ENSORS

LGSS Law Limited

Client Audit Plan

Year ended 31 March 2017

Prepared by

Ensors Accountants LLP
Warwick House
Ermine Business Park
Spitfire Close
Huntingdon
PE29 6XY

Tel: 01480 417800
E-mail: mail@ensors.co.uk

Making you more than just a number

Contents

1 Introduction

Scope

The scope of our engagement is to form and express an audit opinion on the financial statements that have been prepared by management with the oversight of those charged with governance in respect of LGSS Law Limited for the year ended 31 March 2017 in accordance with the Companies Act 2006.

Our audit will be conducted in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board and is subject to the engagement letter signed by Ensors and the directors. A draft of our audit report is set out in Appendix 1.

Under the Companies Act 2006, those charged with governance are responsible for the preparation of the financial statements. Our audit does not relieve management or those charged with governance of this responsibility.

Audit objectives

Our audit objectives are set out in the Companies Act 2006. They are:

- to express an opinion as to the truth and fairness of the accounts of the company for the year then ended;
- to form an opinion as to whether or not the accounts have been properly prepared in accordance with International Financial Reporting Standards – EU adopted; and
- to form an opinion as to whether or not the accounts have been prepared in accordance with the Companies Act 2006.

We are also required to form an opinion as to whether or not the information given in the Directors' Report is consistent with the financial statements.

There are a number of matters which we are required to report on by exception. These are our opinion as to whether:

- proper accounting records have not been kept, or returns adequate for our audit have not been received from branches (where applicable) not visited by us;
- the financial statements are not in agreement with the accounting records or returns;
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Audit approach and significant accounting and audit issues

We set out in Section 2 our audit approach and the key accounting and audit issues, based on our audit planning procedures, that we consider have a bearing on this year's audit.

These are:

- Revenue recognition
- Management override

International Financial Reporting Standards (“IFRSs”) and related interpretations as adopted by the European Union

This IFRS aims to provide entities with succinct financial reporting requirements. The requirements in this IFRS follow the International Accounting Standards Board’s (IASB) International Financial Reporting and related interpretations as adopted by the European Union. The IFRS is intended to apply to the general purpose financial statements of, and other financial reporting by, entities that in many countries are referred to by a variety of terms including ‘small and medium-sized’, ‘private’ and ‘non-publicly accountable’.

IFRS is designed to apply to the general purpose financial statements and financial reporting of entities including those that are not constituted as companies and those that are not profit-oriented. General purpose financial statements are intended to focus on the common information needs of a wide range of users; shareholders, lenders, other payables, employees and members of the public, for example.

The IFRS requires an entity to disclose, in a complete set of financial statements, comparative information in respect of the preceding period for all amounts presented in the financial statements, as well as specified comparative narrative and descriptive information. An entity may present comparative information in respect of more than one preceding period.
We will discuss with you in more detail during the audit planning process the impact of adopting this standard and the work required to identify, evaluate and compile the necessary adjustments to your entity’s results and disclosures.

Auditor independence

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that there are no relationships between us and any of our related or subsidiary companies and you and your related entities creating an actual or perceived threat to our independence within the regulatory or professional requirements governing us as your auditors. In considering our independence we consider Jerry Wright to be informed management.

We provide the following non-audit services to the company:

- Accounts preparation: There is a perceived risk of self review and of Ensors taking management decisions. However, the preparation of the statutory accounts consists entirely of mechanical accounting processes. We use information provided by you in the form of a balanced trial balance to prepare the accounts that include the necessary disclosures required by the Companies Act and relevant accounting standards. In the preparation of these accounts, no decisions are taken without management approval.

- Corporation tax compliance: There is a perceived risk of self review as well as a risk of Ensors taking management decisions when we prepare tax computations. To safeguard our independence the corporation tax compliance work is reviewed by our separate corporate tax team whom are not involved in the statutory audit work and whom do not report to the audit partner. No decisions are taken without prior management approval.

- SRA accounts rules compliance: There is a perceived risk of self review. To safeguard our independence the SRA/client account compliance work is reviewed by an Independent Partner whom is not involved in the statutory audit work. No decisions are taken without prior management approval.

Materiality

We will present a summary of any uncorrected misstatements at the conclusion of the audit. Further detail of how materiality is determined is given in section 3.

Fees

Our proposed audit fee for this year is £15,000 (excluding VAT and disbursements) as agreed previously.

Deliverables

In Appendix 2, we attach a schedule of deliverables that we require arranging prior to commencing our audit in order to be able to conduct it in a timely and efficient manner.

2 Audit approach

Overview

Our audit will be conducted in accordance with International Standards on Auditing (UK & Ireland) issued by the Auditing Practices Board.

Our audit approach is risk focussed and will be tailored to your specific needs depending on the operational, regulatory and financial risks that you face. The audit is supported by our integrated audit software toolkit.

Our audit will include such tests of transactions and of the existence, ownership and valuation of assets and liabilities as we consider necessary. We shall expect to obtain appropriate evidence that we consider sufficient and appropriate to enable us to draw reasonable conclusions therefrom.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free of material misstatement and give a true and fair view.

The full details on the nature and scope of the audit, and our respective responsibilities can be found in the engagement letter in place between us.

Assessment of and reliance on internal controls

As part of our audit we consider the company's internal controls and assess the extent to which we can place reliance on these controls. This in turn helps determine the nature, extent and timing of our audit procedures. We will report any significant findings to you in our final management report. It should be noted though, that our audit is not designed to provide assurance as to the overall effectiveness of the company's internal controls.

Based on the company's size, we have determined that a wholly substantive audit approach is the most efficient and effective way to obtain the necessary assurance for the purpose of our audit.

Significant accounting and audit issues

As a result of our planning procedures, we have identified the following significant accounting and audit issues which we will specifically obtain assurance on during the course of our audit:

- Revenue recognition – Completeness of revenue is considered to be a key risk. Our audit work will be designed to check that income is appropriately recognised in the accounts.

- Management override – This is also considered to be a significant risk. Our audit work will cover reviewing all significant transactions to ensure that they properly reflect the position.

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3 Materiality

Concept and definition

The auditor's determination of materiality is a matter of professional judgment, and is affected by the auditor's perception of the financial information needs of users of the financial statements. In this context, it is reasonable for the auditor to assume that users:

- Have a reasonable knowledge of business and economic activities and accounting and 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, judgment and the consideration of future events; and
- Make reasonable economic decisions on the basis of the information in the financial statements.

The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

In planning the audit, the auditor makes judgments about the size of misstatements that will be considered material. These judgments provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing and extent of further audit procedures.

The materiality determined when planning the audit does not necessarily establish an amount below which uncorrected misstatements, individually or in aggregate, will always be evaluated as immaterial. The circumstances related to some misstatements may cause the auditor to evaluate them as material even if they are below materiality.

Although it is not practicable to design audit procedures to detect misstatements that could be material solely because of their nature, the auditor considers not only the size but also the nature of uncorrected misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements.

Unadjusted errors

In accordance with auditing standards, we will communicate to the directors all unadjusted items identified during our audit, other than those which we believe are "clearly trivial".

Clearly trivial is defined as matters which will be of a wholly different (smaller) order of magnitude than materiality determined in accordance with ISA (UK and Ireland) 320, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances.

We have assessed a clearly trivial limit of £3,000. We will report any errors in excess of this threshold.

We will obtain written representations from the board of directors confirming that, after considering all these unadjusted items, both individually and in aggregate, in the context of the financial statements taken as a whole, no adjustments are required.

There are a number of areas where we would request any misstatements identified during the audit process to be adjusted. These include:

- misstatements that we believe were intentionally made to achieve targeted earnings or similar goals;
- clear cut errors whose correction would cause non-compliance with loan covenants, management compensation agreements, other contractual obligations or governmental regulations that we consider are significant; and
- other misstatements that we believe are material or clearly wrong.

4 Timetable

Below we set out the timetable for this year's audit:

Event	Timing
Audit planning	March 2017
Audit fieldwork commences	15th May 2017
Tax computation and review of tax	June 2017
Partner review	June 2017
Completion activities including feedback to management	June 2017
Sign financial statements	July 2017

5 Client service team

Name	Role	Telephone	e-mail
Barry Gostling	Audit partner	01473-220022	barry.gostling@ensors.co.uk
Henry Wood	Tax manager	01284-722300	henry.wood@ensors.co.uk
Keith Lapham	Audit manager	01223-420721	keith.lapham@ensors.co,uk
Adrian Piddington	Audit senior	01480-417800	adrian.piddington@ensors.co.uk
Sarah Rehman	Audit assistant	01480-417800	sarah.rehman@ensors.co.uk

Appendix 1: Draft audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LGSS LAW LIMITED

We have audited the financial statements of LGSS Law Limited for the year ended 31 March 2017 set out on pages X to X. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Appendix 2: Deliverables

You have undertaken to provide us with an audit work papers file. Ideally it will include the following contents:

Audit area		Contents for you to provide	Date delivered
N	Primary statements, TB and journals	Trial balance for the company and full detailed nominal ledger in pdf or hard copy format	
		Wi-fi access/Access to nominal ledger and all financial ledgers during the audit fieldwork attendance (minimum 2 temporary access licences required)	
		Management accounts/Board reporting packs for the year to 31 March 2017	
		Draft accounts prepared by Finance Director (if any)	
		Draft strategic report and KPI information for inclusion in the accounts	
		Wi-fi access/Access to electronic journal files or, alternatively, access to hard copy journal files for the year under review	
		Opening balance adjustment journal from previous auditors	
B	Fraud	Answers to client audit plan (CAP) questions – see Appendix 3 of CAP supplied herewith	
A	Going concern	Cash flow and profit forecast for 12 months from anticipated date of accounts approval (per timetable in this CAP will be at least until July 2018).	
		Budget for next financial year and future projected periods (if available)	
		Management accounts post year end to date	
D	Related parties	Schedule of all transactions with related parties to facilitate the completion of required note to the accounts.	
		Completed related party declarations from Directors and key management	
		Written confirmations from group undertakings about amounts transacted between them and LGSS In the year, together with amounts owed from/to LGSS at 31.03.17.	
J	Laws and regulations	Copies of any correspondence with regulatory bodies e.g. HM Revenue and Customs, together with any assessments raised.	
		Details of any actual or pending legal claims against the entity or other regulatory reporting that may impact disclosure in the accounts	
		No pending health or safety issues. Please advise current post holders and training certification in respect of first aiders and fire safety officers within the company .	
		Please let us have a copy of the company's current ICO data protection registration (if applicable).	

		Confirmation that Lexcel accreditation remains in place for the company and that there were no issues to highlight from this or inspections, that may directly/indirectly impact upon statutory accounts presentation or disclosure.	
L	Statutory records	Copies of all Board minutes and annual returns retained for the year under review and since year end to date.	
		Access to Statutory registers for the company.	
K	Contingencies and commitments	Schedule of relevant items with supporting documentation	
		Schedule of operating lease commitments payable next year with lease expiry date, analysed between: • Land and buildings; and • Other	
		Hard copy or pdf copies of supporting leases	
		Copy of the DPS contract/commitment (we understand is not presently capitalised or included in accounts for y/e 31.03.17 at all).	
H	Sales and other income	Monthly summaries of invoices/fee notes raised (bills delivered report)	
		Chargeable hours summary for the year and / or supporting time records access to allow for follow through to invoicing and nominal ledger entry (sales completeness and WIP review)	
		A geographic analysis of fee income, split between UK, EU and rest of world.	
		An analysis of interest received on pension fund assets and other interest.	
		Schedule of work in progress for fixed price projects showing method of calculation for accrued or deferred income	
J	Purchases and other payments	An analysis of legal and professional fees together with copies of invoices	
		An analysis of computer consumables and software licences	
		An analysis of sundry items	
		An analysis of vehicle leasing (if any)	
		Details of entertaining and sponsorship (analysis).	
		Details of any donations (charitable or otherwise)	
M	Wages and employees	Monthly analysis of gross pay, employer's NIC, employees' NIC, overtime, pensions and net pay. Analysis to be provided so we are able to split between Wages and Salaries Gross cost, Social Security Costs and Expenses related to retirement benefit/pension plans in note to the accounts.	
		Reconciliation of analysis to the salary costs shown in the accounts.	
		Summary of average number of employees, with analysis to be split between Directors, fee earning staff and others.	

		Details/analysis of directors' emoluments, including copies of directors' P11Ds for BIK assessment.	
		Copies of any HMRC PAYE/NIC inspection notices received in the year and subsequent assessments raised (if any).	
		The amount of accrued pension for the highest paid Director and his accrued lump sum.	
		Confirmation that retirement benefits are accruing to just one Director under the defined benefits scheme (no change from previous year).	
		Details of expenses paid to Directors (where no remuneration paid or paid in addition to remuneration).	
		Year end valuation / disclosure reports from each of the actuaries for the Local Government Pension Schemes in which the company participates	
E	Fixed assets	Fixed asset register/listing with reconciliation to nominal ledger.	
		Analysis of cost, additions, disposals, depreciation and NBV for note to accounts.	
		Schedule of additions with documentary evidence (e.g. invoice) for items capitalised over £1,000.	
		Analysis of disposals, sales proceeds, and NBV to give profit or loss on disposal.	
		Details of any impairment in value or review of idle assets.	
		Details of any assets held under finance leases confirming date of purchase, cost, accumulated deprecation and NBV at year end.	
		Analysis of repairs and maintenance account for the year.	
		Access to general insurance documents covering assets - as well as key personnel, public liability and professional indemnity insurance (we are interested in the level of protection/indemnity covered).	
H	Debtors	Aged debtor listing as at year end	
		Schedule of cash received after date (to date) against year end debtors	
		Schedule of debts written off during the year and bad debt provision as at year end.	
		Analysis of other debtors at year end.	
		Schedule of prepayments and accrued income together with supporting calculations and invoices.	
I	Cash and bank	List of bank accounts and where existing showing overdrafts separately, unless a right of set-off exists.	
		Year end bank reconciliation for each bank account (client and office account).	

		Access to available post year end bank statements to check clearance of reconciling items and ensure no undue delay in clearance, i.e. reconciliations contain only genuine items.	
		Details of any new loans or credit agreements entered into during the year (and in the period to date since year end).	
		Copy of latest bank mandate detailing authorised account signatories and credit limits for both general and e-banking facilities.	
J	Creditors and provisions	Listing of trade creditors as at year end together with balances of high turnover creditors (highest purchase ledger turnover) confirmed. Alternatively, copy supplier statements provided to enable reconciliation. Failing statements being available or retained then access to pre and post y/e invoices and payment records will be required.	
		Schedule of accruals and deferred income at year end and supporting schedules to substantiate	
		Schedule of other creditors at year end, together with supporting schedules to substantiate	
		Supporting papers for all tax creditors, VAT, social security and payroll taxes at year end	
L	Share capital	Summary of any movements in share capital with details of transfers or new issues up to year end	
		Summary of share options issued and lapsed during the year together with details of share options (if any) outstanding at the year end	
O	VAT and taxation	VAT liability reconciliation - account to tie in with year end	
		Reconciliation of turnover per the accounts with the turnover per the VAT returns and explanations of any differences arising	
		Copies of VAT returns for the year and any penalties/assessments raised	
		Copies of any HMRCVAT inspection notices received in the year and subsequent assessments raised (if any).	
A	Post balance sheet events	Details of any adjusting or non adjusting events post year end.	

Appendix 3: Questionnaire

To help us with our planning we would be grateful if you could answer the following questions:

1. Do you carry out a risk assessment for the business?

2. Have there been any instances of fraud during the year?

3. Do you consider the risk of fraud to be significant and have you put processes in place to identify such risks?

4. Have any service organisations that work for you, reported any instances of fraud or non-compliance with laws and regulations.

5. Have you had any regulatory visits that we have not been made aware of?

6. Have there been any breaches of any laws and regulations that the group is required to comply with?

7. Is there any new legislation that you are aware of that could have an impact on the disclosures that we make in your accounts?

8. How do you identify related parties? i.e. a person or entity that you trade with that could have control or significant influence over LGSS Law Limited.

9. The directors are required to make a suitable assessment of whether the company is a going concern when preparing year end accounts. They need to prepare such forecasts to demonstrate that the company can continue to trade as a going concern for a period of not less than 12 months from the date of approval of the accounts.

We would be grateful if you could provide us with suitable evidence as to going concern by the time that we come to sign the audit report.