adoption of IFRS 13 Fair Value Measurement remains under review and therefore the 2014/15 Code does not include any provisions in relation to this standard. CIPFA/LASAAC will keep authorities advised on the latest position on the developments of this standard on the CIPFA/LASAAC pages of the CIPFA website.	The CIPFA/LASAAC Code Board is in a position to issue mid-year updates to the Code. The Council will need to track developments in this area.

CIPFA provide a disclosure checklist that we recommend management complete in detail to ensure adherence to the areas above which relate to disclosures in the financial statements.

Scope of work and approach

This section sets out our planned scoping for the audit of the financial statements. We discuss our determined materiality and confirm the level of unadjusted misstatements which we will report to you. We confirm the extent to which reliance will be placed on internal controls and how this decision has been reached.

Scope of work and approach

Areas of responsibility under the Audit Commission's Code of Audit Practice

Responsibilities related to the financial statements

We will conduct our audit in accordance with International Standards on Auditing (UK and Ireland) (ISA (UK and Ireland)) as adopted by the UK Auditing Practices Board (APB) and the Audit Commission's Code of Audit Practice. The Council will prepare its accounts under the Code of Local Authority Accounting. There are no significant changes in respect of the scope of our work in relation to this area of responsibility. We are also required to report on the regularity of income and expenditure.

The Annual Governance Statement

We are required to consider the compliance of the disclosures in the Annual Governance Statement with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007 and identify any inconsistencies between the disclosures and the information that we are aware of from our work on the financial statements and other work. We will also review reports from relevant regulatory bodies and any related action plans developed by the Council.

Whole of Government Accounts

Whole of Government Accounts (WGA) are commercial-style accounts covering all the public sector and include some 1,700 separate bodies. Auditors appointed by the Audit Commission have a statutory duty under the Code of Audit Practice to review and report on the Council's whole of government accounts return. Our report is issued to the National Audit Office (NAO) for the purposes of their audit of the Whole of Government Accounts.

Responsibilities related to Harrow Council's use of resources

We are required to satisfy ourselves that the Council has made proper arrangements for securing financial resilience and economy, efficiency and effectiveness in the Council's use of resources.

Our conclusion is given in respect of two criteria:

- Whether the organisation has proper arrangements in place for securing financial resilience; and
- Whether the organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

In discharging this responsibility, we take into account our work on the Annual Governance Statement and the work of regulators.

We then provide a conclusion on these arrangements (our "Value for Money Conclusion") as part of our audit report.

Scope of work and approach
Approach to controls testing

As set out in "Briefing on audit matters" circulated to you in March 2013, a copy of which can be made available, our risk assessment procedures will include obtaining an understanding of controls considered to be 'relevant to the audit'. This involves evaluating the design of the controls and determining whether they have been implemented ("D & I").

The results of our work in obtaining an understanding of controls and any subsequent testing of the operational effectiveness of controls will be collated and the impact on the extent of substantive audit testing required will be considered.

Liaison with internal audit

The audit team, consistent with previous years, will leverage the work performed by internal audit wherever possible to allow efficiencies and limit a duplication of work, as follows:

- We will first update our assessment of the organisational status, scope of function, objectivity, technical competence and due professional care of the internal audit function.
- Over the course of the audit, we will review the findings of internal audit and where internal audit identifies specific material deficiencies in the control environment, we will consider adjusting our testing so that the audit risk is covered by our work.

Our approach takes into account the new restrictions issued by the Financial Reporting Council in June 2013. These create a clear division of responsibility between internal and external audit to safeguard against conflicts of interest.

Materiality and error reporting threshold

For the 2014/15 financial statements, we have estimated materiality based on gross expenditure for the year and the estimated general reserves position.

We have set a lower materiality for the Housing Revenue Account based on that Account's reserves position.

We will report to the Audit and Risk Management Committee on all unadjusted misstatements greater than the reporting threshold shown below and other adjustments that are qualitatively material.

Estimated materiality and error reporting thresholds

Overall

Materiality - £7.5m (2012/13: £7m)
Error reporting threshold - £370k (2012/13: £350k)

Housing Revenue Account

Materiality - £2.9m (2012/13: £2.5m)
Error reporting threshold - £140k (2012/13: £123k)

Significant audit risks

This section sets out our comments regarding the significant audit risks identified. We explain the nature of the risk itself, how these risks will be addressed by our audit work and any related presentational and/ or disclosure matters within the financial statements.

Risk assessment is at the heart of our integrated audit approach as it is only with proper identification of the most significant audit risks, that we are able to provide the highest quality assurance in the most efficient and effective manner.

1. Grant income recognition

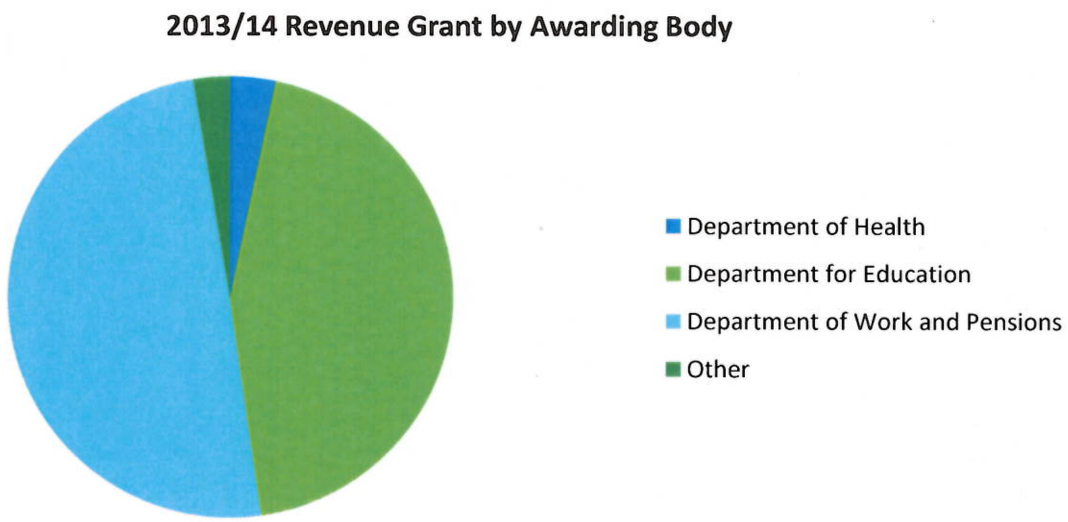
Evaluating whether recognition is consistent with grant terms and conditions can involve significant judgement.

Nature of risk

There is a presumed risk of fraud in revenue recognition identified in the International Standards on Auditing. We have identified a key audit risk related to revenue recognition from grants from fraud or error. This is due to the fact that where grants have conditions attached revenue should only be recognised when such conditions have been met.

Determining if there are conditions attached to a grant and if these conditions have been met can involve significant management judgement. In the prior year revenue grants included within cost of services amounted to £298m (2012/13: £303m).

We illustrate below the revenue grants by awarding body in the 2013/14 financial year:



The key judgement areas and our planned audit challenge

We will examine guidance given to staff on the accounting for grants and associated operating instructions and other arrangements. We will determine whether our work can be further focused on the basis of this.

We will test the design and implementation of key controls that address the risk of incorrect revenue recognition.

We will also carry out extended testing to check that recognition of income properly reflects the grant scheme rules, that entitlement is in agreement with the draft or final grant claim and that the grant control account balance has been properly reconciled.

2. Management override of key controls

We will focus on the testing of journals, significant accounting estimates, and any unusual transactions in the year.

Nature of risk

International Standards on Auditing require auditors to identify a presumed risk of fraud in management override of key controls. This presumed risk cannot be rebutted by the auditor. This recognises that management may be able to override controls that are in place to present inaccurate or even fraudulent financial reports.

The key judgement areas and our planned audit challenge

Our work will focus on:

- the testing of journals, using our proprietary software "Spotlight" to analyse the journal data as a basis for focusing our testing on higher risk journals;
- as a result of our ongoing dialogue with management, we will also focus our attention on provisioning in relation to restructuring to ensure that the conditions to provide are met; and consider any one off transactions impacting reserves in light of the low reserves position;
- any significant accounting estimates in addition to the estimates discussed above in respect of provisioning for provider claims; and
- any unusual transactions, including those with related parties.

Spotlight helps us to deliver audits in a faster, better way.

Spotlight is Deloitte's centralised analytics platform that provides access to pre-built analytics on a growing range of risks and account balances. It allows us to build and configure analytics in a risk-focused and user-friendly way.

Spotlight can be used for financial and analytical review (identifying trends), fraudulent financial reporting through identification of high risk journals, Fixed assets (assessment of additions and recalculating depreciation) accounts payable (assessment of year end payables balance).

We will use Spotlight to give us insight into your annual financials. We will also use Spotlight to identify high risk journals for our testing the specific identified risk of Management override of controls.

Other accounting judgements and issues

We note other accounting judgments and issues which have not currently been identified as significant audit risks

Valuation of properties

- During the prior year we identified a number of findings in relation to the valuation process used by the Council. These matters were discussed with the Council's internal valuation team in January 2015 to ensure that the findings raised will be taken into account in the 2014/15 valuation process.
- We will consider the qualifications, relevant expertise and independence of the valuer engaged by the Council and the instructions and sources of information provided to the valuer, including information on subsequent works to assets. We will include a specialist from our team of valuation specialists in our engagement team to assist in the review of assumptions and the reasonableness of the resulting valuations.
- We have not identified fixed asset accounting as an area of significant audit risk as there is no impact on the General Fund balance from the accounting entries made under IFRS and limited impact on the HRA. However, as this remains an area involving considerable judgement and estimation, we will provide a commentary on the key assumptions used in the valuation of properties in our final report to the GARMS Committee.

Valuation of pension liability

- The valuation of the pension liability continues to be an audit risk in view of the complexity of the judgements and sensitivity of the valuation to small changes in individual assumptions. This is not considered to be a significant risk as this does not impact the general fund, which is a key focus of users of the financial statements. However, given that this is an area of judgement and estimation, we propose to provide enhanced commentary on our review of the assumptions in our final reporting to assist the committee in their scrutiny of this aspect of the financial statements.
- The net liability relating to the pension scheme is substantial, amounting to £338.1m at 31 March 2014, so its calculation is sensitive to comparatively small changes in assumptions made about future changes in salaries, price and pensions, mortality and other key variables. Some of these assumptions draw on market prices and other economic indices and these have become more volatile during the current economic environment.
- We will consider the qualifications, expertise and independence of the actuary engaged by The Council and the instructions and sources of information provided to the actuary.
- We will include a specialist from our team of actuaries in our engagement team to assist in the review and challenge of assumptions used to calculate the pension liability and related in year transactions and the reasonableness of the resulting accounting entries.

Other accounting judgements and issues (continued)

We note other accounting judgments and issues which have not currently been identified as significant audit risks

Accounting for non-current assets used by local authority maintained schools

- LAAP BULLETIN 101 - Accounting for Non-Current Assets Used by Local Authority Maintained Schools – was issued in December 2014. The Bulletin is designed to give practical guidance on the circumstances in which non current assets should be recognised and accounted for on a local authority balance sheet.
- The recognition of the non-current assets outlined above will be deemed to be a change in accounting policy if non-current assets are not recognised currently in the local authority balance sheets. Alternatively, it might require assets to be derecognised. The Bulletin sets out transitional arrangements for these situations.
- The Bulletin provides a generalised accounting analysis for the different categories of schools and conclusion based on the likely situation.
- However, the guidance emphasises that local authorities will need to determine whether the situation and accounting analysis described in the Bulletin are applicable in each case.
- We will assess the design of the Council's arrangements for reviewing the accounting for non-current assets used by schools in the light of the guidance provided in the Bulletin.
- We will test key information and assumptions used in the analysis made to supporting documentation and challenge the Council's analysis in the light of guidance in the Bulletin and other relevant accounting guidance.
- As part of our procedures to address the risks of management override of controls we will review the appropriateness of judgements made by management in accounting for this change.

Value for money conclusion

Value for money conclusion

Our work will focus on the establishment of key governance arrangements during the first year of operation

Scope

Under the Code of Audit Practice 2010 we are required to include in our audit report a conclusion on whether the London Borough of Harrow has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources in respect of the Council - this conclusion is known as "the VFM conclusion".

Specified criteria for auditors' VFM conclusion	Focus of the criteria for 2015
The organisation has proper arrangements in place for securing financial resilience.	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Approach to our work

We draw sources of assurance relating to our VFM responsibilities from:

- the audited body's system of internal control as reported on in its Annual Governance Statement;
- the results of the work of the Commission, other inspectorates and review agencies to the extent that the results come to our attention and have an impact on our responsibilities;
- any work mandated by the Commission – of which there was none in 2014; and
- any other locally determined risk-based VFM work that auditors consider necessary to discharge their responsibilities.

Risk assessment

Our preliminary assessment is that there were no risks in relation to our VFM responsibilities which require local work to be carried out and we have therefore not identified any risks or additional local studies in our audit plan.

We will carry out a detailed risk assessment to take account of the latest refresh of the Medium Term Financial Strategy, as well as the outturn financial and performance information for 2014/15. We will also consider past results of our VFM assessment and key changes that took place in the current financial year, such as those discussed in the executive summary of this report. The risk assessment involves consideration of common risk factors for local authorities identified by the Audit Commission, concluding on whether they represent actual risks for the purpose of our VFM conclusion on the Council. We will undertake this work through review of relevant documentation, including committee papers and discussion with officers. We will also consider whether there are other risks which might be specific to the Council. We will do this principally through our consideration of what has been reported in the Annual Governance Statement, matters reported by regulators and other matters which have come to our attention from our work carried out in relation to our other Code responsibilities.

Responsibility statement

Purpose of our report and responsibility statement

Our report is designed to help you meet your governance duties

What we report

Our report is designed to establish our respective responsibilities in relation to the financial statement audit, to agree our audit plan and to take the opportunity to ask you questions at the planning stage of our audit. Our report includes:

- Our audit plan, including key audit judgements and the planned scope and timing of our audit
- Key regulatory and corporate governance updates, relevant to you on request.

What we don't report

- As you will be aware, our audit is not designed to identify all matters that may be relevant to Governance, Audit and Risk Management Committee.
- Also, there will be further information you need to discharge your governance responsibilities, such as matters reported on by management or by other specialist advisers.
- Finally, the views on internal controls and business risk assessment in our final report should not be taken as comprehensive or as an opinion on effectiveness since they will be based solely on the audit procedures performed in the audit of the financial statements and the other procedures performed in fulfilling our audit plan.

Other relevant communications

- This report should be read alongside the supplementary "Briefing on audit matters" circulated to you in March 2013, a copy of which can be made available.
- We will update you if there are any significant changes to the audit plan.

We welcome the opportunity to discuss our report with you and receive your feedback.

Deloitte LLP

Deloitte LLP
Chartered Accountants

Cambridge
16 March 2015

This report has been prepared for the Governance, Audit and Risk Management Committee, as a body, and we therefore accept responsibility to you alone for its contents. We accept no duty, responsibility or liability to any other parties, since this report has not been prepared, and is not intended, for any other purpose. Except where required by law or regulation, it should not be made available to any other parties without our prior written consent.

Appendices

Appendix 1: Prior year misstatements
We remind you of prior year misstatements

Uncorrected audit adjustments

The following misstatements were identified in the prior year that were not corrected in the financial statements:

Description	Assets DR / (CR) £ '000	Liabilities DR / CR) £ '000	Equity DR / (CR) £ '000	Income Statement DR / (CR) £ '000
HRA Revaluation difference due to change in HPI between preparation of account and audit date	691	(691)		

Disclosure misstatements

Auditing standards require us to highlight significant disclosure misstatements to enable audit committees to evaluate the impact of those matters on the financial statements.

We have not identified any disclosure deficiencies during our audit of the 2013/14 financial statements of the Council.

Appendix 2: Independence and fees

We confirm we are independent of the London Borough of Harrow

As part of our obligations under International Standards on Auditing (UK & Ireland), the Listing Rules and the Companies Act, we are required to report to you on the matters listed below:

Independence confirmation	We confirm we are independent of the London Borough of Harrow and will reconfirm our independence and objectivity to the Governance, Audit and Risk Management Committee for the year ending 31 March 2015 in our final report to the Audit and Risk Management Committee.
Fees	Details of the non-audit services fees proposed for the period have been presented separately below.
Non-audit services	In our opinion there are no inconsistencies between APB Revised Ethical Standards for Auditors and the non-audit services performed or proposed or any apparent breach of that policy. We continue to review our independence and ensure that appropriate safeguards are in place including, but not limited to, the rotation of senior partners and professional staff and the involvement of additional partners and professional staff to carry out reviews of the work performed and to otherwise advise as necessary.

Appendix 2: Independence and fees (continued)

We summarise earned or proposed audit and non audit fees for the year

The professional fees earned or proposed by Deloitte in the period from 1 April 2014 to 31 March 2015 are as follows:

	Current year £000	Prior year £000
Fees payable in respect of our work under the Code of Audit Practice	196	196
Fees payable in respect of our work under the Code of Audit Practice – extensions to audit work	8	8
Fees payable in respect of our work under the Code of Audit Practice - in respect of the WGA return	5	5
Fees payable in respect of the certification of grants	40	40
Fees payable in respect of our work under the Code of Audit Practice in respect of the Pension Fund	21	21
Fees payable in respect of work not performed under the Code of Audit Practice [1]	4	4
Fees payable in respect of non-audit services [2]	6	-

[1] Fees related to certification of grants not covered by the Audit Commission contract

[2] These fees relate to advice provided by our VAT advisory team.

Appendix 3: Fraud: responsibilities and representations

We summarise our respective responsibilities regarding fraud

Characteristics

- Misstatements in the financial statements can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional.
- Two types of intentional misstatements are relevant us as auditors – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.

Responsibilities

Your responsibilities	Our responsibilities
• The primary responsibility for the prevention and detection of fraud rests with management and those charged with governance, including establishing and maintaining internal controls over the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations	• We are required to obtain representations from your management regarding internal controls, assessment of risk and any known or suspected fraud or misstatement. • As auditors, we obtain reasonable, but not absolute, assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error. • As set out in Section 2 above we have identified the risk of fraud in revenue recognition and management override of controls as a key audit risk for your organisation.

Appendix 3: Fraud: responsibilities and representations (continued)

We will make inquiries and obtain representations regarding fraud

We will make the following inquiries regarding fraud:

Management	Internal Audit	Those charged with governance
Management's assessment of the risk that the financial statements may be materially misstated due to fraud including the nature, extent and frequency of such assessments Management's process for identifying and responding to the risks of fraud in the entity Management's communication to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity Management's communication, if any, to employees regarding its views on business practices and ethical behaviour Whether management has knowledge of any actual, suspected or alleged fraud affecting the entity	Whether internal audit has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud	How those charged with governance exercise oversight of managements processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks Whether those charged with governance have knowledge of any actual, suspected or alleged fraud affecting the entity

We will request the following to be stated in the representation letter signed on behalf of the Council:

- We acknowledge our responsibilities for the design, implementation and maintenance of internal control to prevent and detect fraud and error.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We are not aware of any fraud or suspected fraud / We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and] that affects the entity or group and involves:

(i) management;

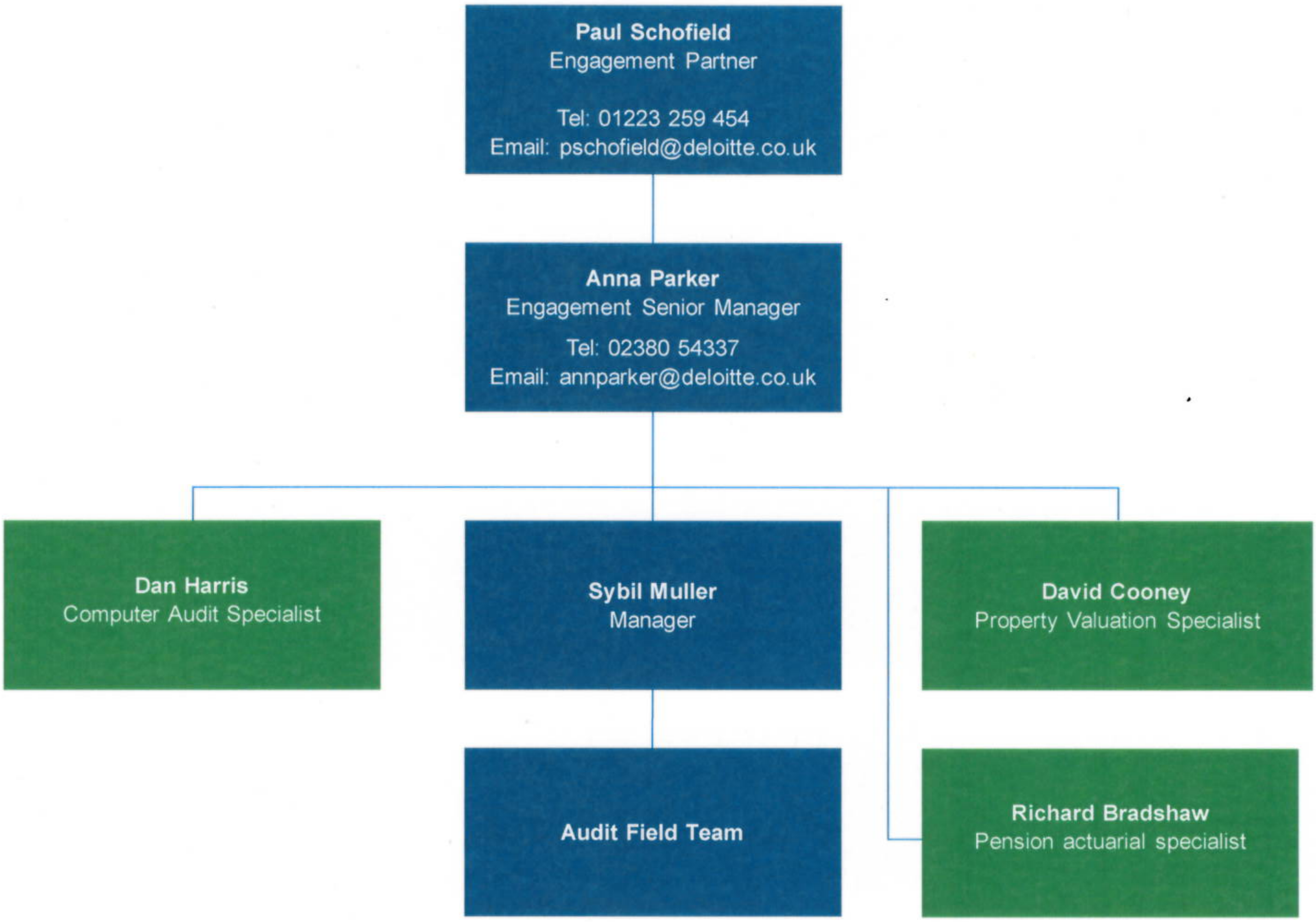
(ii) employees who have significant roles in internal control; or

(iii) others where the fraud could have a material effect on the financial statements.

- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Appendix 4: Your audit team

We set out key members of your audit team



Appendix 5: Timetable

We summarise the timing of the key phases of the audit

Set out below is the approximate expected timing of our reporting and communication with you.

Planning	Interim audit	Year end work	Reporting	Post reporting
Planning meetings to • confirm our risk assessment and management response; and • agree on key judgemental accounting issues Agree audit plan	Update discussions of key audit and business risks and testing of controls to mitigate significant audit risks Review of relevant internal audit work Update understanding of systems, controls and developments in the business Performance of work in support of value for money conclusion	Performance of substantive testing Finalisation of work in support of value for money conclusion Review of annual accounts Audit issues meeting Work to support assurance statement on WGA return.	Final Audit and Risk Management Committee meeting Issuance of • audit report and opinion • value for money conclusion • limited assurance opinion on the WGA return	Audit feedback meeting Presentation of letter of recommendation on control improvements (if applicable) Issue of annual audit letter and presentation to the Audit and Risk Management Committee
Feb-Mar 2015	April 2015	June–July 2015	Aug-Oct 2015	Sep-Oct 2015

Ongoing communication and feedback

Our interim work will be carried out over one week, commencing 6 April 2015.

Our final audit visit will commence on 29 June 2015 and run through to completion of the fieldwork expected at the end of August 2015.

The work to support our limited assurance report on the WGA return will take place in September 2015 and we expect to issue our assurance report at the end of September 2015.

We expect to issue our annual audit letter in October 2015.