

performed in early 2019, the results of which were reported to the Audit Committee in March 2019. The key finding from the review was the need to increase the use of data analytics within the function.

### External auditor

#### Transition of external auditor

Deloitte was appointed as intu's external auditor for the 2019 audit following approval at the 2019 AGM, succeeding PwC. Although it is still early into Deloitte's tenure as intu's external auditor, I am pleased that the transition of the external audit process has gone well. The Audit Committee has recommended that Deloitte be reappointed as external auditor at the 2020 AGM.

A key area of focus for the Audit Committee in 2019 was the effective transition of the external audit process from PwC to Deloitte. For this to be achieved, a detailed transition plan was put in place between management and Deloitte with the aim of familiarising Deloitte with intu. In addition to regular communication between the Group finance team and Deloitte, the key areas of the transition plan included:

- Deloitte shadowing PwC through the 2018 audit and attending the November 2018 and February 2019 Audit Committee meetings
- regular communication between management, Deloitte and PwC to agree and facilitate the handover process
- Deloitte's review of PwC's 2018 audit files
- meetings with senior management across intu to familiarise Deloitte with key business processes

- site visits to shopping centres to see how the assets are operated as well as meeting with centre management and leasing teams
- meetings with the Group's third-party valuers to understand the valuation process
- detailed reviews of the Group's cash flow, financing and covenant projections

#### External auditor effectiveness

The Audit Committee has assessed the effectiveness of the external auditor, Deloitte, in line with the approach set out in the FRC's Audit Quality Practice Aid tailored to the fact that it is Deloitte's first year as intu's external auditor. In carrying out the evaluation for 2019 the Audit Committee has reviewed and challenged with the external auditor:

- the 2019 audit plan presented by Deloitte, including the risks identified and its audit approach
- the FRC's audit quality inspection review of Deloitte
- the output of the audit, including reports to the Audit Committee and management
- performance of the audit team at meetings

The above was assessed through internal feedback, direct meetings, reviews of internal as well as independent reports.

Following this review, the Audit Committee has concluded that Deloitte has been effective in its role as external auditor for the 2019 audit. The Audit Committee will continue to review the effectiveness and independence of the external auditor each year.

### Non-audit services

On 1 January 2017 the Group implemented the FRC's Ethical Standard for Auditors which imposes restrictions on certain non-audit services. The FRC's Revised Ethical Standard will become effective for the Group from 15 March 2020. The majority of non-audit related services are prohibited and others require approval by the Audit Committee. There is a statutory overall fee limit of 70 per cent of the average of audit fees charged in the past three years.

The Audit Committee has sole authority to approve contracts for non-audit services with the external auditor, subject to observing certain guidelines. In order to ensure that external auditor independence and objectivity is maintained, the Audit Committee considers whether the proposed arrangements will maintain external auditor independence. The external auditor must also satisfy the Company that it is acting independently.

The table below summarises the fees paid to the external auditor over the last three years (with 2019 being attributable to Deloitte, and 2018 and 2017 attributable to PwC).

### Audit Committee effectiveness

As part of the Board evaluation process, the effectiveness of the Audit Committee was reviewed and this confirmed that the Committee remained effective at meeting its objectives.

**Steve Barber**

**Chairman of the Audit Committee**

12 March 2020

	2019 £'000	2018 £'000	2017 £'000
Audit fees	1,092	823	789
Non-audit fees	598	281	49
Total fees paid to auditor	1,690	1,104	838
Ratio of non-audit fees to audit fees	55%	34%	6%