

## AUDIT & GOVERNANCE COMMITTEE

Thursday 15 March 2018

### EXTERNAL AUDIT PLAN FOR 2017/18 (REP1654)

#### 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 £1.570 million for the audit of the Council's financial statements.
4. The Council's proposed audit and certification fee for 2017/18 totals £68,289, which is a decrease of £13,561 compared to 2016/17 (£81,850) and relates to a £1,006 reduction on core audit work and £12,555 reduction on the certification of claims and returns.

Is the report Open or Exempt?	Open
<b>Wards Affected:</b>	All Wards in the District
<b>Cabinet Member:</b>	Councillor Bruce Provan Cabinet Member for Resources
<b>Supporting Officer:</b>	Homira Javadi Chief Finance Officer 01394 444529 <a href="mailto:homira.javadi@eastsoffolk.gov.uk">homira.javadi@eastsoffolk.gov.uk</a>

## **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. Two other risks have been identified in relation to Property, Plant and Equipment Valuations and Pension Valuations and Disclosures are also generic across all local authorities due to their size.
- 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 audit process and strategy, which cover key areas such as materiality, audit fees, audit team and timetable of communications and deliverables.
- 3.5 Materiality for the audit of the financial statements has initially been determined as £1.570 million based on 2% gross operating expenditure. Materiality is subject to change. Any uncorrected errors identified over £79k will be reported to the Audit & Governance Committee via the external auditors Audit Results Report in July 2018.
- 3.6 Audit fees for 2017/18 have decreased by £13,561 in total; from £54,780 to £53,774 in relation to core audit work and from £27,070 to £14,515 in relation to certification of claims and returns. The duty to prescribe audit fees is now a statutory function delegated to Public Sector Audit Appointments Ltd.
- 3.7 There has been a change to the audit team for 2017/18. Mary Springer has replaced Victor Matimba as Senior Auditor and will be key point of contact for the finance team.
- 3.8 The timetable of communication and deliverables for this Committee is July 2018 when the Audit Results Report will be presented detailing the outcome of the Opinion Audit and Value for Money Conclusion.

#### **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.

#### **RECOMMENDATION**

1. That the Committee considers the 2017/18 External Audit Plan and comments on the content of the report.

#### **APPENDICES**

<b>Appendix A</b>	External Audit Plan for 2017/18
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#### **BACKGROUND PAPERS (none)**