

Performance and Audit Scrutiny Committee



Forest Heath
District Council

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| Title of Report: | Ernst and Young – Presentation of External Audit Plan and Fees 2016/2017 and 2017/2018 Indicative Fees | |
| Report No: | PAS/FH/17/016 | |
| Report to and date: | Performance and Audit Scrutiny Committee | 25 May 2017 |
| Portfolio holder: | Stephen Edwards Portfolio Holder for Resources and Performance Tel: 01638 660518 Email: Stephen.edwards@forest-heath.gov.uk | |
| Lead officer: | Rachael Mann Assistant Director (Resources and Performance) Tel: 01638 719245 Email: Rachael.mann@westsuffolk.gov.uk | |
| Purpose of report: | To provide members with a basis to review: <ul style="list-style-type: none"> • Ernst and Young’s proposed approach and scope for the 2016/2017 audit along with the planned fees to complete the work as set out in the Audit Plan, attached at Appendix A; and • The indicative fees for the 2017/2018 audit as set out in the letter attached at Appendix B. | |
| Recommendation: | Performance and Audit Scrutiny Committee: Members are asked to <u>note</u> the External Audit Plan and Fees for 2016/2017, along with the indicative fees for 2017/2018. | |

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|--|---|---|---------------------------------------|
| Key Decision: <i>(Check the appropriate box and delete all those that do not apply.)</i> | | <i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/> | |
| Consultation: | | <ul style="list-style-type: none"> This report has been prepared in consultation with the Resources and Performance team, Leadership Team and the Portfolio Holder for Resources and Performance. | |
| Alternative option(s): | | <ul style="list-style-type: none"> N/A | |
| Implications: | | | |
| <i>Are there any financial implications? If yes, please give details</i> | | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> The report includes the planned 2016/2017 audit fee of £47,059 and certification of claims fee of £15,202. The report also includes an indicative audit fee for 2017/18 of £47,059. The indicative certification of claims fee has yet to be confirmed. | |
| <i>Are there any staffing implications? If yes, please give details</i> | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> | |
| <i>Are there any ICT implications? If yes, please give details</i> | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> | |
| <i>Are there any legal and/or policy implications? If yes, please give details</i> | | Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> External audit is a statutory function. | |
| <i>Are there any equality implications? If yes, please give details</i> | | Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> | |
| Risk/opportunity assessment: | | <i>(potential hazards or opportunities affecting corporate, service or project objectives)</i> | |
| Risk area | Inherent level of risk (before controls) | Controls | Residual risk (after controls) |
| | Low/Medium/ High* | | Low/Medium/ High* |
| The assessment of the key strategic or operational risks and the financial statement risks facing the Council may not be 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 |
| Ward(s) affected: | | N/A | |
| Background papers: | | None | |

Documents attached:

Appendix A – Ernst and Young Audit Plan 2016/2017

Appendix B – Ernst and Young Annual Audit and Certification Fees 2017/2018

1. Key issues and reasons for recommendation(s)

1.1 The Council's appointed external auditors, Ernst and 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 2017 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.

1.2 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.

1.3 Sections 2 and 3 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 2017).

1.4 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.

1.5 The planned fee for carrying out this work for 2016/2017 is set out on page 13 of **Appendix A** and the indicative fee for 2017/18 is contained in **Appendix B**. The fees are summarised below:

| | Planned fee 2016/2017 £ | Indicative fee 2017/2018 £ |
|-------------------------------------|--|---|
| Audit fee – code work | 47,059 | 47,059 |
| Certification of claims and returns | 15,202 | TBC |

1.6 The code work audit fee for 2017/2018 is an indicative fee only, set by the PSAA (Public Sector Audit Appointments Ltd) for each audited body. It will be reviewed and updated as necessary following completion of the 2016/17 audit. The PSAA have yet to confirm the indicative certification fee for 2017/18.