South Lanarkshire College
East Kilbride

AUDIT and RISK COMMITTEE

External Audit Planning Document **Ref. 30-22**

DATE:	3 May 2022
TITLE OF REPORT:	External Audit Strategy Memorandum
AUTHOR AND CONTACT DETAILS	Lucy Nutley Lucy.Nutley@mazars.co.uk
PURPOSE:	To inform the Committee of the planned work in relation to the audit of the Financial Statements for the year to 31st July 2022 and of the proposed additional fee.
KEY RECOMMENDATIONS/ DECISIONS:	Committee to review the document and note the proposed increase in fee (an additional £4,670, making the total proposed fee £20,000). This increase in fee has been agreed by Audit Scotland in advance.
RISK	• That the College does not meet governance requirements • That the College is not financially sustainable
RELEVANT STRATEGIC AIMS:	• Highest quality education and support. • Sustainable behaviours.
SUMMARY OF REPORT:	Note on the additional fee: *Under a full Wider Scope audit, we would look at four dimensions – Financial Management, Financial Sustainability, Governance and Transparency and Value for Money. Where appropriate, auditors take the small body exemption, which means they look at Financial Sustainability along with a detailed review of the governance statement. Where the auditor determines there is a risk that the body is not meeting the requirements of the dimension, they raise a significant risk. This is what we have done at SLC. We have not removed the small body exemption, as we are not looking at the remaining two dimensions in any detail – our work will consist of detailed work on Financial Sustainability (as this is required) and on Governance and Transparency (as we have identified a significant risk). The additional fee represents the time we consider we will need to spend to mitigate the risk we have identified.*

South Lanarkshire College

Audit Strategy Memorandum
year ending 31 July 2022

mazars

Contents

Mazars LLP
100 Queen Street
Glasgow
G1 3DN

The Board of Management
South Lanarkshire College
College Way
East Kilbride
G75 0NE

9 May 2022

Dear Members,

Audit Strategy Memorandum – Year ending 31 July 2022

We are pleased to present our Audit Strategy Memorandum for South Lanarkshire College for the year ending 31 July 2022.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing South Lanarkshire College which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0738 724 2052.

Yours faithfully,
Lucy Nutley

1. Engagement and responsibilities summary

We are appointed by the Auditor General for Scotland to perform the external audit of South Lanarkshire College for the year to 31 July 2022. This is our fifth year of appointment.

Responsibilities

Our responsiblities, principally derived from the Code of Audit Practice (the Code) issued by Audit Scotland, are outlined below.

Audit opinion	We are responsible for forming and expressing an opinion on the financial statements. The Audit Committee is responsible for the assessment of the College's ability to continue as a going concern. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of the disclosures made.
Regularity opinion	We are required to form and express an opinion on whether the College has, in all material respects, incurred expenditure and income in accordance with any applicable enactments and guidance issued by the Scottish Ministers.
Opinion on other matters	We are required to express an opinion on whether the audited part of the Remuneration and Staff Report, and the Governance Report have been properly prepared in line with relevant legislation and directions. We also express an opinion on whether the Performance Report is consistent with the audited financial statements.
Wider scope work	The Code requires us to conclude and make a judgement on the four dimensions of wider scope work. The four dimensions are Financial Sustainability, Financial Management, Governance and Transparency, and Value for Money.

Our audit does not relieve the Board of Management, as those charged with governance, or management of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

2. Our audit engagement team

A committed, accessible team

	**Lucy Nutley** Director lucy.nutley@mazars.co.uk 0738 724 2052 Lucy is the Engagement Lead for the audit and will be the key point of contact for the Audit and Risk Committee. She will have overall responsibility for delivering a high quality audit to the College. Lucy will be responsible for the opinions given on the financial statements and will liaise with the Head of Finance. She will attend Audit and Risk Committee meetings, and where appropriate, Board meetings.
	**Suzie Graham** Senior Manager suzie.graham@mazars.co.uk 0781 046 8166 Suzie will manage and coordinate the audit and be the key point of contact for the Head of Finance and Financial Accountant, as well as liaising with Internal Audit. Suzie will oversee completion of audit work to a high standard and attend Audit and Risk Committee meetings as appropriate
	**Ross McInerney** Audit Assistant Manager ross.mcinerney@mazars.co.uk 0758 101 6255 Ross will be responsible for leading the onsite work, reviewing the work of more junior members of the team and performing the audit work in more specialised areas.

2. Audit approach, scope and timeline

Our audit approach is designed to provide an audit that complies with all professional requirements

Audit Scope

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit Approach.

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.

Completion
December 2022

- Final review and disclosure checklist of financial statements
- Final audit file review
- Agreeing content of Letter of Representation
- Reporting to those charged with governance
- Reviewing post balance sheet events

Key reporting and communication outputs

- Independent Auditor's Report
- Annual Audit Report

Planning
May 2022

- Updating our understanding of the College
- Initial opinion and wider scope risk assessments
- Development of our audit strategy
- Lessons learned from 2020/21 audit
- Agreement of timetables
- Preliminary analytical procedures

Key reporting and communication outputs

Audit Strategy Memorandum

Fieldwork
October 2022

- Review of draft annual report and accounts
- Reassessment of audit strategy
- Delivering our planned audit
- testing
- Continuous communication on emerging issues
- Clearance meeting

Key reporting and communication outputs

- Regular update meetings with the finance team

Interim
August 2022

- Documenting systems and controls
- Walkthrough procedures
- Controls review, including general and IT general controls

Key reporting and communication outputs

- Audit progress report

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

Where we intend to rely on the work on internal audit, we will evaluate the work performed by your internal audit team and perform our own audit procedures to determine its adequacy for our audit.

Management's and our experts

Management makes use of experts in specific areas when preparing the College's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of account	Management's expert	Planned audit approach
Defined benefit pension liability and associated accounting entries and disclosures required by FRS 102.	Actuary – Hymans Robertson	We will consider the reasonableness of the actuarial assumptions made, referring to our in-house pension scheme experts.

Reporting to Audit Scotland

During the year we will continue to make returns to Audit Scotland as they collect data to establish the impact on the further education sector and feed into any national reporting as required.

National Fraud Initiative

South Lanarkshire College took part in the NFI exercise for the third time in 2020/21. All matches have been reviewed by the College with no identified instances of fraud detected and no issues noted. A national outcomes report is expected to be published by Audit Scotland in the summer of 2022.

Adding value

We aim to add value to South Lanarkshire College through our external audit work by being constructive and forward looking, by identifying areas for improvement and be recommending and encouraging good practice. In doing so, we intend to help the College promote improved standards of governance, more effective use of resources and better management and decision making.

The 2021/22 audit will be in line with the previous year, with audit fieldwork being carried out on-site in East Kilbride.. The audit team and the College will build upon the experiences of the prior year to increase the effectiveness of the audit process.

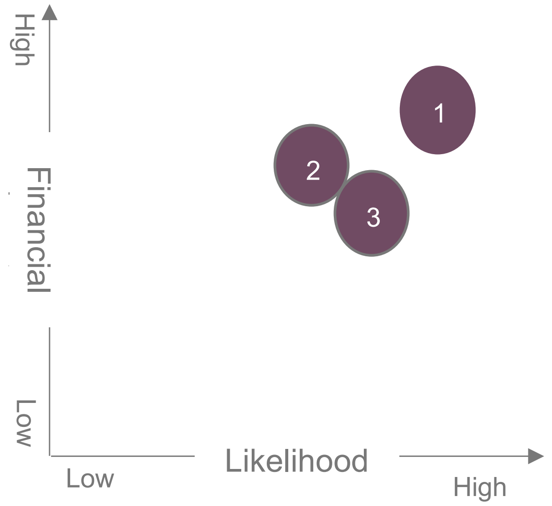
3. Significant risks and key judgement areas

Following our risk assessment approach, we have identified relevant risks to the audit of the fiancial statements.

The audit risks we identify are categorised as significiant, enhanced or standard, as defined below :

Significant risk	A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to that risk.
Enhanced risk	An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to: • key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and • other audit assertion risks arising from significant events or transactions that occurred during the period
Standard risk	This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the audit risk continuum below, highlights those risks which we deem to be significant and other enhanced risks. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Revenue recognition
3	Expenditure recognition

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of the Audit, we will report this to the Audit Committee.

Significant risks

<table>
<tr><th>Description of risk</th><th>Planned response</th></tr>
<tr><td>Management override of controls

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</td><td>We will address this risk through performing audit work over:

• Accounting estimates impacting amounts included in the financial statements;
• Consideration of identified significant transactions outside the normal course of business; and
• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements</td></tr>
<tr><td>Revenue recognition

There is a presumption under International Standards on Auditing that there is a significant risk of fraud and error in the timing of revenue recognition leading to the material misstatement of revenue overall. This is because revenue is an area of particular focus by users of financial statements and can be subject to judgements as to when grant income should be recognised and if clawback conditions apply to the funding.

The risk above applies only to the non-core grant income and other non-grant income generated by the College. The risk has been rebutted in relation to the core grant income received by the College, given the highly regulated nature of this income, and therefore the low inherent risk associated with it.</td><td>We will address this risk through performing audit work over:

• the design and implementation of controls management has in place to ensure income is recognised in the correct period;
• cash receipts around the year end to ensure they have been recognised in the right year;
• the judgements made by management in determining when non-grant income is recognised;
• for major grant income, obtaining counterparty confirmation; and
• expected credit loss provisions applied to receivables at the year end, considering the appropriateness of judgements made by management.</td></tr>
</table>

Description of risk	Planned response
Expenditure recognition For public sector organisations, the same risk in relation to fraud and error in respect of the timing of recording of transactions can apply to the recognition of non-payroll related expenditure and contractual obligations. The pressure to manage expenditure to ensure that budgeted outcomes are achieved increases the risk surrounding fraudulent reporting of expenditure.	We will address the risk through performing audit work over: • the design and implementation of controls management has in place; • testing of non-payroll expenditure around the year end to ensure transactions are recognised in the correct year; • testing material year end payables, accruals and provisions; and • reviewing judgements about whether the criteria for recognising provisions are satisfied

Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

Description of risk	Planned response
Valuation of pension liabilities The College makes contributions to two pension schemes – the Scottish Teachers Superannuation Scheme (STSS) and the Strathclyde Pension Fund (SPF). While both are defined benefit schemes, it is not possible to identify the College's share of the underlying assets and liabilities in the STSS scheme and it is therefore accounted for as a defined contribution scheme. The College's share of the SPF's underlying assets and liabilities is identifiable and a net liability is recognised in the accounts. Given the scale of the liability recognised in the accounts, a misstatement in the reported position could be material to the financial statements.	We will consider the College's arrangements, including the existence of any relevant controls, for making estimates in relation to pension entries within the financial statements. We will also consider the reasonableness of the actuary's assumptions used in providing the College with information in the financial statements through the use of our internal experts.

Description of risk	Planned response
Valuation of land and buildings The College holds land and buildings with a net book value of £50,315,000 as at 31 July 2021. In line with the requirements of the Government Financial Reporting Manual, the College has adopted a formal revaluation policy of an external valuation every three years, with a desktop, interim valuation performed during the three year period. As the external valuation was performed at 31 July 2021, no revaluation is planned in the current year. The College policy meets the requirement of the FE SORP that assets are valued sufficiently regularly so that the carrying value of the asset is not materially different from its fair value. The College is required to assess on an annual basis whether there are indicators of impairment to assets at the reporting date. Given the significance of the value of fixed assets held, a misstatement in the valuation could be material to the financial statements.	We will undertake a range of substantive procedures including: • review of management's assessment as to whether the value still reflects the prior year valuation; • review of the reconciliation between the College's asset register and general ledger; and • consider the College's impairment review process for land and buildings.

4. Wider scope work

The Code requires us to conclude and make a judgement on the four dimesions of wider scope work :

- **Financial sustainablity**
- **Financial management**
- **Governance and transparency**
- **Value for money**

The Code allows for a 'small body exemption' to be applied in situations where the auditor considers this is appropriate, taking into account the size the audited body and its risk profile. This means that the work we do is limited to one dimension, finanical sustainablity, alongside a detailed review of the governance statement. In prior years, we have applied the 'small body exemption' to the College audit. During 2021/22 audit we raised a significant risk in relation to the governance and transparency dimension. As the issues pertaining to that risk arose during the 2021/22 year, we have again raised a significant risk against the governance and transparency dimension.

We set out below the work that we intend to perform to reach these judgements.

Dimension	Description	Our planned approach
Financial sustainability	Extending our work on the going concern assumption in the financial statements looking forward two to five years from the reporting date, reviewing and assessing the College's arrangements for financial planning and affordable and sustainable service delivery.	We intend to consider: • the financial planning system in place for short, medium and long term periods; • the adequacy and accuracy of financial reporting arrangements; • the reasonableness of affordability assumptions made in financial planning; and • the extent to which the financial planning assumptions have been updated and affected by the COVID-19 pandemic

Dimension	Description	Our planned approach
Governance and transparency	Governance and transparency is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information. This should be set out in the College's Governance Statement	We intend to consider: • the effectiveness of the governance framework in place; and • the appropriateness of disclosures made in the Governance Statement whether the disclosure requirements of the Accounts Direction and the Code of Good Governance for Scotland's Colleges have been met

Identified significant risks to our wider scope work

We have also considered, as part of our planning, whether there are significant risks that would impact on any of the four areas of our wider scope work that require special audit consideration. At the planning stage we have identified significant risks, as detailed below. Should our assessment of risk, or our planned approach to address the risk change during the course of the audit, we will report this to the Audit and Risk Committee.

Description of significant risk	Planned response
Financial sustainability The College is forecasting a deficit for of £596k in 2021/22. This is due to one-off professional fee costs incurred during the year and a likelihood that the College will not achieve its core credit target in the year. The College is engaged with the Scottish Funding Council on potential funding mechanisms for funding for the year that may reduce the projected deficit. As the College campus further ages, increased capital works are likely to be required, with limited capital funding likely to be made available to the College and across the FE sector in Scotland. The College therefore may require to meet costs to ensure the building is fit for purpose through its own funds. Whilst the College has sufficient reserves to fund the deficit and immediate capital works in the short-term, given sector wide uncertainties related to future funding, the impact of national bargaining and general cost increases being incurred throughout the wider economy, we consider that there is a risk to the achievement of medium and long term financial sustainability at the College.	We intend to consider • the forecast financial position in the financial forecast return (FFR) submitted to the SFC; • the financial and resource implications of any capital works required to be undertaken by the College; • alternative plans being considered by the College to ensure a balanced budget is achieved; and • the financial reporting arranegements in place at the College.

Description of significant risk	Planned response
Governance and transparency The Annual Report and Financial Statements for year ended 31 July 2021 includes disclosure by the College that it was not compliant with certain aspects of the Code of Good Governance for a period during 2021/22, before the audit opinion was signed. The College has taken action to address these issues and have disclosed that they consider themselves as being compliant from 10 March 2022 onwards.	We intend to consider: • the effectiveness of the governance framework in place and whether the requirements of the Wider Scope dimension are being met; • the appropriateness of disclosures made in the Governance Statement, setting out the areas where the College did not comply with the Code in 2021/22 and what corrective steps have been taken whether the disclosure requirements of the Accounts Direction and the Code of Good Governance for Scotland's Colleges have been met; • progress made by the College on recommendations made during the 2020/21 external audit; • progress made by the College in implementing the Governance Improvement Plan; and • costs incurred by the College in response to the governance issues identified in 2021/22.

5. Audit fees

Fees for audit and other services

Our fees for the audit of the financial statements and for any other services are outlined in the tables below.

	2021/22 proposed fee £	2020/21 final fee £
Auditor remuneration	13,870	13,580
Pooled costs	770	880
Contribution to Audit Scotland costs	690	570
Additional auditor remuneration	4,670	19,251
Total Fee	**20,000**	**34,281**

The fees outlined above are provided on the basis that we will receive a high-quality set of draft financial statements and draft annual report, including governance statement, supported by good working papers and supporting evidence. Should we be required to perform significant levels of additional audit work, or face significant delay in our audit, we will discuss the impact of this on our proposed fee with management.

Additional auditor remuneration is based on an assessment of time required to complete additional work on the Governance and Transparency significant risk, at a day rate prescribed by Audit Scotland.

6. Our commitment to independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard

In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Lucy Nutley in the first instance.

Prior to the provision of any non-audit services, Lucy Nutley will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Annual Audit Report

7. Materiality and misstatements

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Summary of initial materiality thresholds

	Initial Threshold £'000
Overall materiality	375
Performance materiality	300
Trivial threshold for errors to be reported to the Audit Committee	11

Overall materiality

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We consider that gross expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit Committee.

We expect to set a materiality threshold at 2% of gross expenditure (£375k).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Our audit testing is based on a level of performance materiality, which is a percentage of overall materiality, but also dependent on the level of inherent risk assessed on the area being tested. It is the level we use to calculate our sample sizes, and is our acceptable difference in any substantive analytical procedures. It is lower than overall materiality as it helps to reduce the risk that the total of the uncorrected or undetected misstatements does not exceed materiality for the financial statements as a whole. It is based on between 50 – 80% of overall materiality depending on the risk level. Our initial assessment of performance materiality is based on low inherent risk, meaning that we have applied 80% of overall materiality as performance materiality.

Specific Materiality

We assess specific materiality if there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the users of the financial statements. Specific materiality focuses on the qualitative nature, as well as the size, of an item. It recognises that, in some circumstances, it may take a much smaller misstatement to influence the user of the financial statements.

We are required to provide an opinion as to whether the audited part of the Remuneration and Staff Report has been properly prepared. Given the sensitivity of the disclosures made in the Remuneration and Staff Report, we have assessed a specific materiality for this work at £500, being the level that would impact rounding for figures shown to the nearest £'000.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £11K based on 3% of overall materiality.

Appendix 1 – Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Annual Audit Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

Contacts

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.
*where permitted under applicable country laws.

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