

# EY 2020/21 ANNUAL AUDIT PLAN & PENSION FUND AUDIT PLAN

<b>Committee name</b>	Audit Committee
<b>Officer reporting</b>	James Lake, Finance
<b>Papers with report</b>	EY Hillingdon Audit Plan 2020/21 EY Pension Fund Audit Plan 2020/21
<b>Ward</b>	All

## HEADLINES

The attached documents set out the initial plans for the 2020/21 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 September 2021. 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 Audit Committee note the contents of this report.**

## SUPPORTING INFORMATION

### Council Financial Statements Audit Plan

**Materiality:** The materiality level for 2020/21 is £14.80m based on 1.8% of forecast gross expenditure (2019/20, 1.8%, £12.97m). EY plan to report on all uncorrected audit misstatements greater than £0.70m (2019/20 £0.65m).

**Key Financial Statement Risks:** The plan highlights the key audit risks, these being the main areas on which specific audit work will focus. Three new risks have been added for 2020/21 and are indicated below. One risk has been removed regarding the 'Dedicated Schools Grant Disclosure' The key risks for 2020/21 are as follows:

- Risk of management override
- Risk of inappropriate capitalisation of revenue expenditure
- Accounting adjustments made in the Movement of Reserves (*New*)
- New central government grants and other COVID funding (*New*)
- Valuation of Schools

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)
- Disclosures on Going Concern

- Non-domestic rate appeals provision (*New*)
- Valuations land and buildings (PPE)
- Pension Liabilities and the IAS19 valuations

In addition, the auditors' have a statutory duty to provide a value for money conclusion, however the requirement for 20/21 has changed. It now must consider a broader set of criteria including financial stability and governance, as well improving economy, efficiency, and effectiveness in how it uses information about its costs and performance to improve the management of service delivery. Furthermore, instead of an inclusion in the audit opinion there is now a requirement to produce a separate Auditors Annual Report on VFM. The timeline for this will be updated by EY at the Committee meeting.

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 2020/21 audit for the main accounts is £121,096. There are additional costs for specialist work estimated at between £12,000 and £26,000 plus proposed scale fee increase of £82,728. (Final fee for 2019/20 = £152,313 + proposed increase £82,728)

Proposed scale fee increases are still in consultation and yet to be agreed.

## **Pension Fund Audit Plan**

**Materiality:** Materiality remains unchanged on a basis of 1.0% of the prior year's net assets of the fund, which for 2020/21 is estimated as £9.9m (2019/20 £9.9m). Based on this amount, EY would expect to report on all unadjusted misstatements greater than £0.5m (2019/20 £0.5m).

**Key Financial Statement Risks:** The plan highlights the key audit risks, these being the main areas on which specific audit work will focus. There is one new risk for 20/21 shown below. For 2020/21 the audit risk areas include:

- Misstatement due to fraud or error
- Misstatement of investment amounts through fraudulent journal entries
- Risk of incorrect valuation of Unquoted Investments
- Disclosure on Going Concern
- IAS26 Disclosure Actuarial Present Value of Promised Retirement Benefits. (*New*)

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

## **Fees**

EY remain in consultation with the PSAA regarding the proposed increase in scale fees. The basic scale fee for the 2020/21 audit is £16,170, with additional fees estimated at between £9,000 and £12,500 to cover areas of risk and specialists. The proposed increase in scale fees yet to be

agreed is a further £28,290 (Fees for 2019/20 £33,306 excluding proposed increase of £28,290).

### **Timetable**

The timetable for both audits accommodates the deadline for completed draft accounts by 30 June 2021 and the audit opinion by 30 September 2021.

### **Financial Implications**

Included within the body of this report.

### **Legal Implications**

None.