

EY 2019/20 ANNUAL AUDIT PLAN & PENSION FUND AUDIT PLAN

Committee name	Audit Committee
Officer reporting	James Lake, Finance
Papers with report	EY Hillingdon Audit Plan 2019/20 EY Pension Fund Audit Plan 2019/20 EY Audit Committee Briefing December 2019
Ward	All

HEADLINES

The attached documents set out the initial plans for the 2019/20 audit by the Councils 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 2020. Whilst the Pension Fund forms part of the Councils published Financial Statement of Accounts, a separate plan is prepared for that audit.

RECOMMENDATIONS:

That the Committee:

1. Note this report

SUPPORTING INFORMATION

Council Financial Statements Audit Plan

Materiality: The materiality level for 2019/20 is £12.97m based on 1.8% of forecast gross expenditure (2018/19, 1.8%, £12.84m). EY plan to report on all uncorrected audit misstatements greater than £0.65m (2018/19 £0.64m).

Key Financial Statement Risks: The plan highlights the key audit risks, these being the main areas on which specific audit work will focus. Two new risks have been added for 2019/20 including 'Valuation of Schools' and 'Accounting for the Dedicated Schools Grant' whilst the 'IAS19 Valuation' risk has been reclassified as not significant. The key risks for 2019/20 are as follows:

- Risk of management override
- Risk of inappropriate capitalisation of revenue expenditure
- PPE valuations
- Valuation of Schools
- Accounting for Dedicated Schools Grant

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 (IFRS16)
- Pension Liabilities and the IAS19 valuations

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 fee for the 2019/20 audit for the main accounts is £121,096 (Final fee for 2018/19 - £131,123)

Pension Fund Audit Plan

Materiality: Materiality remains on a basis of 1.0% of the prior year's net assets of the fund, which for 2019/20 is estimated as £10.7m (2018/19 £10.1m). Based on this amount, EY would expect to report on all unadjusted misstatements greater than £0.533m (2018/19 £0.506m).

Key Financial Statement Risks: The plan highlights the key audit risks, these being the main areas on which specific audit work will focus. For 2019/20 the risk of 'Management Override' has been removed; the two audit risk areas remain include:

- Risk of misstatement of Investment Income and Valuation through journals
- Valuation of Unquoted Investments

There are no specific listed areas of audit focus classified as not having significant risk.

Fees

The proposed fee for the 2019/20 audit is £16,170. (Final fee for 2018/19 £17,435).

Timetable

The timetable for both audits accommodate the deadline for completed draft accounts 31 May 2020 and the audit opinion due by 31 July 2020.

Financial Implications

Included within the body of this report.

Legal Implications

None.