



## AUDIT AND GOVERNANCE COMMITTEE

Tuesday 11 December 2018

### EXTERNAL AUDIT PLAN FOR 2018/19 (AG 25/18)

#### EXECUTIVE SUMMARY

1. Ernst and Young's external audit plan summarises their assessment of the key risks driving the development of an effective audit for the Council and outlines their planned audit strategy in response to those risks.
2. The Audit Plan also summarises the evaluation criterion Ernst and Young will use as part of their Value for Money Conclusion.
3. Materiality has initially been set at £1.342 million for the audit of the Council's financial statements.
4. The Council's proposed audit fee for 2018/19 totals £38,869, which is a decrease of £17,730 compared to 2017/18 (£56,599).

Is the report Open or Exempt?	Open
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<b>Wards Affected:</b>	All Wards in the District
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<b>Cabinet Member:</b>	Councillor Stuart Lawson Cabinet Member with Responsibilities for Resources
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<b>Supporting Officer:</b>	Simon Taylor Interim Chief Finance Officer 01394 444570 <a href="mailto:simon.taylor@eastsuffolk.gov.uk">simon.taylor@eastsuffolk.gov.uk</a>
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## **1 INTRODUCTION**

- 1.1 Ernst and Young are required to set out how they intend to carry out their responsibilities as the Council's external auditors. The Audit Plan presented to the Audit & Governance Committee details the proposed audit approach and scope to be undertaken ensuring compliance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments Ltd and auditing standards.

## **2 HOW DOES THIS RELATE TO EAST SUFFOLK BUSINESS PLAN?**

- 2.1 Ernst and Young, as the Council's external auditors, will be aware of the Council's Business Plan and through their value for money assessment will comment on the Council's ability to become financially self-sufficient and review the accounting treatment via their audit of the financial statements of critical success factors and planned actions.

## **3 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 3.1 The Audit Plan within Section Two details Ernst and Young's assessment of the financial statement risks that apply to the Council and their audit approach to gain assurance that the Council has controls in place to mitigate these risks.
- 3.2 The two significant financial statement risks identified are generic across all local authorities due to the reductions in local government funding. Four other risks have been identified in relation to:
- Property, Plant and Equipment Valuations;
  - Pension Valuations and Disclosures;
  - IFRS 9 Financial Instruments; and
  - IFRS 15 Revenue from contracts with customers

This four risks are also generic across all local authorities due to their size and potential impact on the statement of accounts.

- 3.3 Ernst and Young set's out in Section Three of the Audit Plan, their overall evaluation criterion when considering whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources, which is:

*"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".*

- 3.4 Section Four of the Audit Plan details materiality for the audit of the financial statements which has initially been determined as £1.342 million based on 2% gross operating expenditure. Materiality is subject to change. Any uncorrected errors identified over £67,100 will be reported to the Audit & Governance Committee via the external auditors Audit Results Report in July 2019.
- 3.5 Section Five of the Audit Plan details audit process and strategy, which cover key areas such as materiality, audit fees, audit team and timetable of communications and deliverables
- 3.6 Audit fees for 2018/19 have decreased by £17,730 in total; from £56,599 to £38,869 in relation to core audit work. This is the first audit fee to be set following the procurement exercise run by the Public Sector Audit Appointments Ltd.

- 3.7 There has been a change to the audit team for 2018/19. Debbie Hanson has replaced Kevin Suter as Associate Partner.
- 3.8 The timetable of communication and deliverables for this Committee is July 2019 when the Audit Results Report will be presented detailing the outcome of the Opinion Audit and Value for Money Conclusion. The report will be presented to the new East Suffolk Council's Audit & Governance Committee, as the successor body.

#### **4 OTHER KEY ISSUES**

- 4.1 Section Eight of the Audit Plan details Ernst and Young's assessment of independence and objectivity threats. The outcome of the assessment is that Ernst and Young have adopted appropriate safeguards to mitigate the principal threats and that the audit team have not been compromised.

#### **5 CONSULTATION**

- 5.1 The Audit Plan has been discussed with Officers of the Council before being finalised and present to the Audit & Governance Committee.

#### **6 OTHER OPTIONS CONSIDERED**

- 6.1 No other options need to be considered.

#### **7 REASON FOR RECOMMENDATION**

- 7.1 To provide the Committee with an opportunity to review and consider the External Audit Plan.

#### **RECOMMENDATIONS**

That the Committee considers the 2018/19 External Audit Plan and comments on the content of the report.

#### **APPENDICES**

##### **Appendix A**

External Audit Plan for 2018/19

#### **BACKGROUND PAPERS - none**