

TITLE	Ernst & Young External Audit Annual Audit Plan 2013/14
FOR CONSIDERATION BY	Audit Committee on 1 July 2014
WARD	None Specific
DIRECTOR	Julie Holland, Service Manager, Business Improvement (and Head of Internal Audit)

OUTCOME / BENEFITS TO THE COMMUNITY

The plan details the external audit work Ernst & Young proposes to undertake for the audit of financial statements for 2013/14. It also outlines the focus of Ernst & Young's work that needs to be carried out to enable a Value for Money Conclusion to be reached.

The work of Ernst & Young provides external validation of the Council's financial statements and Value for Money ensuring they provide a fair and accurate representation to stakeholders, including the Audit Committee.

RECOMMENDATION

That the Audit Committee approve the Ernst & Young External Audit Plan for 2013/14.

SUMMARY OF REPORT

The External Audit Plan provides information to the Audit Committee on the responsibilities of Ernst & Young, the audit approach they intend to adopt, their testing strategy and a timetable of their work and reporting deadlines.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	N/A	N/A	N/A
Next Financial Year (Year 2)	N/A	N/A	N/A
Following Financial Year (Year 3)	N/A	N/A	N/A

Other financial information relevant to the Recommendation/Decision
N/A

Cross-Council Implications
N/A

Reasons for considering the report in Part 2
N/A

List of Background Papers
Accounts and Audit Regulations 2011

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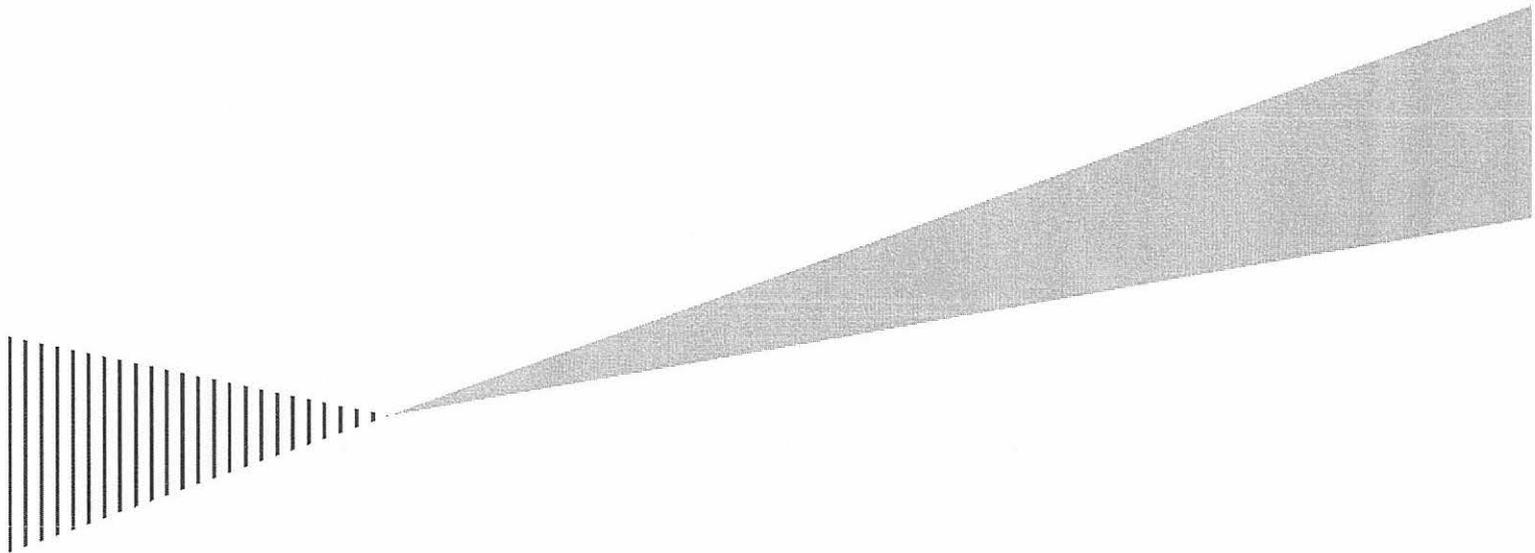
Audit Plan

Year end 31 March 2014

Wokingham Borough Council

April 2014

Ernst & Young LLP



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working world



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Councillor Barrie Patman
Vice Chair of the Audit Committee
Wokingham Borough Council
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Dear Barrie,

Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. The purpose of this report is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2013-14 audit, in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements, but also to ensure that our audit is aligned with the Committee's service expectations.

This report summarises our assessment of the key risks which drive the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks.

We welcome the opportunity to discuss this report with you at the next meeting of the Audit Committee on 1 July 2014 as well as understand whether there are other matters which you consider may influence our audit.

Yours sincerely

Maria Grindley
Audit Director
For and on behalf of Ernst & Young LLP
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1. Overview

Context for the audit

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

- ▶ our audit opinion on whether the financial statements of Wokingham Borough Council give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended; and,
- ▶ a statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

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

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

- ▶ strategic, operational and financial risks relevant to the financial statements;
- ▶ developments in financial reporting and auditing standards;
- ▶ the quality of systems and processes;
- ▶ changes in the business and regulatory environment; and,
- ▶ management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter. And by focusing on the areas that matter, our feedback is more likely to be relevant to the Council.

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

At this stage, we do not feel that the overall level of risk in relation to the audit of your financial statements or in relation to our Value for Money conclusion is significantly different from last year.

We have identified two significant risks in relation to our audit of your financial statements and these are outlined in section 2 of this Plan. We will update the Audit Committee on the results of our work in these areas in our 'Report to those charged with governance', scheduled for delivery in September 2014.

Our process and strategy

▶ Financial Statement Audit

When considering the results of our audit work, we consider them in the context of their materiality to the statements as a whole. Our materiality figure is determined by reference to your gross revenue expenditure on services as we believe this is the measure that is most important to users of the financial statements themselves;

Where possible we will seek to rely on the controls in your systems; therefore reducing the year-end testing required; In completing this work, to the fullest extent permissible by auditing standards, we will seek to place reliance on the work of Internal Audit wherever possible. To this end we have a good working arrangement with Internal Audit and regularly discuss audit coverage and the issues arising from our respective audit work.

Our audit fee is based on the presumption that we will be able to place appropriate reliance on Internal Audit's own work to support your objectives.

Appendix C provides an overview of the nature of our planned approach to work performed by Hazlewoods in respect of the financial statements of your subsidiaries and our general approach to the audit of your group statements.

▶ Arrangements for securing Economy, Efficiency and Effectiveness

We adopt an integrated audit approach such that our work on the financial statements audit feeds into our consideration of the arrangements in place for securing economy, efficiency and effectiveness.

Our work will focus on whether there are proper arrangements in place:

- ▶ for securing financial resilience at the Council; and,
- ▶ to secure economy, efficiency and effectiveness in the use of resources.

In line with the Code of Audit Practice our work on this area comprises:

- ▶ reviewing your annual governance statement;
 - ▶ reviewing the results of the work of other relevant regulatory bodies or inspectorates, to consider whether there is any impact on our audit responsibilities; and,
 - ▶ undertaking other local risk-based work as appropriate, or any work mandated by the Commission
- ### ▶ Whole of Government Accounts

We undertake this work on behalf of the National Audit Office and in accordance with their instructions to component auditors.

2. Financial Statement Risks

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

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

Significant risks (including fraud risks)	Our audit approach
Accounting for local retention of business rates	
<p>The new system of local retention of business rates assumes that authorities will receive their baseline funding level as income.</p> <p>If the Council receives a higher or lower figure than that, there may be additional disclosures and accounting entries in your financial statements. These entries are new and therefore subject to increased inherent risk of error.</p> <p>Alongside this, where rating appeals are successful, monies to settle the appeals will now come out of local authority funds. This includes not only claims from 1 April 2013 but also those relating to periods before the introduction of the business rates retention scheme. As appeals are to the Valuation Office, there is increased risk that the Council may not be aware of the level of claims made. This could reduce the reliability of any provision you make against these liabilities.</p>	<p>Based on the requirements of auditing standards our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Identifying how the Council plans to approach the preparation of accounting entries related to local retention of business rates; ▶ Consideration of the effectiveness of management's controls designed to oversee this process; ▶ Determining an appropriate risk based strategy to address identified risks of material misstatement; ▶ Performing mandatory procedures regardless of specific risks.
Management override	
<p>As identified in ISA (UK & Ireland) 240, management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; ▶ Reviewing accounting estimates for evidence of management bias; and ▶ Evaluating the business rationale for significant unusual transactions.

Respective responsibilities in relation to fraud and error

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

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

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

- ▶ identifying fraud risks during the planning stages;
- ▶ enquiry of management about risks of fraud and the controls put in place to address those risks;
- ▶ understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ consideration of the effectiveness of management's controls designed to address the risk of fraud;
- ▶ determining an appropriate strategy to address those identified risks of fraud; and,
- ▶ performing mandatory procedures regardless of specifically identified fraud risks.

3. Economy, Efficiency & Effectiveness

We have a specific duty to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources

In planning our work we have considered if there are any significant risks of giving a wrong conclusion, with emphasis on:

1. whether the Council has proper arrangements in place to secure financial resilience; and
2. whether the Council has established proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

Our work to date has involved considering:

- ▶ the Council's own assessment of the risks it faces, and its arrangements to manage and address these risks;
- ▶ evidence gained from previous audit work, including the response of the Council to this work; and,
- ▶ the work of the Audit Commission, other inspectorates and review agencies.

At the date of this report we have not identified any significant risks to our value for money conclusion that would require specific risk-based work to ensure we can issue a safe value for money conclusion. We acknowledge however the ongoing financial pressures faced by the Council and the importance of maintaining the Council's sound approach to responding to this agenda, we will therefore update our understanding of the following area to support our value for money conclusion.

Other risks	Our audit approach	
Managing Finances		
<p>The current financial pressure on local authorities and the impact and necessity for continuous focus on financial resilience and use of resources represents a significant challenge over the medium term.</p>	<p>Economy, efficiency and effectiveness</p> <p>Financial resilience</p>	<p>Our approach will focus on a critical review of the Council's Medium Term Financial Plan.</p>

4. Our audit process and strategy

4.1 Objective and scope of our audit

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

- i) financial statements; and,
- ii) arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

i) Financial Statement Audit

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

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

ii) Arrangements for securing economy, efficiency and effectiveness

The Code sets out our responsibility to satisfy ourselves that the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. In arriving at our conclusion, to the fullest extent possible we will place reliance on the reported results of the work of other statutory inspectorates in relation to corporate or service performance. In examining the Council's corporate performance management and financial management arrangements we have regard to the following criteria and areas of focus specified by the Audit Commission:

- ▶ arrangements for securing financial resilience – whether the Council has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future; and,
- ▶ arrangements for securing economy, efficiency and effectiveness – whether the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

4.2 Audit process overview

Our approach is to assess the Council's level of internal controls and to place reliance upon those controls where our assessment allows.

In doing so, we will look to rely on the work of Internal Audit as much as possible whilst complying with the requirements of auditing standards.

Processes

Our initial assessment of the key processes across the entity has identified the following key processes where we will develop a programme to test controls where appropriate:

- cash and Bank;
- accounts payable;
- accounts receivable; and,
- housing benefits.

Analytics

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

These tools:

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

We will report any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Audit Committee.

Internal audit

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

Our audit fee assumes that we will be able to place the maximum reliance on the work of Internal Audit within the boundaries specified by the Audit Commission and auditing standards.

Use of experts

In producing the financial statements, management will place reliance on the work undertaken by a small number of experts, we anticipate being able to undertake sufficient procedures such that we will be able to place reliance on the work undertaken by management's experts.

We also anticipate relying on the work of the experts commissioned by the Audit Commission in respect of the work undertaken by the pension scheme actuary for the Berkshire Pension Fund.

We will utilise specialist Ernst & Young resource, as necessary, to help us to form a view on any material judgments made in the financial statements.

Mandatory procedures required by auditing standards and the Code of Audit Practice for Local Government

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

- ▶ addressing the risk of fraud and error;
- ▶ significant disclosures included in the financial statements;
- ▶ entity-wide controls;
- ▶ auditor independence;
- ▶ reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance Statement; and,
- ▶ reviewing and reporting on the Whole of Government accounts return, in line with the instructions issued by the NAO.

Other procedures

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

4.3 Materiality

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

We have determined that the overall materiality for the financial statements of the Council is £6.561m million based on 2% of gross revenue expenditure. We will communicate uncorrected audit misstatements greater than £328k to you.

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

4.4 Fees

The Audit Commission has published a scale fee for all authorities. The scale fee is defined as the fee required by auditors to meet statutory responsibilities under the Audit Commission Act in accordance with the Code of Audit Practice 2010. The indicative fee scale for the audit of the Council is £139,752.

4.5 Your audit team

The engagement team is led by Maria Grindley (Director), who has significant local government experience. Maria is supported by Mark Catlow (Senior Manager) who is responsible for the day-to-day direction of audit work and is the key point of contact for the Director of Finance and Resources.

4.6 Timetable of communication, deliverables and insights

We have set out below a timetable showing the key stages of the audit, including the value for money work and the whole of government accounts; and the deliverables we have agreed to provide to you through the Audit Committee cycle in 2014. These dates are determined to ensure our alignment with the Audit Commission's rolling calendar of deadlines.

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

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

Audit phase	Timetable	Committee timetable	Deliverables
High level planning:	March 2013 and February 2014		Audit Fee letter provided April 2013
Risk assessment	February 2014	1 July 2014	Audit Plan
Testing of routine processes and controls	March – April 2014		
Year-end audit	July – August		
		23 September 2014	Report to those charged with governance
			Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources).
			WGA reporting to NAO
			Audit completion certificate
	October		Annual Audit Letter

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

5. Independence

5.1 Introduction

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

Required communications	
Planning stage	Final stage
<ul style="list-style-type: none"> ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ▶ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▶ The overall assessment of threats and safeguards; ▶ Information about the general policies and process within EY to maintain objectivity and independence. 	<ul style="list-style-type: none"> ▶ A written disclosure of relationships (including the provision of non-audit services) that bear on our objectivity and independence, the threats to our independence that these create, any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▶ Details of non-audit services provided and the fees charged in relation thereto; ▶ Written confirmation that we are independent; ▶ Details of any inconsistencies between APB Ethical Standards, the Audit Commission’s Standing Guidance and your policy for the supply of non-audit services by EY and any apparent breach of that policy; and ▶ An opportunity to discuss auditor independence issues.

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

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

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

5.2 Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any.

Self interest threats

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

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

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

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. We have considered the nature and scope of non-audit services provided to the Council, as set out in appendix A, and are satisfied that there are no self review threats at the date of this report

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your entity. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work. There are no management threats at the date of this report

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.

Overall Assessment

We have not identified any threats and can therefore confirm that EY is independent and the objectivity and independence of your audit engagement partner and the audit engagement team have not been compromised.

5.3 Other required communications

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year ended 28 June 2013 and can be found here:

<http://www.ey.com/UK/en/About-us/EY-UK-Transparency-Report-2013>

Appendix A Fees

A breakdown of our agreed fee is shown below.

	Planned Fee 2013-14	Actual Fee 2012-13	Explanation of variance
	£'000	£'000	
Total Audit Fee - Code work	139,752	139,752	
Certification of claims and returns	9,178	20,131	See below
Non-audit work	15,333	24,000	See below

Certification fees

The original scale fee for your 2012-13 certification work was £9,900. The final fee for certifying your claims and returns for 2012-13 includes the following variations to scale fees which have been approved by the Audit Commission and were communicated to the Council on 15 April 2014.

- PEN05 - Teacher's Pensions £2,180
- LA01 - National Non-Domestic Rates £1,671
- CFB06 - Pooling of capital receipts £774
- BEN01 - Housing and Council Tax Benefits £5,606

Non-audit work

We provided financial analysis in respect of its on-going discussions on with FCC Environment (previously named Waste Recycling Group) to Wokingham, Bracknell Forest & Reading Councils.

Fee assumptions

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

- ▶ officers meet the agreed timetable of deliverables;
- ▶ we are able to place reliance, as planned, on the work of Internal Audit;
- ▶ the level of risk in relation to the audit of the financial statements is consistent with that in the prior year;
- ▶ no significant changes being made by the Audit Commission to the use of resources criteria on which our conclusion will be based;
- ▶ our financial statements opinion and use of resources conclusion being unqualified;

Fees

- ▶ Wokingham Housing Limited and Wokingham Enterprises Limited's financial transactions are not material to the group financial statements of the Council;
- ▶ appropriate quality of documentation is provided by the audited body; and,
- ▶ 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 you in advance.

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

Our fee for the certification of grant claims is based on the indicative scale fee set by the Audit Commission.

Appendix B UK required communications with those charged with governance.

There are certain communications that we must provide to the audit committee of audited clients. These are detailed here:

Required communication	Reference
Planning and audit approach	
Communication of the planned scope and timing of the audit including any limitations.	Audit Plan Audit Committee 1 July 2014
Significant findings from the audit	
<ul style="list-style-type: none"> ▶ 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 	<p>Report to those charged with governance Audit Committee 23 September 2014</p> <p>Annual Audit Letter Audit Committee</p>
Misstatements	
<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ In writing, corrected misstatements that are significant 	<p>Report to those charged with governance Audit Committee 23 September 2014</p>
Fraud	
<ul style="list-style-type: none"> ▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	<p>Report to those charged with governance Audit Committee 23 September 2014</p>
Related parties	
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ 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 	<p>Report to those charged with governance Audit Committee 23 September 2014</p>
External confirmations	
<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures 	<p>Report to those charged with governance Audit Committee 23 September 2014</p>

Required communication	Reference
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	<p>Report to those charged with governance Audit Committee 23 September 2014</p>
<p>Group audits</p> <ul style="list-style-type: none"> ▶ 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 	<p>Audit Plan Audit Committee 1 July 2014</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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 	<p>Audit Plan Audit Committee 1 July 2014</p> <p>Report to those charged with governance Audit Committee 23 September 2014</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on Ernst & Young's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ 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 	<p>Audit Plan Audit Committee 1 July 2014</p> <p>Report to those charged with governance Audit Committee 23 September 2014</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	<p>Report to those charged with governance Audit Committee 23 September 2014</p>

UK required communications with those charged with governance.

Required communication	Reference
Significant deficiencies in internal controls identified during the audit	Report to those charged with governance Audit Committee 23 September 2014
Certification work	Annual Report to those charged with governance summarising grant certification Audit Committee
▶ Summary of certification work undertaken	
Fee Information	
▶ Breakdown of fee information at the agreement of the initial audit plan	Audit Plan Audit Committee 1 July 2014
▶ Breakdown of fee information at the completion of the audit	Report to those charged with governance Audit Committee 23 September 2014

Appendix C Detailed Scopes

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

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

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

The preliminary audit scopes we have adopted to enable us to report on the group accounts are set out below. Our audit approach is risk based, and therefore the data below on coverage of turnover and profit before tax is provided for your information only.

Group audit scope	Number of locations
Full	1
Specific	0
On site limited	0
Off site limited (desktop)	0

The one location included as a full scope review relates to Optalis Limited. For 2013-14, we have determined that the nature and extent of financial transactions undertaken by Wokingham Housing Limited and Wokingham Enterprises Limited are unlikely to be significant to the Council's group financial statements and we currently do not plan to perform specific audit procedures on these subsidiaries.

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

Location name

Optalis	<p>We will review the final audited financial statements of Optalis Ltd, and the auditor's board report when performing our tests of consolidation and analytical review of the amounts feeding into the group statements.</p> <p>We have written to the auditor of Optalis Ltd (Hazlewoods) advising them of our intention to consider their work and have provided group instructions for them to complete and return to ourselves as principal auditor of the group.</p>
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