

<b>15 March 2016</b>		<b>ITEM: 9</b>
<b>Standards and Audit Committee</b>		
<b>External Audit Plan 2015/2016</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 Head of Service:</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 2015/16 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 2015/2016 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 September 2016.

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:

- 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 concerns in these areas identified in previous years and no material weakness in the system of internal control has been identified.

- The Valuation of Surplus Assets

The Council holds surplus assets which include the former Development Corporation site at Purfleet. These are subject to new requirements within the Local Authority Accounting Code in 2015/16 and hence there is a risk they may not be fairly stated.

The Council has undertaken a complete review of all assets subject to the new requirements and has made arrangements to update these valuations in the balance sheet as at 31 March 2016.

- Accounting for Gloriana Thurrock Ltd

Gloriana Thurrock Ltd is a wholly owned subsidiary of the Council. The company produces accounts that will need to be consolidated into the financial statements of the Council when they are deemed to be material. This requires both a quantitative and qualitative assessment.

The Council is in the process of reviewing the materiality of the subsidiary both quantitatively and qualitatively with a likely outcome that it will be consolidated from 2016/17.

2.5 The external auditors continue to identify a significant value for money risk in respect of the pressures from the economic downturn in their initial 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 next three years and continues to monitor all financial developments closely.

2.6 The proposed audit fees are set out in Appendix A. The planned fee for the main audit and VFM conclusion is £133,723 which represents a 29 per cent reduction on the prior year. This is largely due to falls in the scale fees set by Public Sector Audit Appointments Ltd.

### **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**  
**Deputy Head of Legal Services**

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 2015/16

### **Report Author:**

Jonathan Wilson

Chief Accountant, Corporate Finance