

POLICE & CRIME COMMISSIONER FOR LEICESTERSHIRE JOINT AUDIT, RISK & ASSURANCE PANEL

PAPER MARKED

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Report of	OFFICE OF POLICE & CRIME COMMISSIONER
Subject	EXTERNAL AUDIT PROCESS 2013/14
Date	WEDNESDAY 21 MAY 2014 – 1.00 P.M.
Author :	CHIEF FINANCE OFFICER

Purpose of Report

1. To provide an update on progress against the Audit Plan since the last meeting, including the conclusions from the interim audit visit which took place during March 2014.

Recommendation

2. The Panel is recommended to note the report.

Background

3. Price Waterhouse Coopers (PWC) presented a joint Audit Plan to JARAP on 26 March 2014, which set out the plans for the future Audits which included key areas of risk and the proposed approach to those risks.

Implications

Financial: none.

Legal: none.

Equality Impact Assessment: none.

Risks and Impact: none.

Link to Police and Crime Plan: none

List of Attachments / Appendices

Appendix 1 – Police Risk Register Analysis

Appendix 2 – External Audit Progress Report

Background Papers

Persons to Contact

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Police Risk Register Analysis

May 2014



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INTRODUCTION

Baker Tilly Risk Advisory LLP is the leading provider of Internal Audit services to a large number of Police & Crime Commissioners and Chief Constables across England and Wales. We are increasingly being asked for comparative data in relation to Risk Management and 'how do we compare?' and 'are we missing any significant risks?' These questions are being posed by both management and Audit Committees and this paper seeks to provide some information that helps to inform the answers.

We have therefore undertaken an analysis of the Strategic Risk Registers across 11 of our Office of the Police and Crime Commissioners (OPCC) and Force clients to identify key themes and trends. This includes a range of risk registers which are OPCC only, Force only and Joint OPCC and Force. We have focussed the analysis on the strategic risk registers some key operational risks.

1. OVERVIEW

The table below is a full breakdown of all risks sorted by appropriate category across police forces and OPCCs. This is then split into a further analysis of OPCC, Force and Joint risks. A further breakdown on these results can be found in section 2 of this report.

Risk Groupings – Descriptive Coding	Number	Percentage	% Rounded
1. Operations	43	11.44%	11%
2. Financial	43	11.44%	11%
3. Partnerships / collaboration	31	8.24%	8%
4. Information Technology	30	7.98%	8%
5. Personnel	29	7.71%	8%
6. Strategic Planning / Targets / Objectives	28	7.45%	7%
7. Regulation / Compliance / Standards	26	6.91%	7%
8. Business Development / Project Implementation	25	6.65%	7%
9. Governance	17	4.52%	5%
10. Community Engagement	12	3.19%	3%
11. Estates / Facilities	11	2.93%	3%
12. External	11	2.93%	3%
13. Reputation	11	2.93%	3%
14. Accountability	9	2.39%	2%
15. Data Management	9	2.39%	2%
16. Relationships	8	2.13%	2%
17. Business Continuity Systems	7	1.86%	2%
18. Leadership	6	1.60%	2%
19. Units / Departments Resource	6	1.60%	2%
20. Environmental	4	1.06%	1%
21. Licensing	4	1.06%	1%
22. Complaints	3	0.80%	1%
23. Efficiency	3	0.80%	1%
Total	376	100.00%	100%

OPCC, Force and Combined split

	Number of Risks	Percentage
Force Risks	183	48.67%
OPCC Risks	168	44.68%
Joint Risks	25	6.65%
Total	376	100.00%

Force Risks Only

Force Risk Groupings – Descriptive Coding	Number	Percentage
1. Operations	31	16.9%
2. Information Technology	24	13.1%
3. Financial	17	9.3%
4. Business Development / Project Implementation	15	8.2%
5. Personnel	13	7.1%
6. External	11	6.0%
7. Partnerships / collaboration	10	5.5%
8. Strategic Planning / Targets / Objectives	10	5.5%
9. Regulation / Compliance / Standards	10	5.5%
10. Estates / Facilities	8	4.4%
11. Data Management	8	4.4%
12. Business Continuity Systems	6	3.3%
13. Reputation	5	2.7%
14. Licensing	4	2.2%
15. Environmental	3	1.6%
16. Community Engagement	2	1.1%
17. Relationships	2	1.1%
18. Units / Departments Resource	2	1.1%
19. Governance	1	0.6%
20. Efficiency	1	0.6%
21. Accountability	0	0.0%
22. Leadership	0	0.0%
23. Complaints	0	0.0%
Total	183	100.2%

OPCC Risks Only

OPCC Risk Groupings – Descriptive Coding	Number	Percentage
1. Financial	21	12%
2. Partnerships / Collaboration	19	11%
3. Strategic Planning / Targets / Objectives	16	9.50%
4. Regulation / Compliance / Standards	16	9.50%
5. Personnel	14	8%
6. Governance	13	8%
7. Operations	11	7%
8. Business Development / Project Implementation	9	5%
9. Community Engagement	9	5%
10. Accountability	7	4%
11. Information Technology	5	3%
12. Reputation	5	3%
13. Relationships	5	3%
14. Units / Departments Resource	4	2%
15. Estates / Facilities	3	2%
16. Leadership	3	2%
17. Complaints	3	2%
18. Efficiency	2	1%
19. Data Management	1	1%
20. Business Continuity Systems	1	1%
21. Environmental	1	1%
22. External	0	0%
23. Licensing	0	0%
Total	168	100%

Joint Risks Only

Combined Risk Groupings – Descriptive Coding	Number	Percentage
1. Financial	5	20%
2. Governance	3	12%
3. Leadership	3	12%
4. Personnel	2	8%
5. Partnerships / Collaboration	2	8%
6. Strategic Planning / Targets / Objectives	2	8%
7. Accountability	2	8%
8. Operations	1	4%
9. Information Technology	1	4%
10. Business Development / Project Implementation	1	4%
11. Reputation	1	4%
12. Community Engagement	1	4%
13. Relationships	1	4%
14. External	0	0%
15. Regulation / Compliance / Standards	0	0%
16. Estates / Facilities	0	0%
17. Data Management	0	0%
18. Business Continuity Systems	0	0%
19. Licensing	0	0%
20. Environmental	0	0%
21. Units / Departments Resource	0	0%
22. Efficiency	0	0%
23. Complaints	0	0%
Total	25	100%

2. NARRATIVE

Risk areas in detail

Financial

Overall there are 43 finance risks across all of the risk registers analysed. The core risks centred upon the ability of forces and PCCs to deal with financial reductions. There is significant concern regarding existing budget gaps and the ability to achieve necessary financial savings over the medium term. There are risks that change programmes designed to deliver financial savings may not come to fruition and realise expected benefits. Concerns centre upon the ability of the force to develop and grow whilst maintaining current service levels. Also of particular note:

- Funding reductions up until 2017/18 specifically are deemed to be a real concern.
- The potential for reduced service levels as a result of meeting necessary savings.
- The priorities set by OPCC may receive less funding support than in previous years.
- The impact of budget cuts may impact upon staff morale and as a consequence affect service delivery.

Whilst 42% of financial risks are concerned with funding reduction, 37% are focused on financial planning and ensuring effective control. Many of the risks focus upon ineffective financial management systems or ineffective strategic financial planning. Of particular note:

- Medium term financial planning assumptions may be inaccurate.
- Budgets are mismanaged and there are unforeseen expenditure items.
- Appropriate arrangements for monitoring value for money, setting police precept levels, allocating grants and funds, and accounting requirements are not in place.

Financial – Narrow groups	Number	Percentage
Accounting treatment	1	2.5%
Financial planning	16	37%
Financial reductions	18	42%
Loss of funds / fraud	3	7%
Project / programme implementation	4	9%
Public disorder incidents	1	2.5%
Total	43	100%

Operations

A significant proportion of risks, as you might anticipate, relate to police operations. The majority (42%) of the risks in this area centre around police capability and police ability to meet the demands placed upon them. In particular:

- Inability to respond and effectively manage incidents, such as protests.
- Inability to follow processes sufficiently as a result of a lack of internal resource.

It is then not surprising that 37% of operational risks focus upon service provision and service delivery. Risks tend to focus on:

- Effective service delivery management and ability to deliver necessary services.
- The provision of suitable equipment.
- Providing effective response and oversight.

As might be expected a number of risks centre around service delivery failures and / or errors and consequently the reputational risks that often go hand in hand with service malfunctions.

A requirement of the police service is to protect victims and the vulnerable; this is addressed in a number of risks recorded. As a way of instilling public confidence in the police service, emphasis is placed on ensuring appropriate support and protection to victims and witnesses.

Operations – Narrow groups	Number	Percentage
Capacity / Inability to meet demand / need	18	42%
Criminal activity	1	2%
Protecting vulnerable people	3	7%
Reputation	2	5%
Service delivery failures / errors	3	7%
Service Provision / Delivery	16	37%
Total	43	100%

Partnerships and Collaboration

There are a number of overarching themes in relation to partnership and collaboration risks:

- Failure to achieve the benefits or objectives that were established at the outset
- Failure to effectively work with partners and develop effective relationships
- Financial concerns and the risk of funding withdrawal
- The implementation of inadequate governance arrangements

Taking this core pool of risks into consideration the percentages are outlined below.

Partnerships and Collaboration: Grouped by overarching theme	Percentage
Failure to achieve benefit / objectives	46%
Failure to effectively work with partners	21%
Finance / Funding withdrawal	16.5%
Governance	16.5%

Other key partnership and collaboration risk themes are:

- Mechanisms to ensure partners are held accountable are not in place.
- A lack of strategic alignment between force and PCC objectives and those with whom it has entered into contract with.
- The lack of effective partnership arrangements in place and the need for the force / PCC to actively pursue this course of action in the aim of delivering enhanced service provision and to avoid criticism.
- Failure to demonstrate value for money.

Detailed breakdown:

Partnerships and Collaboration – Narrow Groups	Number	Percentage
Failure to achieve benefit / objectives	6	19%
Failure to achieve benefit / Value for Money	1	3.5%
Failure to effectively work with partners	3	9.5%
Failure to effectively work with partners / Delivery of objectives	2	6%
Finance / Funding withdrawal	3	9.5%
Finance / Funding withdrawal / Failure to achieve benefit / objectives	1	3.5%
Governance	3	9.5%
Governance / Accountability	1	3.5%
Impact of reforms	1	3.5%
Lack of collaboration	1	3.5%
Lack of collaboration / Failure to achieve benefit / objectives	1	3.5%
Objectives not aligned / Strategic alignment	2	6%
Unresponsive to change	1	3.5%
Other	5	16%
Total	31	100.00%

Information Technology

27% of all information technology related risks focus upon data management issues, such as the ability to extract information from core systems.

23% of IT risks centre upon system or tool failure, which may impact upon service delivery and affect the communications infrastructure. Risks in relation to CCTV and Voice Recorder failures are recorded, which if come to fruition may impact upon the ability of forces to collect valuable evidence.

20% of IT risks are concerned with security and the protection of data. The majority of the risks in this area focus on:

- Unauthorised use of IT systems.
- Misuse of IT systems.
- Inadequate management of user accounts, access rights and controls.
- The loss of vital information either through unauthorised access, virus introduction or other external security breach.

Other key risk themes are:

- The risk that new systems will be introduced without appropriate risk assessment and not within the timescales set.
- New systems introduced with limited functionality, with then the possibility of incurring increased costs.
- User errors and appropriate training not provided.
- IT strategy does not take account of the whole organisation.

Information Technology – Narrow groups	Number	Percentage
Data management	8	27%
IT Strategy	1	3%
Security	6	20%
Service delivery	2	7%
System / Project implementation	4	13%
System training	1	3%
Systems / Tool failure	7	24%
User error	1	3%
Total	30	100%

Personnel

28% of personnel risks centre upon recruitment, training and development. Common risks relate to:

- The risk of failing to recruit adequate numbers and individuals of the right calibre to ensure that service delivery can continue as effectively as possible.
- Failure to follow correct recruitment processes.
- Failure to ensure that recruited individuals receive necessary training support.

Overall 24% of all personnel associated risks focus on a lack of resource or capacity. This may not be surprising given the funding reductions in the sector and pressures on police pay and conditions. There are concerns that:

- With staff numbers falling teams have to cope with increased workload.
- There are a lack of trained / accredited staff to provide adequate support and coverage.
- The ability of more junior staff to respond to high level incidents due to a matter of need.

Other core themes arising from personnel associated risks include:

- Officer and staff conduct and criminal behaviour.
- The loss of police officers and inability to maintain officer numbers and other key personnel.
- The risk posed from industrial action and ability to maintain service delivery and capacity.

Personnel – Narrow groups	Number	Percentage
Employee conduct	3	10
Employee welfare	5	17
Industrial action	2	7
Recruitment / Management / Training / Development	8	28
Staff transfer	2	7
Staff turnover	2	7
Under-resourced	7	24
Total	29	100%

Strategic Planning, Targets and Objectives

Given that Police and Crime Commissioners are, relatively speaking, still in their infancy and given the need to deliver key priorities it is not surprising that 39% of risks centre around the Police and Crime Plan. The primary concern tends to focus on the ability of the PCC and force to deliver upon the commitments made. There is concern that:

- There may not be adequate resource in place.
- Achieving the priorities set may be difficult in light of reduced funding.
- Delivering key outcomes will place increased demand on the force and may even result in reduced performance levels leading to a loss in public confidence.

It is interesting that 28.5% of risks focus on performance management arrangements. In particular:

- Failure to achieve desired reduction in incident levels or that incident levels may actually increase.
- Generally a lack in adequate performance management, which may well have reputational consequences.
- Ability to maintain adequate performance management arrangements when aiming to deliver PCC priorities amid a number of change initiatives coupled with reducing budget and resource.

Other core strategic planning, target and objective associated themes:

- Resource provision in light of new or changing processes/programmes.
- Failures in strategic planning.
- Meeting the Strategic Policing Requirement.

Strategic Planning / Targets / Objectives – Narrow groups	Number	Percentage
Crime risk management	1	3.5%
Inadequate planning	2	7%
Performance management	8	28.5%
Police and Crime Plan	11	39%
Resource review	3	11%
Strategic Policing Requirement	3	11%
Total	28	100%

Regulation, Compliance and Standards

The most common feature of regulation, compliance and standards associated risks relate to ethics and equality and diversity. Risks principally are concerned with ensuring standards of fairness and ethical behaviour, in addition to ensuring there are appropriate equality and diversity measures in place and meeting equality and diversity legislation.

Meeting legislative requirements is a common feature. Of specific mention are meeting the legal requirements of the Human Rights Act, Health and Safety Act and Freedom of Information requests. The risks centre upon the organisation being in breach or being unaware of their responsibilities.

Other core regulation, compliance and standards associated themes:

- Formal inspection and the ability or inability to implement recommendations and the possibility of negative outcomes, which may impact upon reputation.
- Risk that an unqualified opinion may be given by external audit.
- Failure to ensure that statutory duties are complied with such as complying with a court order or publishing an annual report.
- Formal policies and procedures are not fit for purpose and are not complied with which may lead to a loss of information or security breach.

Regulation / Compliance / Standards – Narrow groups	Number	Percentage
Audit / Reputation	1	4%
Ethics / Equality and Diversity	7	27%
Health and Safety	2	8%
Inspection	4	15%
Legislative requirements	6	23%
Policies and procedures	3	11.5%
Statutory obligations	3	11.5%
Total	26	100%

Business Development and Project Implementation

Business development and project implementation initiatives are clearly important for any organisation with the police sector being no exception. It is therefore not surprising that most forces and PCCs are primarily concerned with development initiatives having an adverse impact on business processes and that operational performance is negatively affected as a result of new processes not delivering the expected benefits.

36% of business development and project implementation associated risks are concerned with failure to achieve desired benefits and consequent negative impacts.

There are concerns that development failings may lead to increased financial costs and may affect public confidence and community engagement more widely.

Key to ensuring positive business development outcomes is effective project management. Within the risks recorded a number make reference to the need for effective communication, the establishment of good relationships, adoption of a co-ordinated overarching approach and the need for oversight, whilst also addressing the legal and financial complexities.

Business Development / Project Implementation – Narrow groups	Number	Percentage
Delivery failure / delays	5	20%
Effective management	5	20%
Negative impact / benefit	9	36%
Organisational change	6	24%
Total	25	100%

Governance

47% of all governance associated risks are concerned with effective oversight and management. In particular, much of the focus rests on:

- Failure of PCC to maintain effective oversight and a significantly rigorous approach to scrutinising business.
- Commissioner failing to ensure effective support and challenge to senior positions (such as Chief Finance Officer or Chief Executive).
- Ineffective constitutional arrangements and PCC / force taking action outside of its legal powers.
- Failure to establish an appropriate structure, which adequately supports and allows Commissioner to deliver priorities.

Interestingly there are number of risks centred on meeting the commitments or demonstrating compliance with the Corporate Governance Code. This type of risk is predominantly featured on OPCC risk registers.

Only a small number of risks are concerned with risk management. The focus of those risks being:

- Key risks facing the force and PCC are not known and so remain unaddressed.
- Serious risks are not being managed by force and PCC remain unaware.
- Inability to sustain effective risk management.

Governance – Narrow groups	Number	Percentage
Code / Good practice	6	35%
Oversight / Improper management / Enabling delivery	8	47%
Risk management	3	18%
Total	17	100%

Community Engagement

It is important for the police to actively engage with the local community to understand the issues residents are facing and to ensure that the public are aware that their concerns are being listened to. Community engagement risks focus on:

- Failing to adequately consult the local community under formal consultation arrangements, resulting in a lack of understanding with regards to community issues.
- The risks posed by having inadequate public engagement arrangements and misinterpreting consultation results.
- The role of the OPCC and / or Police is not fully understood by members of the community.
- Reduced levels of public confidence.

Community Engagement – Narrow groups	Number	Percentage
Public confidence	2	20%
Public engagement	10	80%
Total	12	100%

Other risks areas – Summary

Estates and facilities

- Risk of not having fully accredited facilities for use.
- The loss of a building due to contamination or damage.
- The availability of suitable venues for police operations and training.

External

- Impact of a significant external event i.e. terrorist attack, fuel supply disruption, flooding
- Developing street gangs and organised crime

Reputation

- Reputation of the PCC is damaged
- The impact of external scrutiny / enquiry / case negatively impacts reputation
- Lack of effective reputation management

Accountability

- PCC is not held to account; there are insufficient accountability processes in place for this to be achieved and a risk that there may not be enough data available.
- The Commissioner fails to meet the requirements of the Police and Crime Panel as it assesses performance and scrutinises the Commissioner's strategic actions / decisions.
- Force is not held to account

Data Management

- Poor data quality and failure to record data accurately
- Data is not effectively secured and may be mismanaged

Relationships

- Failure to establish appropriate relationship with Police and Crime Panel
- Failure to maintain relationships with key partners and stakeholders

Business Continuity Systems

- Business continuity processes may not be adequate and sufficiently communicated and co-ordinated across the organisation. Established business continuity plans may not be tested.

Leadership

- The majority of risks centre on the ability of the Commissioner / Chief Constable to make appropriate decisions and therefore not decisions that are called into question or bring about harm.
- Lack of resilience of PCC and Chief Constable fails to appropriately deploy staff in the aim of meeting essential policing objectives.

Units / Department Resource

- Predominantly focuses on units or departments which lack resource and capacity.

Environmental

- Risks focus upon: not achieving carbon reduction commitments; energy usage and badger cull.

Licensing

- All licensing risks relate to firearms
 - Failure to manage the process
 - Firearm system providing insufficient information to officers which may leave them at risk
 - Appropriate records for seized firearms are not maintained
 - Decision making around firearm renewal applications is not sufficiently robust

Complaints

- Failure to record, investigate or appropriately handle complaints
- PCC unaware of public complaints

Efficiency

- Maintaining an efficient force, making the best use of resources and achieving and demonstrating efficiencies.

Police and Crime Commissioner for Leicestershire and Chief Constable of Leicestershire Police

*Joint Audit, Risk and
Assurance Panel*

Report date:

09 May 2014

Meeting date:

21 May 2014

External audit progress report



Introduction

We presented our joint Audit Plan to JARAP on 26 March 2014, which set out our plans for the audits of the 2013/14 financial statements of the PCC, CC and Group. We also set out the key areas of risk and our proposed audit approach in response to those risks.

In this report we provide to JARAP an update on progress against the Audit Plan since your last meeting, including the conclusions from our interim audit visit which took place during March 2014.

During the interim audit visit we:

- ☐ updated our understanding and evaluation of key financial controls;
- ☐ reviewed the work of your internal auditors; and
- ☐ undertook testing on the control environment.

Interim audit visit

We commenced our interim audit visit on 10 March 2014. We are required by auditing standards to report to you any significant deficiencies in internal control identified by our audit. We are pleased to report that we did not identify any significant matters that we need to bring to your attention arising from the interim audit. We would like to thank the finance team for their assistance during the interim audit.

Internal audit

We have liaised throughout the year with your internal auditors, Baker Tilly. We have reviewed the work of Internal Audit over Key Financial Systems in detail and can confirm that we are able to place the planned level of reliance over key financial controls including:

- Payroll expenditure controls; and
- Operating expenditure and accounts payable controls.

As in previous years, we plan to review the work of Internal Audit over the Payroll and Pensions Provider (Mouchel) as part of our final audit visit in July 2014.

We do not have any matters to bring to your attention with regards to the work of Internal Audit and we would like to thank Internal Audit for their assistance to date.

IT general controls

As part of our audits of the PCC and CC for the financial year ending 31 March 2014 we perform a review over the Information Technology General Controls (ITGCs) that are in operation. The work performed forms part of our assurance programme and is primarily aimed at giving us comfort over the integrity of information produced by the PCC's and CC's financially significant systems as part of our audit of the respective financial statements. This is intended to enable us to rely on the operation of these systems as part of our audit approach.

The fieldwork commenced in late April, focusing on access to systems, significant program changes and any significant IT operations such as batch processing. This work is currently being finalised and therefore, if necessary, we will include any matters to bring to your attention in our progress report in June.

Final audit visit and Value for Money conclusions

Our final audit visit is scheduled to commence on 30 June 2014 for 3 weeks.

We are planning to undertake the work required to support our Value for Money conclusions as part of our final audit visit.

Additional procedures for the National Audit Office (NAO)

The timetable for the submission of the 2013/14 Whole of Government Accounts (WGA) return has not yet been confirmed. The Audit Commission is due to issue separate guidance for the audit of WGA in 2013/14 and confirm the timetable and submission arrangements. We will discuss with management the timetable and relevant procedures to be undertaken as part of the NAO's requirements once this guidance has been released.

Update against the risks in the plan

Stage 1 and Stage 2 transfers

CIPFA released LAAP Bulletin 98A 'Closure of the 2013/14 Accounts in the Single Entity Financial Statements of Police and Crime Commissioner and Chief Constable' in March 2014 with the aim of delivering additional clarification and guidance to assist bodies with their accounting arrangements in the single entity financial statements of both the Police and Crime Commissioners and Chief Constables.

The bulletin reiterates the importance of all police bodies considering the relationship of the Police and Crime Commissioner and the Chief Constable and in particular the relationships relating to income and expenditure, assets, liabilities and reserves that they recognise in their single entity financial statements.

Following the release of the CIPFA bulletin, the Audit Commission has also released its own further guidance to auditors, 'APB 04-2014', at the end of April, containing further specific guidance to auditors in relation to the single entity accounts.

Following the issue of both these documents we are liaising with the Head of Finance to discuss any potential implications on the accounts of the PCC and/or CC in the current year (and prior year comparatives).

There are no changes to report in relation to the other risks presented in our audit plan.

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