

**NORTHAMPTON BOROUGH COUNCIL
AUDIT COMMITTEE**

Your attendance is requested at a meeting to be held in the
The Guildhall, St. Giles Square, Northampton, NN1 1DE.
on Monday, 16 May 2016
at 6:00 pm.

**D Kennedy
Chief Executive**

AGENDA

1. APOLOGIES

Please contact Democratic Services on 01604 837722 or democratic_services@northampton.gov.uk when submitting apologies for absence.

2. MINUTES

3. DEPUTATIONS / PUBLIC ADDRESSES

4. DECLARATIONS OF INTEREST

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

6. NORTHAMPTON TOWN FOOTBALL CLUB UPDATE

Report of Internal Auditor (PWC)

(Copy herewith)

7. FINANCIAL MONITORING PERIOD 9 AUDIT COMMITTEE QUERIES UPDATE

Report of Chief Finance Officer

(Copy herewith)

8. INTERNAL AUDIT UPDATE

9. INTERIM AUDIT REPORT 2015/16

Report of Internal Auditor (PWC)

(Copy herewith)

10. EXTERNAL AUDIT PROGRESS UPDATE 2015/16 - KPMG

Report of External Auditor (KPMG)

(Copy herewith)

11. EXCLUSION OF PUBLIC AND PRESS

THE CHAIR TO MOVE:

“THAT THE PUBLIC AND PRESS BE EXCLUDED FROM THE REMAINDER OF THE MEETING ON THE GROUNDS THAT THERE IS LIKELY TO BE DISCLOSURE TO THEM OF SUCH CATEGORIES OF EXEMPT INFORMATION AS DEFINED BY SECTION 100(1) OF THE LOCAL GOVERNMENT ACT 1972 AS LISTED AGAINST SUCH ITEMS OF BUSINESS BY REFERENCE TO THE APPROPRIATE PARAGRAPH OF SCHEDULE 12A TO SUCH ACT.”

Public Participation

Members of the public may address the Committee on any non-procedural matter listed on this agenda. Addresses shall not last longer than three minutes. Committee members may then ask questions of the speaker. No prior notice is required prior to the commencement of the meeting of a request to address the Committee.

Agenda Item 2

NORTHAMPTON BOROUGH COUNCIL

AUDIT COMMITTEE

Monday, 14 March 2016

PRESENT: Councillor Nunn (Chair); Councillor Golby (Deputy Chair); Councillors Lynch, Chunga, Kilbride, Stone and Gowen

1. APOLOGIES

None

2. MINUTES

The Minutes of the meeting held on 18th January 2016 were confirmed and signed by the Chair with the following amendments to item 6:

That the sentence "He also stated that the review is to ensure the Council have adequate safe guards in place" be omitted.

That the sentence "The Internal Auditors to investigate this matter fully" be changed "to review this matter fully"

That the sentence "The Senior Audit Manager stated that PWC have capacity and don't expect the report to take more than 9 or 12 months" be changed to "In response to a comment from a member of the committee the Senior Audit Manager stated that PWC has capacity and don't expect to take more that 9 or 12 months"

That the wording in the resolution be changed to state "The Audit Committee **AGREED** to support the review to be undertaken by the Internal Auditors"

3. DEPUTATIONS / PUBLIC ADDRESSES

None.

4. DECLARATIONS OF INTEREST

Councillor Kilbride declared a personal non pecuniary interest on item 6 as he had completed a print job for the cobblers in the past.

5. MATTERS OF URGENCY WHICH BY REASON OF SPECIAL CIRCUMSTANCES THE CHAIR IS OF THE OPINION SHOULD BE CONSIDERED

None

6. SIXFIELDS INTERNAL AUDIT REVIEW- VERBAL PROGRESS UPDATE

The Senior Audit Manager addressed the committee and gave a verbal report. He advised that he is in a position to only give a verbal report as the review is ongoing. It was reported that a significant amount of information is being worked through and it would be inappropriate to give more than a verbal update as the review is ongoing.

In response to questions from the committee the Senior Audit Manager responded as below

That PWC is looking at arrangements Northampton Borough Council (NBC) has in place and is working through information NBC has provided. At this moment PWC has got the

information it needs to work with.

That PWC is looking at the evidence trail to ensure all actions taken place were in accordance with Council policy.

That PWC is not in a position to advise on a timeframe when the review will be completed.

The KPMG director addressed the committee. He advised that the review is ongoing and that KPMG are looking at governance, how decisions were arrived at and how money was handed over. He stated that key officers are met with regularly.

7. FINANCIAL MONITORING REPORT

The Strategic Finance Manager presented the report. The report presented the financial position to the end of December 2015 for the General Fund and Housing Revenue Account (HRA) revenue and Capital budgets.

It also presented the car parking income and usage to the end of January 2016 and the updated position regarding the Council's outstanding debts to the end of January 2016

It was advised that the general fund revenue position to the end of December is forecasting a saving of £722k by the end of the year.

The HRA revenue position to the end of December is forecasting a saving of £1,293k due to continued good performance of arrears management resulting in forecast lower contributions required to the Bad debt provision and in addition the identification of costs capitalised to capital schemes.

In addition to this, the Interest and finance costs are forecast to be under budget for the reasons for are mentioned in the report on page 11.

The General Fund Capital Programme is currently forecasting a roll forward of £1.5m and a saving of £236k to the end of December.

The HRA Capital Programme is forecast to slip £1.5 to 16/17 financial year in relation to the NPH Capital ITC budget and the managed budget on improvement to homes. It was reported that this is an improvement on the period 6 position reported to the last Audit Committee.

The corporate debt report was attached at Appendix 6. It was advised that the overall outstanding arrears have increased by £2m compared with same point last year.

In response to questions from the committee the Chief Finance Officer responded as below

- That the £3.25m loan to NTFC was removed from capital programme
- Council need to fund certain planning appeals from its reserves.
- A breakdown of Civic and Mayoralty expense can be provided.

The Revenues Manager clarified that Northampton Borough Council anticipated savings of £3.2m but actual savings was £2.6m but still have saved a great deal of money.

In response to questions from the committee the Strategic Finance Manager advised that there was an environmental service review of ground maintenance contract and the environmental services line reflects the pay mechanism deduction for poor performance of contract the Environmental Services contract.

In response to further questioning from the committee the Chief Finance Officer responded as below:

- That there were no successful candidates following interviews for an Assets Manager and therefore had an interim in place longer than anticipated. Not having someone in that role impacts the business. NBC have appointed a permanent candidate since.

In response to questions from the committee The Senior Audit Manager advised that reports regarding payroll and HR services come from LGSS internal audit.

The Chair requested that a brief report to be presented at the next meeting outlining the number of interim staff and vacant positions at the moment at NBC broken down into grade and department.

He also requested a short explanation on FA01, RG04 and HS05 in appendix 1 of the report.

RESOLVED

2.1 The Audit Committee considered the contents of the following finance reports:

- General Fund Revenue Monitoring (Appendix 1);
- General Fund Capital Monitoring (Appendix 2);
- HRA Revenue Monitoring (Appendix 3);
- HRA Capital Monitoring (Appendix 4).

2.2 The Audit Committee noted the position on car parking income and usage as at 31 January (Appendix 5A and 5B).

2.3 The Audit Committee noted the latest position in relation to the Council's outstanding debts as at 31 January (Appendix 6)

2.4 The Audit Committee considered whether it requires any additional information in order to fulfil its governance role.

8. ACCOUNTING POLICIES 2015/16

The Strategic Finance Manager presented the report. She advised that there are not many changes to the accounting policies outline in Appendix 1 from the previous year and are in line with CIPFA (Chartered institute of public finance and accountancy's). 3.2.3 was referred to in the report and the committee were advised that in the event that any changes to the accounting policies are identified they will be brought back to Audit Committee within the 2015/16 Draft Statement of Accounts at the July meeting. It was stated that these policies have been discussed with the Council's auditors, KPMG, who have confirmed they are in line with their expectations.

RESOLVED

The Audit Committee **APPROVED** the Accounting Policies for the 2015/16 statement of Accounts, as set out at Appendix 1.

9. EXTERNAL AUDIT UPDATE

KPMG Director submitted a report and elaborated thereon. He referred to P.59 of the agenda outlining financial statement audit, value for money arrangement works and logistics.

The Chief Finance Officer advised that from the 1st April NNDR system will be brought back in house from the Borough Council of Wellingborough.

In response to questions from the committee the Chief Finance Officer advised that training would be made available to councillors surrounding business rates, how they are set, collected and the debts.

In response to further questions from the committee KPMG Director advised that salary grades are not cross referenced with other Councils.

KPMG Director referred to P.67 of the agenda which related to Northampton Town Football Club Loan and outlined the bullet points in the report. It was advised that he can issue an opinion on the accounts but can withhold the certificate until satisfied of the value for money opinion.

RESOLVED:

That the report be noted

10. INTERNAL AUDIT UPDATE

The Senior Audit Manager submitted the report and elaborated thereon. It was reported that in order to support the Council's wider assessment of value for money around the LGSS contract, PWC has agreed a Phase 2 to the work currently being undertaken on Phase 1. Phase 2 will focus specifically on reviewing the actual resources in place within LGSS to deliver the full range of contracted services, comparing that to the Council's understanding of the services being received and the resource committed to their activities. In addition, Phase 2 will consider non-staff costs invoiced to the Council. It was advised that PWC is in the process of agreeing the Terms of Reference for this review with the Council.

The Senior Audit Manager advised that observations and recommendations from both Phase 1 (a review of processes and controls supporting the delivery of specified LGSS services) and Phase 2 (a focused review of actual staff and non-staff levels within LGSS to deliver services across the full range of the contracted services) will be incorporated into one report which will be presented to the Audit Committee at its May 2016 meeting.

The Senior Audit Manager referred the committee to the changes to the internal audit plan outlined on p.79 of the agenda.

In response to questions from the committee regarding results of the internal audit going to Overview and Scrutiny Committee the Borough Secretary advised it is not normal process but if the Overview and Scrutiny Committee decide to look at aspects they can do so.

RESOLVED

That the report be noted

11. EXCLUSION OF PUBLIC AND PRESS

The Chair moved that the Public and Press be excluded from the remainder of the meeting on the grounds that there was likely to be disclosure to them of such categories of exempt

information as defined by Section 100(1) of the Local Government Act 1972 as listed against such items of business by reference to the appropriate paragraph of Schedule 12A to such Act.

The Motion was Carried.

The meeting concluded at 19.20

Appendices



AUDIT COMMITTEE REPORT

Report Title	Northampton Town Football Club Update
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	16 th May 2016
Policy Document:	No
Directorate:	LGSS Finance
Accountable Cabinet Member:	Cllr Mike Hallam

1. Purpose

1.1 To inform the Audit Committee that a verbal update will be given on the Internal Audit of the Northampton Football Club Loan work.

2. Recommendations

2.1 It is recommended that the Audit Committee note this report.

3. Issues and Choices

3.1 Report Background

3.1.1 Audit Committee requested an Internal Audit review be undertaken into the loan to Northampton Town Football Club (NTFC) and development of land at Sixfields. The Committee agreed the terms of reference for the review at its meeting on 18th January 2016.

3.2 Issues

3.2.1 Since the update provided by Pricewaterhouse Coopers at the meeting of the Audit Committee on 14th March 2016 the review has continued in line with the agreed terms of reference. The audit is progressing well. The internal auditors have been working through the substantial amount of information that has been provided by the Council, as well as understanding the intricacies and complexities of the transaction. At present the fieldwork is on-going for this review. Once this phase is complete the report will be taken through the established Internal Audit quality assurance and review processes. It will then be presented to the Audit Committee.

3.3 Choices (Options)

3.3.1 None.

4. Implications (including financial implications)

4.1 Policy

4.1.1 None to report.

4.2 Resources and Risk

4.2.1 None to report at present.

4.3 Legal

4.3.1 None to report at present.

4.4 Equality

4.4.1 Not applicable.

4.5 Consultees (Internal and External)

4.5.1 None

4.6 Other Implications

4.6.1 None.

5. Background Papers

5.1 Report to Audit Committee 18th January 2016 titled "Audit Committee Review of Loan to NTFC and Development at Sixfields".

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

Appendices: Nil



AUDIT COMMITTEE REPORT

Report Title	Financial Monitoring Period 9 Audit Committee Queries Update Report
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	16 May 2016
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Mike Hallam

1. Purpose

- 1.1 To present Committee with additional information and answers to queries raised at the Audit Committee on the 14th March 2016.

2. Recommendations

- 2.1 To consider the contents of this finance report.
- 2.2 To consider whether Committee requires any additional information in order to fulfil its governance role.

3. Issues and Choices

3.1 Report Background

- 3.1.1 A Finance and Performance report is presented to Cabinet quarterly (including the outturn report) which are then brought to the first available Audit Committee meeting following their production.
- 3.1.2 At it's meeting on the 14 March Audit Committee raised queries requesting further information on:
- The number of interim staff and vacant positions currently held at the Council

- The forecast overspends at period 9 on the General Fund Revenue budgets key Service Areas for Asset Management (FA01), Planning Policy and Heritage (RG04), and Housing Options and Advice (HS05).

3.2 Issues

3.2.1 Interim Staff and Vacant Positions held

3.2.2 The information is being compiled and will follow at a later date.

3.2.3 Detail behind Forecast Overspends at Period 9 on General Fund Revenue Budgets

3.2.4 Below is the extract from the Appendix 1 Financial Monitoring report that went to the 14 March Committee on which the queries were made.

December 2015						
Ksa	Service Area	Revised Budget £000's	Forecast £000's	Forecast Variance £000's	RAG Status	Notes on Forecast Variances
FA01	Asset Management	1,016	993	(22)	G	Forecast overspends due to late implementation of a restructure and interim cover of vacant posts £86k, in addition to £29k on Lift Maintenance due to unplanned works and breakdowns. This is offset by savings of £139k on NNDR Rebates which is planned at present to help towards predicted overspend on Planning Appeals against KSA PE03
RG04	Planning Policy & Heritage	629	548	(80)	G	Mainly relates to Holding Senior Planning Officer Post vacant for the remainder of the year and other smaller salary savings on other vacancies within the area
HS05	Housing Options & Advice	735	834	99	A	Mainly due to additional cost for Agency Staff £76k offset by savings in Housing Strategy and Wellbeing.

Asset Management (FA01)

3.2.5 The restructure of the Major Projects and Enterprise and Asset management Teams was formally launched on 22 January 2015 and was due to be completed on 25 February 2015. There was a delay due to final consultations and the new structure was fully implemented in June 2015 bringing about additional costs. The overspend position came about when interim cover was brought in during May 2015 to cover the vacated Corporate Asset Manager post. The interim's cost was forecast until year end March 2016 as the role was extended beyond the initial 6 months. The position has been through the recruitment process twice now in 2015/16 both being unsuccessful. There was also a small honorarium granted to an officer who was taking on some additional duties over this period. The options going forward are being investigated by the Director of regeneration Enterprise and Planning.

Planning Policy & Heritage (RG04)

3.2.6 The Senior Planning Officer post was held vacant to help minimise the potential overspend in the planning service because of the costs of defending recent planning appeals.

Housing Options and Advice (HS05)

3.2.7 The Housing Strategy and Wellbeing service was restructured and recruited to over the 2015/16 financial year after the appointment of the Head of Service. Until permanent staff could be recruited, the service was managed by an interim Housing Options and Advice Manager and Senior Housing Options Advisers. Other interim staff were also needed in order to cover vacant frontline Housing Options Officer and Outreach Worker roles. The overspend position in this area was managed within the overall Housing service budget by prioritising recruitment in key areas and limiting the financial impact of interim cover.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 Ongoing monitoring of the Council's budget and capital programme enables early intervention and appropriate remedial action, thus mitigating risks to the Council's financial viability and to its reputation.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equalities implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 None at this stage.

4.6 How the Proposals deliver Priority Outcomes

4.6.1 Regular reporting of the Council's financial position helps to ensure the proper stewardship of the Council's resources. Active financial management contributes to the delivery of value for money services, enabling public money to be used to maximum benefit.

4.7 Other Implications

4.7.1 Not applicable

5. Background Papers

None

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521

Internal Audit Progress Report

May 2016

Northampton Borough Council

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Distribution list	Audit Committee
Background and scope	The purpose of this report is to provide a progress update on the delivery of internal audit services to the Council.

Internal audit update

2015/16 Audit Plan

The 2015/16 internal audit plan was approved by the Audit Committee on 7 September 2015 and since then we have undertaken work in accordance with the plan.

There have been a number of changes to the plan during the year and some reviews are running over the year end and will be finalised as part of the 2016/17 internal audit plan.

At the time of our previous update we gave updates on both the LGSS and Section 151 reviews. Our LGSS review highlighted that whilst the Council has made progress against previous recommendations, a number of issues continue to impact the effective delivery of this contract including robust processes to review and validate contract cost and service information. We also found a number of areas where processes in LGSS could be improved to provide more transparency to the Council over the services they are receiving.

As noted previously, while the above provides the Council with the means of increasing its understanding of the contract and improving its monitoring of the service going forward, in order to support the Council's wider assessment of value for money around the LGSS contract, we have agreed a Phase 2 to this work. Phase 2 will focus specifically on reviewing the actual resources in place within LGSS to deliver the full range of contracted services, comparing that to the Council's understanding of the services being received and the resource committed to their activities. In addition, Phase 2 will consider non-staff costs invoiced to the Council. We have agreed Terms of Reference for this review with the Council and our observations and recommendations from both Phase 1 (a review of processes and controls supporting the delivery of specified LGSS services) and Phase 2 (a focused review of actual staff and non-staff levels within LGSS to deliver services across the full range of the contracted services) will be incorporated into one report. Before we are able to commence this second phase, LGSS are meeting with the Director of Customers and Communities. This meeting was scheduled for 4th May and we will be commencing phase 2 as soon as possible after that date.

We have completed our review of the Section 151 Officer role and we are now in the process of finalising the report following a meeting with management which resulted in some further information being provided.

Our Internal Audit Annual Report will be presented to the June meeting following discussion and clearance with management. The annual report will also include a summary of relevant reviews undertaken by LGSS along with the associated opinions. LGSS has agreed to provide this information to us in order that we can incorporate the details in our Annual Report.

2016/17 Audit Plan

We are in the process of finalising the audit plan in consultation with management. Over the next few weeks we will be consulting with senior management and will also attend a meeting of the management board. Following this we will produce an initial draft plan and will then invite members of the Audit Committee to review and comment on the draft plan prior to bringing a final version to the June meeting for Committee approval. We anticipate that the audit plan for 2016/17 will place more emphasis on providing assurance across a broader range of the council's operations and will see an increase in the number of audit reviews and reports within the existing cost envelope.

NTFC Loan

We are continuing our review of policies and procedures relating to the provision of loan finance to Northampton Town Football Club in accordance with our agreed terms of reference.

This document has been prepared only for Northampton Borough Council and solely for the purpose and on the terms agreed with Northampton Borough Council. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else. If you receive a request under freedom of information legislation to disclose any information we provided to you, you will consult with us promptly before any disclosure.

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Appendices: 1



AUDIT COMMITTEE REPORT

Report Title	KPMG – External Audit progress update 2015/16 – Interim Audit
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AGENDA STATUS: PUBLIC

Audit Committee Meeting Date:	16 May 2016
Policy Document:	No
Directorate:	Finance Directorate LGSS
Accountable Cabinet Member:	Cllr Mike Hallam

1. Purpose

- 1.1 To present Committee with KPMG’s External Audit progress update letter from the 2015/16 interim audit.

2. Recommendations

- 2.1 To note the progress by KPMG in regards to their 2015/16 external audit, as detailed at appendix 1.
- 2.2 To note internal that audit updates from PwC and LGSS Internal Audit for 2015/16 internal audit work are either presented to the Audit Committee as reports within this meeting (16th May 2016) or will be reported at the next Audit Committee on 27th June 2016.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The KPMG External Audit plan received by the Audit Committee in February 2016 indicated that a full interim audit report would only be provided if any important matters were identified from their planning and control evaluation phases of their work that they felt required reporting back to the Audit Committee.

3.1.2 KPMG have confirmed that no significant issues were identified in the course of their work, and have therefore provided an update via a letter, detailed at appendix 1.

3.2 Issues

3.2.1 In paragraph three of KPMG's update letter at appendix 1, it is noted that reference is made to fact that as at 31st March 2016 the Audit Committee had not received any internal audit reports from either PwC or LGSS Internal Audit for the period 2015/16.

3.2.2 The Committee should note that PwC updates are provided as reports within this agenda for 16th May 2016, and further PwC reports along with the LGSS Internal Audit report will be presented to the Committee at the next meeting on 27th June 2016.

3.3 Choices (Options)

3.3.1 None

4. Implications (including financial implications)

4.1 Policy

4.1.1 There are no specific policy implications arising from this report.

4.2 Resources and Risk

4.2.1 There are no specific resources or risks identified with KPMG's update letter.

4.3 Legal

4.3.1 There are no specific legal implications arising from this report.

4.4 Equality

4.4.1 There are no specific equality implications arising from this report.

4.5 Consultees (Internal and External)

4.5.1 The External Audit update letter has been provided by KPMG.

4.5.2 PwC Internal Audit have been consulted regarding the timing of their 2015/16 reports.

4.5.3 LGSS Internal Audit have been consulted regarding the timing of their 2015/16 reports.

4.6 Other Implications

4.6.1 Not applicable

5. Background Papers

KMPG – External Audit Plan 2015/16

Glenn Hammons
Chief Finance Officer, Telephone 01604 366521



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Mr G Hammons
Section 151 Officer
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Our ref DH/AC/NBC

Contact Daniel Hayward
0121 232 3280

4 May 2016

Dear Glenn,

Northampton Borough Council – 2015/16 External Audit progress

We have now completed our planning and interim audit work in line with the timetable set out in our detailed *External Audit Plan 2015/16*, dated February 2016. In that plan we indicated that we would only present an *Interim Audit Report* to the Audit Committee if there were any important matters from the planning and control evaluation phases of our audit we needed to bring to their attention prior to the year-end audit.

As our interim audit work to date has not identified any significant issues, we do not consider it necessary to issue a formal report to the Audit Committee at this stage. There are a few matters which we have discussed with you and your team, which we will include for completeness in the *ISA260 Report 2015/16*, which we will produce at the conclusion of the audit and present to the Audit Committee in September 2016.

Additionally, we note that as of 31 March 2016, the Audit Committee had not received any internal audit reports from either provider. We have thus far been unable to review, or place reliance on, the work of Internal Audit up to this date. As our controls work in relation to payroll is dependent upon Internal Audit's findings, and this has yet to be finalised, we will therefore have to complete this during our final accounts visit.

In our *ISA260 Report 2014/15*, we recommended that the Authority should undertake a thorough assessment of both Internal Audit providers' annual audit plans for 2015/16 to ensure that appropriate and timely coverage of systems is provided during 2015/16.

We have continued to progress our investigation into the football club loan, and the findings of this review will also feed into our specific audit work relating to our value for money conclusion regarding whether the Authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.

In the absence of the need for an *Interim Audit Report*, please feel free to table this letter at the next Audit Committee meeting, to provide them with an update on the progress of our audit.

Yours sincerely

Andrew Cardoza
Director, KPMG LLP