

# Performance and Audit Scrutiny Committee



Forest Heath  
District Council

<b>Title of Report:</b>	<b>Ernst and Young: Presentation of External Audit Plan and Fees 2014/2015 and 2015/2016 Indicative Fees</b>	
<b>Report No:</b>	<b>PAS/FH/15/014</b>	
<b>Report to and date/s:</b>	<b>Performance and Audit Scrutiny Committee</b>	4 June 2015
<b>Portfolio holder:</b>	To be confirmed at the Annual Council meeting on 27 May 2015.	
<b>Lead officer:</b>	Rachael Mann Head of Resources and Performance <b>Tel:</b> 01638 719245 <b>Email:</b> <a href="mailto:Rachael.mann@westsuffolk.gov.uk">Rachael.mann@westsuffolk.gov.uk</a>	
<b>Purpose of report:</b>	To provide members with a basis to review: <ul style="list-style-type: none"> <li>• Ernst and Young's proposed approach and scope for the 2014/2015 audit along with the planned fees to complete the work as set out in the Audit Plan, attached at <b>Appendix A</b>; and</li> <li>• The indicative fees for the 2015/2016 audit as set out in the letter attached at <b>Appendix B</b>.</li> </ul>	
<b>Recommendation:</b>	<b>Members are asked to <u>note</u> the External Audit Plan and Fees for 2014/2015, along with the indicative fees for 2015/2016.</b>	

<b>Key Decision:</b> <i>(Check the appropriate box and delete all those that <b>do not</b> 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"/>	
<b>Consultation:</b>		<ul style="list-style-type: none"> <li>This report has been prepared in consultation with the Resources and Performance team, Leadership Team and the Portfolio Holder for Resources, Governance and Performance.</li> </ul>	
<b>Alternative option(s):</b>		<ul style="list-style-type: none"> <li>N/A</li> </ul>	
<b>Implications:</b>			
<i>Are there any <b>financial</b> implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>The report includes the planned 2014/2015 audit fee of £62,745 and certification of claims fee of £18,270.</li> <li>The report also includes indicative fees for 2015/16 of £47,059 (audit fee) and certification of claims fee of £15,642.</li> </ul>	
<i>Are there any <b>staffing</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<i>Are there any <b>ICT</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<i>Are there any <b>legal and/or policy</b> implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> <li>External audit is a statutory function.</li> </ul>	
<i>Are there any <b>equality</b> implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> <li></li> </ul>	
<b>Risk/opportunity assessment:</b>		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
<b>Risk area</b>	<b>Inherent level of risk</b> (before controls)	<b>Controls</b>	<b>Residual risk</b> (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
<b>Ward(s) affected:</b>		N/A	

<b>Background papers:</b> <i>(all background papers are to be published on the website and a link included)</i>	None
<b>Documents attached:</b>	<b>Appendix A</b> – Ernst and Young Audit Plan 2014/2015  <b>Appendix B</b> – Ernst and Young Annual Audit and Certification Fees 2015/2016

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## 1. Key issues and reasons for recommendation

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 St Edmundsbury Borough Council give a true and fair view of the financial position as at 31 March 2015 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 Section 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 2015).

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 2014/2015 is set out on page 15 of **Appendix A** and the indicative fee for 2015/16 is contained in **Appendix B**. The fees are summarised below:

	<b>Planned fee 2014/2015 £</b>	<b>Indicative fee 2015/2016 £</b>
Total Code audit fee	62,745	47,059
Certification of claims and returns	18,270	15,642

1.6 The 2015/2016 audit is the first that EY will undertake following the closure of the Audit Commission on 31 March 2015. Their contract will now be overseen by Public Sector Audit Appointments Ltd (PSAA). The fee for 2015/2016 is an indicative fee only, set by the Audit Commission for each audited body prior to its closure. It will be reviewed and updated as necessary following completion of the 2014/15 audit.