

<b>14 March 2019</b>		<b>ITEM: 5</b>
<b>Standards and Audit Committee</b>		
<b>External Audit Plan 2018/19</b>		
<b>Wards and communities affected:</b> All	<b>Key Decision:</b> N/A	
<b>Report of:</b> Sean Clark, Director of Finance, IT and Legal		
<b>Accountable Assistant Director:</b> Jonathan Wilson, Assistant Director of Finance		
<b>Accountable Director:</b> Sean Clark, Director of Finance, IT and Legal		
<b>This report is Public</b>		

## **Executive Summary**

This report introduces the External Audit Plan for 2018/19 which will be presented by BDO.

### **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 2018/19 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 2019.

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 significant risks identified are audit risks which are largely common to all local authorities and are set out below:

- Management Override of Controls

ISA (UK) 240 presumes that management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

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

- Revenue (and expenditure) Recognition

There is risk in respect of the existence (recognition) of revenue and capital grants that are subject to performance conditions before these may be recognised as revenue in the comprehensive income and expenditure statement (CIES). There is also a risk of manipulation of expenditure recognition by inappropriately deferring expenditure to the following year.

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.

- Valuation of Property, Plant & Equipment (PPE)

There is an inherent risk over the valuation of land, buildings, dwellings and investment properties where valuations are based on incorrect assumptions or where updated valuations have not been provided for a class of assets at year-end.

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.

- Pension Liability Valuation

There is a risk the valuation of the pension liability is not based on accurate membership or appropriate assumptions and hence there is an inherent risk of material misstatement.

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

- 2.5 The external auditors have identified one further significant risk in relation to the value for money conclusion. The Council need to deliver approved savings targets and the planned investment income to maintain financial sustainability in the medium term and there remains a risk this may not be delivered.

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. 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 £107,967 which represents a 23.3 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**  
**Assistant Director of Finance**

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: **Natalie Warren**  
**Strategic Lead of Community Development**

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 – BDO Audit Planning for Thurrock Council 2018/19

**Report Author:**

Jonathan Wilson

Assistant Director of Finance

Finance