

# Forest Heath District Council

**PERFORMANCE AND  
AUDIT SCRUTINY  
COMMITTEE**

**29 MAY 2014**

**PAS14/031**

(This report is not a key decision. This report has been subject to appropriate notice of publication under the Council's Access to Information Rules)

## Report of the Head of Resources and Performance

### **ERNST & YOUNG – EXTERNAL AUDIT PLAN AND FEES 2013-2014 AND 2014-2015 INDICATIVE FEES**

#### **1 Summary and Reasons for recommendation(s)**

- 1.1 The Audit Plan attached at **Appendix A**, sets out how Ernst & Young, intend to carry out their responsibilities as our external auditors.
- 1.2 The purpose of this report is to provide the Performance and Audit Scrutiny Committee with a basis to review Ernst & Young's proposed audit approach and scope for the 2013/14 audit along with the planned fees to complete this work;
- 1.3 To provide the Performance and Audit Scrutiny Committee with a basis to review the 2014/15 indicative fees attached at **Appendix B**.

#### **2. Recommendations**

- 2.1 That Members **note** the External Audit Plan and fees for 2013/14, along with the indicative fees for 2014/15.

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### 3. Corporate priorities

3.1 This report and attached audit plan supports all of the Council's priorities within the West Suffolk Strategic Plan 2014-16.

### 4. Key issues

4.1 The Council's appointed external auditors, Ernst & Young ("EY"), are required to provide an audit plan which covers the work they plan to perform in order to provide the Council with:

- An audit opinion on whether the financial statements of Forest Heath District Council give a true and fair view of the financial position as at 31 March 2014 and of the income and expenditure for the year then ended; and
- A statutory conclusion on the Council's arrangements to secure economy, efficiency and effectiveness. The Audit Plan (attached) is based on EY's risk-based approach to audit planning.

4.2 When planning the audit EY take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements.
- Developments in financial reporting and auditing standards.
- The quality of systems and processes.
- Changes in the business and regulatory environment.
- Management's views on all of the above.

4.4 Page 3 to 5 of **Appendix A**, summarises EY's assessment of the key risks which drive the development of an effective audit for the Council, and outlines their planned audit strategy in response to those risks. Officers will be working with EY over the coming months to ensure that these risks are managed and where possible to come to an agreement over their treatment prior to the issuing of the Annual Governance Report, and Audit Opinion (due to be issued by EY by September 2014).

4.5 EY also review and report to the National Audit Office ('NAO'), to the extent and in the form required by them, on our Whole of Government Accounts return.

4.6 Table 1- Fees

	<b>Indicative fee 2014/15 £</b>	<b>Planned fee 2013/14 £</b>
Total Code audit fee	61,845	61,845
Home of Horse Racing Trust		3,345
Certification of claims and returns	18,270	20,856*

\* The certification of claims and returns fee has been revised from the fee previously published due to schemes that no longer require certification.

### 5. Other options considered

5.1 None applicable.

## 6. Community impact

6.1 None.

## 7. Consultation *(what consultation has been undertaken, and what were the outcomes?)*

7.1 This report has been prepared in consultation with the Finance Team, Joint Leadership Team and the Portfolio Holder for Resources, Governance.

## 8. Financial and resource implications *(including asset management implications)*

8.1 The proposed 2013/14 audit fee of £65,190 and certification of claims and returns fee of £20,856 is within the Council's approved budget for 2013/14.

8.2 The proposed 2014/15 audit fee of £61,845 and certification of claims and return fees of £18,270 is within the Council's approved budget for 2014/15.

## 9. Risk/opportunity assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
The assessment of the key strategic or operational risks and the financial statement risks facing the Council are not correct	Medium	Assessment of key strategic or operational risks and the financial statement risks facing the Council have been identified through External Audits knowledge of the entity's operations and discussion with members and officers.	Low

## 10. Legal and policy implications

10.1 External audit is a statutory function. EY are undertaking the audit in accordance with the requirements of the Audit Commission Act 1998, the Code of Audit Practice, the Standing Guidance, auditing standards and other professional requirements.

## 11. Ward(s) affected

11.1 All.

## 12. Background papers

12.1 None.

## 13. Documents attached

13.1 Appendix A – Ernst & Young Audit Plan 2013/14

13.2 Appendix B – Ernst & Young Annual Audit and Certification Fees 2014/15