

<b>AUDIT COMMITTEE</b>	AGENDA ITEM No. 5
<b>11 FEBRUARY 2019</b>	<b>PUBLIC REPORT</b>

Report of:	Peter Carpenter - Acting Corporate Director: Resources	
Cabinet Member(s) responsible:	Cllr Seaton - Resources	
Contact Officer(s):	Peter Carpenter - Acting Corporate Director: Resources Kirsty Nutton - Head of Corporate Finance	Tel. 384564 Tel. 384590

## ERNST & YOUNG LLP AUDIT PLAN FOR THE YEAR ENDED 31 MARCH 2019

R E C O M M E N D A T I O N S	
<b>FROM:</b> Peter Carpenter - Acting Corporate Director Resources	<b>Deadline date:</b> 11 February 2019
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> <li>1. Note the revised key risks set out by Ernst Young LLP in their report and their audit approach to meet those risks.</li> <li>2. Identifies to Ernst Young LLP any other matters the Audit Committee considers will influence the audit.</li> <li>3. Notes that the Public Sector Audit Appointments scale fee will apply unless additional work is required as set out on page 36 of the report.</li> </ol>	

### 1. ORIGIN OF REPORT

- 1.1 This report is submitted to Audit Committee to update them in respect of changes made to the Outline Audit Plan which was presented at 19 November 2018 Audit Committee.

### 2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to involve the Audit Committee in determining the audit approach and to identify any additional issues it considers relevant to the audit
- 2.2 This report is for Audit Committee to consider under its Terms of Reference -
- 2.2.2.5 *To consider the external auditors annual letter, relevant reports and the report to those charged with governance.*
  - 2.2.2.7 *To comment on the scope and depth of external audit work and to ensure it gives value for money*

### 3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	<b>NO</b>	If yes, date for Cabinet meeting	n/a
---	-----------	----------------------------------	-----

### 4. BACKGROUND AND KEY ISSUES

- 4.1 The Audit Plan has been prepared to inform the Council about the responsibilities of its external auditors and how those responsibilities will be discharged. It has been discussed and agreed jointly by Council representatives and External Audit (EY).

- 4.2 On 19 November 2018 Audit Committee received an Outline Audit Plan which summarised EY’s initial assessment of the key risks driving the development of an effective audit for the Council, and outlined their planned audit strategy in response to those risks.
- 4.3 Following further planning work and sector wide feedback there have been some changes made to the key risks in the Final Plan which are summarised on page 3 of the Final Plan (Appendix A). Overall the general risks previously listed have been replaced by more specific descriptions of risk to be reviewed in the audit. These amendments are not a result of any concerns specific to the Council arising since November.
- 4.4 The generic ‘Risk of fraud in revenue and expenditure recognition’ has been replaced by two more specific related risks - ‘Misstatements due to fraud or error – the incorrect capitalisation of revenue expenditure and REFCUS’ and ‘Misstatements due to fraud or error – incorrect application of capital grants’.
- 4.5 As noted these are not as a result of specific concerns with the Council’s policies and behaviour, but rather are sector wide recommendations given the current financial climate there is elevated risk of significant errors in the financial statements in these particular areas.
- 4.6 Due to the phased implementation of the Council’s new Local Authority Trading Company, Peterborough Limited, the ‘Assessment of Group Boundary’ is no longer a key risk, although this is likely to be for 2019/20 Statement of Accounts audit.
- 4.7 ‘PFI Accounting’ and ‘Valuation of property, plant and equipment assets under depreciated replacement cost model’ have both been included as they are complex areas of the accounts which rely on judgements and estimates which have a material impact on the accounts.
- 4.8 EY advise that risks identified in sections 2 and 3 of the plan are likely to result in an audit fee variation, the level of which will be commensurate with the additional work required.
- 4.9 The materiality levels applied to the audit have reduced due to a change in the methodology by which the gross expenditure figure, which these levels are proportionate to, has been calculated. The changes are summarised in the table below:

	<b>Outline Plan</b>	<b>Final Plan</b>
<b>Gross revenue expenditure</b>	£588m	£557m
<b>Planning Materiality</b>	£10.6m	£10.0m
<b>Performance Materiality</b>	£7.9m	£7.5m
<b>Audit Differences</b>	£529k	£500k

These will be updated during the audit to use the actual gross revenue expenditure amount from the 2018/19 Statement of Accounts.

## **5. CONSULTATION**

- 5.1 The Plan has been circulated to relevant officers for comment, including the Acting Corporate Director: Resources, and Head of Corporate Finance.

## **6. ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 Approval of the revised External Audit Plan 2018/19 and comment on any issues the Committee considers relevant.

## **7. REASON FOR THE RECOMMENDATION**

- 7.1 The Plan provides a summary of the Auditor’s proposed work. Members can ask questions and make comments to the External Auditor on its contents and coverage.

## **8. ALTERNATIVE OPTIONS CONSIDERED**

8.1 It is a requirement of the Audit Code to agree the plan but the Committee may influence the content of the plan.

## **9. IMPLICATIONS**

### **Financial Implications**

9.1 There are no direct implications arising from this Plan for Ernst and Young. Fees identified are commensurate with previous years, and are set by the Public Sector Audit Appointments body and included in the Medium Term Financial Strategy.

### **Legal Implications**

9.2 None.

### **Equalities Implications**

9.3 None.

## **10. BACKGROUND DOCUMENTS**

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

10.1 The Accounts and Audit Regulations 2015  
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 (PSAA) Ltd

## **11. APPENDICES**

11.1 Appendix A - Peterborough City Council Audit Plan Year ended 31 March 2019

This page is intentionally left blank