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| AUDIT COMMITTEE | AGENDA ITEM No. 6 |
| 16 MARCH 2015 | PUBLIC REPORT |

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| Cabinet Member(s) responsible: | Councillor Seaton, Cabinet Member for Resources | | |
| Committee Member(s) responsible: | Councillor Lee, Chair of Audit Committee | | |
| Contact Officer(s): | John Harrison, Corporate Director - Resources | | ☎ 452 398 |

EXTERNAL AUDIT: AUDIT PLAN 2014/15

| RECOMMENDATIONS | |
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| FROM : PricewaterhouseCoopers | Deadline date : N/A |
| The Committee is asked to: | |
| <ol style="list-style-type: none"> 1. Consider the External Audit Plan for 2014/15 and consider points raised by PwC in the document: <ul style="list-style-type: none"> • Proposed scope, comfortable with the audit risks, and approach; • Consider and respond to matters relating to fraud (page 12 and 13); • Consider and respond to the PwC view on the value of trivial misstatements (page 9); and • Approve proposed audit fees for the year; 2. Provide comment on any amendments necessary; and 3. Approve the Plan. | |

1. ORIGIN OF REPORT

This report is submitted to the Audit Committee in line with its Work Programme for 2014/15.

2. PURPOSE AND REASON FOR REPORT

2.1 The purpose of this report is to consider and respond to the Audit Plan for 2014/15 from PricewaterhouseCoopers (PwC), the Council's external auditors, in accordance with the Committees' Terms of Reference:

2.2.1.5 To consider the external auditors annual letter, relevant reports, and the report to those charged with governance, and

2.2.1.7 To comment on the scope and depth of external audit work and to ensure it gives value for money.

3. TIMESCALE

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| Is this a Major Policy Item / Statutory Plan? | NO | If Yes, date for relevant Cabinet Meeting | N/A |
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4. EXTERNAL AUDIT PLAN

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

4.2 The Plan (Appendix A) has been developed to consider the impact of the recent key developments and risks based upon discussion with management and understanding of the City Council and the local government sector.

4.3 There are a number of sections within appendix 1 as follows:

a) Executive Summary – contains the introductory paragraph, framework for the audit, and details of responsibilities.

b) Audit approach – explanation of the aspects of PwC work:

- PwC methodology and independence.
- Risk Assessment - an explanation of the categories of audit risk applied to the financial statements.
- Financial Statements risks - identification to enable PwC to determine where audit effort should be focused. There are a mix of types of risks identified, from the general risk such as management override of controls and fraud which any organisation would face and are not specific to the Council, and those more specific to the Council, such as the property valuation assumptions and methodologies used by the Council's external valuers and the accounting treatment of schools' non-current assets following clarification in the Code of Practice on Local Authority Accounting 2014-15.
- An explanation of the types of materiality – this is set in accordance with national auditing guidelines and standards and has been increased by PwC this year to £500k from £350k last year. A calculation is made because if misstated amounts below this level are found the correction of them will not have a material effect on the Statement of Accounts. If however the misstatement has arisen due to a control issue rather than a technical accounting adjustment, it will be reported to the Audit Committee in the Annual Report to Management. The term "clearly trivial" is used and defined nationally by audit practices, it is not a word used and defined by the Council.
- An explanation of robust testing including where and when the work is undertaken.
- Work required to conclude on the Use of Resources.

There is also an explanation of the work carried out on the Annual Governance Statement, Whole of Government Accounts and the aim to provide meaningful conclusions.

c) Risk of fraud – this contains:

- a clarification of roles to mitigate the risk
- explanation of the conditions under which fraud may occur and
- the request to the Audit Committee from PwC on your views on fraud.

d) Audit engagement team – contact details of team and responsibilities of each team member.

e) Audit Fees – confirms the fees .

f) Appendix A – Independence threats and safeguards.

g) Appendix B – Communications Plan.

h) Appendix C – Audit Quality.

i) Appendix D – Other Engagement Information, including details of electronic communication, access to working papers and overseas processing of information, quality arrangements and events arising between signature of accounts and their publication.

j) Appendix E – use of service centres.

5. CONSULTATION

- 5.1 The Plan has been circulated to relevant officers for comment, including the Corporate Director –Resources, Service Director Financial Services, and the Chief Internal Auditor.

6 ANTICIPATED OUTCOMES

- 6.1 Approval of the External Audit Plan 2014/15.

7 REASONS FOR RECOMMENDATIONS

- 7.1 The Plan provides a summary of the Auditor’s proposed work for 2014/15. Members can ask questions and make comments to the External Auditor on its contents and coverage.

8 ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The External Auditor can take on board responses received prior to the finalisation of the plan. No specific options are submitted for consideration.

9 IMPLICATIONS

- 9.1 There are no direct implications arising from this Plan for PricewaterhouseCoopers. Fees identified are commensurate with previous years.

10 BACKGROUND DOCUMENTS

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

External Audit Plan 2014/15

11 APPENDICES

Appendix 1 – External Audit Plan 2014/15

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