

AUDIT COMMITTEE	AGENDA ITEM No. 4
19 NOVEMBER 2019	PUBLIC REPORT

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	
FROM: Peter Carpenter - Acting Corporate Director Resources	Deadline date: 19 November 2018
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Note the key risks set out by Ernst Young LLP in their report and their audit approach to meet those risks. 2. Identifies to Ernst Young LLP any other matters the Audit Committee considers will influence the audit. 3. Notes that the Public Sector Audit Appointments scale fee will apply unless additional work is required as set out on page 32 of the report. 4. Add a report on the new accounting standards IFRS9, IFRS 15 and IFRS 16 to the work programme. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee in line with its Work Programme.

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?	NO	If yes, date for Cabinet meeting	n/a
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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 The plan (Appendix 1) 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 The table contained on page 5, 'Audit risk and area of focus' provides an overview of the initial risk identification for the upcoming audit and any changes in risks identified in the current year. 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. This does not reflect any specific concerns that EY have with the Council.
- 4.4 The same table shows one new area of focus which relates to three new accounting standards. IFRS 9 and IFRS 15 have been adopted into the Code of Practice for Local Authority Accounting (the Code) for 2018/19 Statement of Accounts. IFRS 16 is being consulted on for adoption into the 2019/20 code. The Council has been assessing the impact of these new accounting rules, and recommend that the outputs are reported to 11 February 2019 Audit Committee. EY do not regard this as a significant risk for the Council.
- 4.5 The Audit Plan sets out the proposed materiality levels applied by EY, including the level of uncorrected misstatements that will be reported (page 6). EY set the materiality level in accordance with national auditing guidelines and standards. 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. The Council's finance officers agree with these levels.
- 4.6 EY are required to consider whether the Council has in place 'proper arrangements' to secure economy, efficiency, and effectiveness on its use of resources. The Value for Money (VFM) section (from page 16) highlights a significant risk due to the scale of the financial challenge that the Council faces, in common with most local authorities. EY's approach will focus on 2018/19 savings and their link to longer term transformational change and reviewing the financial plan for 2019/20 and the longer term.

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 External Audit Plan 2018/19 and comment on any issues the Committee considers relevant.
- 6.2 To amend the work plan to receive a report on the new accounting standards at 11 February 2019 Audit Committee.

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.
- 7.2 To enable Audit Committee to understand the new accounting standards and the current and any potential future impact on the Council from their adoption into the Code.

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 Outline Audit Plan Year ended 31 March 2019

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