



St Edmundsbury
BOROUGH COUNCIL

D348

Performance and Audit Scrutiny Committee 29 April 2013

Ernst & Young – External Audit Plan 2012/13

1. Summary and reasons for recommendation

- 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 2012/13 audit.

2. Recommendation

- 2.1 That Members note the External Audit Plan 2012/13.

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3. Corporate priorities

3.1 This report and attached audit plan supports the strategic priority of working together for an efficient council.

4. Key issues

4.1 The Council's newly 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 St Edmundsbury Borough Council give a true and fair view of the financial position as at 31 March 2013 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 7 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 which is due to be issued by the EY by September 2013.

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.

5. Other options considered

5.1 None applicable.

6. Community impact

6.1 **Crime and disorder impact** *(including Section 17 of the Crime and Disorder Act 1998)*

6.1.1 None

6.2 **Diversity and equality impact** *(including the findings of the Equality Impact Assessment)*

6.2.1 None

6.3 Sustainability impact *(including completing a Sustainability Impact Assessment)*

6.3.1 None

6.4 Other impact *(any other impacts affecting this report)*

6.4.1 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 Performance and Resources.

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

8.1 The proposed 2012/13 audit fee of £57,456 and certification of claims and returns fee of £29,500 is within the Councils approved budget for 2012/13.

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 2012/13