

<b>6 March 2018</b>		<b>ITEM: 5</b>
<b>Standards and Audit Committee</b>		
<b>External Audit Plan 2017/18</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> No	
<b>Report of:</b> Sean Clark, Director of Finance and IT		
<b>Accountable Assistant Director:</b> N/A		
<b>Accountable Director:</b> Sean Clark, Director of Finance and IT		
<b>This report is Public</b>		

## **Executive Summary**

This report introduces the External Audit Plan for 2017/18 which will be presented by Ernst and Young.

### **1. Recommendation(s)**

#### **1.1 That the report be noted**

### **2. Introduction and Background**

2.1 This report introduces the Audit Plan that will cover the audit of the 2017/18 financial statements and the assessment of the council's arrangements to secure economy, efficiency and effectiveness.

2.2 The plan sets out the audit process and the auditors will report on their findings to the Committee in July 2018.

2.3 The plan sets out the key risks and the areas the auditors will focus on.

2.4 The key financial statement risks identified are noted below along with steps taken by the Council to address them. The risks identified, with the exception of the preparation of group accounts, are general risks common to all local authorities.

- Risk of Fraud in Revenue Recognition

There is a presumed audit risk that revenue may be misstated due to improper recognition. There have been no concerns raised in this area from

either internal or external assessments in prior periods. The Council remains satisfied the revenue recognition processes in place remain appropriate.

- Risk of Management Override

There is a need for the external auditors to address the inherent risk of fraud present in all financial systems.

There have been no identified instances of management override identified at the Council and the system of internal control continues to address this inherent risk.

- IAS 19 and Pensions

The pension liability has an inherent risk of misstatement as it is based on significant estimation and the judgement of the actuary for the Essex Pension Fund.

The Council continues to liaise with Essex Pension Fund to ensure all data inputs into the IAS 19 process are complete and accurate. This risk applies to all members of the Essex Pension Fund.

- Property Valuation

The Council's asset base is a material balance in the financial statements and is based on the significant estimation and the judgement of the valuer. Hence there is an inherent risk of material misstatement.

It is noted there have been no significant issues noted in previous reviews by external audit and the Council continues to ensure assets are valued in accordance with the requirements of the Code of Practice.

- Early Accounts Deadline and Preparation of Group Accounts

The statutory deadlines for the completion of the financial statements have been brought forward one month to 31 May 2018. The deadline for the publication of the financial statements has been brought forward 2 months to 31 July 2018. Hence the deadlines are more challenging but the Council continues to prepare to meet the new timescales.

The Council will consolidate Thurrock Regeneration Ltd and, for the first time, Gloriana Thurrock Homes Ltd into the group financial statements for 2017/18. The Council is working to ensure the consolidation process is completed as part of the year-end closure process.

2.5 The external auditors identify a significant value for money risk in their assessment of the Council's arrangements to secure economy, efficiency and effectiveness. The Council has developed a detailed medium-term financial

strategy to meet the significant financial challenges over this period. This is based on a commercial approach which balances the budget over the next 4 years. External audit note the risks associated with the commercial approach. The Council continues to manage this risk through appropriate due diligence and financial monitoring.

- 2.6 The proposed audit fees are set out in Appendix A. The planned fee for the main audit and VFM conclusion is £140,723 which represents a 2 per cent reduction on the prior year.

### **3. Issues, Options and Analysis of Options**

- 3.1 The report is only for nothing as it is the report of the external auditors.

### **4. Reasons for Recommendation**

- 4.1 To make the Committee aware of the external audit programme of work and the associated fees.

### **5. Consultation (including Overview and Scrutiny, if applicable)**

- 5.1 There has been an ongoing dialogue between officers and the external auditors and the plan has been reviewed in detail.

### **6. Impact on corporate policies, priorities, performance and community impact**

- 6.1 Robust financial processes safeguard the Council's assets that support the Council in delivering its policies and priorities

### **7. Implications**

#### **7.1 Financial**

Implications verified by: **Jonathan Wilson**  
**Chief Accountant**

These are included in the body of the report.

#### **7.2 Legal**

Implications verified by: **David Lawson**  
**Assistant Director of Law and Governance**

There are no specific implications from this report.

### 7.3 **Diversity and Equality**

Implications verified by: **Rebecca Price**  
**Community Development Officer**

There are no specific implications from this report.

### 7.4 **Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

There are no specific implications from the report

### 8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- None

### 9. **Appendices to the report**

- Appendix 1 – Ernst and Young Audit Plan 2017/18

### **Report Author:**

Jonathan Wilson

Chief Accountant, Corporate Finance