

EY 2018/19 ANNUAL AUDIT PLAN & PENSION FUND AUDIT PLAN

Committee name	Audit Committee
Officer reporting	Sian Kunert, Finance
Papers with report	EY Hillingdon Audit Plan 2018/19 EY Pension Fund Audit Plan 2018/19 EY Audit Committee Briefing December 2018
Ward	All

HEADLINES

The attached documents set out the initial plans for the 2018/19 audit by the Council's external auditors EY. The plans set out the approach to the audit of the Council's Accounts and the Pension Fund Accounts including a broad timetable which should enable the whole process to be completed by the end of July. Whilst the Pension Fund forms part of the Council's published Financial Statement of Accounts, a separate plan is prepared for that audit.

RECOMMENDATIONS:

That the Committee notes this report, the 2018/19 annual audit plan and pension fund audit plan.

SUPPORTING INFORMATION

Council Financial Statements Audit Plan

Materiality: Due to changes across the audit profession the level of materiality has been reduced to 1.8% of gross expenditure for 2018/19 to £12.84m (2017/18, 2%, £14.36m). EY plan to report on all uncorrected audit misstatements greater than £0.64m (2017/18 £0.72m).

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 management override
- Risk of inappropriate capitalisation of revenue expenditure
- PPE valuations
- IAS 19 valuations

Other areas of audit focus not classified as significant risk, but are still material when considering risks of misstatement include:

- Consideration of Group Boundary (Hillingdon First Ltd)

- New accounting standards (IFRS 9 & IFRS 15)

In addition the auditors' have a statutory duty to provide a value for money conclusion by considering whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in the use of its resources.

The Council is responsible for appointing its own reporting auditor for the Housing Benefit Assurance Process and certification of the Housing Benefit Subsidy Claim. This will be done along with the Teachers Pension Contributions and Capital Receipts Pooling certification process.

Fees

The proposed fees for the 2018/19 audit for the main accounts are £121,096 (Final fee for 2017/18 - £158,715)

Pension Fund Audit Plan

Materiality: Materiality for 2018/19 has been calculated on the basis of 1.0% of the prior year's net assets of the fund, which is estimated as £10.1m. Based on this amount, EY would expect to report on all unadjusted misstatements greater than £0.506m.

Key Financial Statement Risks: The plan highlights the key financial statement, these being the main areas on which specific audit work will focus. For 2018/19 there is one significant risk and two risks of fraud identified as follows:

- Risk of management override
- Risk of misstatement of Investment Income and Valuation through journals
- Valuation of complex Investments

Other areas of audit focus not classified as significant risk include:

- New Accounting standards
- Pooling of Investments

Fees

The proposed fee for the 2018/19 audit is £16,170. (Final fee for 2017/18 £21,000).

Timetable

The timetable for both audits accommodate the deadline for completed draft accounts 31 May 2019 and the audit opinion due by 31 July 2019.

Financial Implications

Included within the body of this report.

Legal Implications

None.