

# EY 2015/16 ANNUAL AUDIT PLAN AND PENSION FUND AUDIT PLAN

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## SUMMARY

The attached documents set out the initial plans for the 2015/16 audit by the Councils new external auditors EY. The format of the plans follows that prescribed by the Audit Commission for external audit work. The plan sets out the approach to the audit and a broad timetable which should enable the whole process to be completed by early September. This also includes the audit of the Pension Fund which forms part of the Councils published Financial Statement of Accounts and a separate plan is attached for that audit.

EY have also produced a 'Local government audit committee briefing' which is attached for information.

## RECOMMENDATIONS

**The Committee is asked to note the report.**

## REASONS FOR OFFICER RECOMMENDATIONS

The Committee needs to be made aware of the plans for the audit of the 2015/16 accounts.

## COMMENT ON THE CONTENT OF THE AUDIT PLAN

**Materiality:** The expected level of materiality, calculated on the basis of 2% of gross expenditure is £13.6m. EY plan to report on all uncorrected audit misstatements greater than £0.67m.

**Key Financial Statement Risks:** The plan highlights the key financial statement, these being the main areas on which specific audit work will focus. They are as follows:

- Risk or fraud in revenue and/or expenditure recognition
- Risk of management override
- Valuation of property Plant and Equipment

In addition the auditors' have a statutory duty to provide a value for money conclusion based on two main criteria. These are that the organisation has proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources.

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The external auditor is required to carry out work on behalf of the Audit Commission to certify certain grant claims. In 2015/16 EY will audit the Housing benefits subsidy claim under the requirements of section 28 of the Audit Commission Act 1998.

## **FEES**

The proposed fees for the 2015/16 audit for the main accounts are £157,268, a reduction from £210,600 in 2014/15.

For grant certification work the proposed fee for Housing Benefit is £24,445. The fee for 2014/15 was £38,300.

## **COMMENT ON THE CONTENT OF THE PENSION FUND AUDIT PLAN**

**Materiality:** Materiality is calculated on the basis of 1% of the net assets of the fund which for 2016 is estimated as £8.023m. Based on this amount, EY would expect to report on all unadjusted misstatements greater than £0.4m.

**Key Financial Statement Risks:** The plan highlights the key financial statement, these being the main areas on which specific audit work will focus. They are as follows:

- Risk of fraud in revenue recognition
- Risk of management override
- Risk of incorrect valuation of investments

## **FEES**

The proposed fees for the 2015/16 audit are £21,000, no change from 2014/15.

## **TIMETABLE**

The timetable for both audits remains unchanged with the deadline for draft accounts being 30 June and the audit opinion due by 30 September 2015.

## **LEGAL IMPLICATIONS**

There are no legal implications arising from this report.

## **BACKGROUND PAPERS**

None

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