



External Audit Plan 2019/20

**AUDIT COMMITTEE MEETING
DATE 2019/20**

15 January 2020

CLASSIFICATION:

Open

WARD(S) AFFECTED

All Wards

Ian Williams, Group Director Finance and Corporate Resources

1. GROUP DIRECTOR'S INTRODUCTION

- 1.1. This report introduces the 2019/20 Audit Strategy Memorandums from Mazars, the Council's external auditors, in respect of both the Council's Accounts and the Pension Fund Accounts. These set out the details regarding the anticipated delivery of the audits.
- 1.2. The Memorandums set out the key risks identified in respect of the financial statements audit, the approach to be taken for the audits along with information on the audit team, proposed deliverables from Mazars, timescales for the audit and related fees. The Memorandums have been agreed with relevant officers of the Council.

2. RECOMMENDATION(S)

2.1 The Audit Committee is recommended to:

Consider and note the contents of the attached reports from Mazars, the Council's external auditor.

3. REASONS FOR DECISION

- 3.1 The Audit Committee are "those charged with governance" in respect of the Council's annual statement of accounts and other financial matters. As such, they receive regular reports from Mazars, the Council's external auditors, in relation to the accounts and the external audit. This report provides the Committee with details of the audit arrangements in respect of the 2019/20 Statement of Accounts for both the Council and Pension Fund.

4. BACKGROUND

4.1 Policy Context

The attached memorandums set out the arrangements for the audit of the Council's annual Statement of Accounts and the Pension Fund Accounts as required by the relevant legislation and related Accounts and Audit Regulations.

4.2 Equality Impact Assessment

This report does not require an equality impact assessment.

4.3. Sustainability

Not Applicable.

4.4 Consultations

Mazars consulted with relevant senior officers of the Council in the preparation of the Memorandums.

4.5 Risk Assessment

As set out in the Plan, the external auditors have considered the key risks and this has informed the audit approach as set out in the detailed reports from Mazars attached to this report as an Appendices.

4.6 Audit Strategy Memorandums 2019/20

4.6.1 Mazars have identified four significant risks in relation to the Authority's accounts where audit attention will focus due to the likelihood for potential financial misstatement, these being in respect of the management override of controls, revenue recognition, the valuation of property, plant and equipment and the pensions defined benefit liability valuation. Details of these risks and the audit approach to these are set out on pages 10 and 11 of the Audit Strategy Memorandum, attached at appendix 1 of this report.

4.6.2 A further area of audit focus has also been identified relating to judgements made in respect of NNDR appeals and the related provision required as set out on page 12 of the Memorandum. Whilst noted as worthy of audit emphasis it is noted that this presents less likelihood of giving rise to material error in the accounts.

4.6.3 In relation to the audit of the Pension Fund Accounts, the auditors have identified just two significant risks relating to management override of controls and the valuation of unquoted investments, set out on page 9 of the Pension Fund Memorandum at appendix 2.

4.6.4 In completing the initial planning VFM risk assessment the auditors have identified just one significant risk to the VfM conclusion, set out on page 13 of Appendix 1 – the management of the forecast overspend and the requirement for further savings to be made in future alongside planned council tax increases. The approach to this work is set out on pages 1 of the Memorandum at Appendix 1.

4.6.5 At the time of writing this report, planning for the interim and main fieldwork has already started with the interim audit planned to take place during February to March. The main fieldwork will take place in June and July with completion toward the end July 2019, when the auditors will report their findings to Audit Committee, prior to issuing the audit opinion.

5. COMMENTS OF THE GROUP DIRECTOR, FINANCE AND CORPORATE RESOURCES

- 5.1 As set out in the Audit Strategy Memorandums, the overall fee to be charged in respect of the annual audit of accounts is expected to be £174,266, representing no change from the previous year. However, Mazars will be discussing the level of fees to be charged in respect of the introduction of group accounts. The fees quoted are based upon a number of assumptions regarding risks, quality and timeliness of working papers and compliance with the CIPFA Code of practice on Local Authority Accounting. Any deviation from such assumptions could impact on the final fee charged.
- 5.2 In addition to the main audit fee, the charge for audit of the Pension Fund accounts and annual report is expected to be £16,170, again the same as in the previous year.
- 5.3 Additional fees in respect of the audit of the Housing Benefits grant claim and other returns are expected to be £33,050.
- 5.4 The costs outlined above are all contained within existing budgets.

6. COMMENTS OF THE DIRECTOR, LEGAL

- 6.1 The Council is required to have its annual statement of accounts audited in line with current legislation and related regulations.
- 6.2 The external auditor's statutory responsibilities are set out in the Local Audit and Accountability Act 2014 and the national Audit Office's Code of Audit Practice. They are required to audit/review and report on the financial statements, providing an opinion and the use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness (the VFM conclusion).
- 6.3 The Audit Strategy Memorandum proposals accord with the required arrangements

APPENDICES

Appendix 1 - Audit Strategy Memorandum – LB Hackney

Appendix 2 – Audit Strategy Memorandum – LB Hackney Pension Fund

BACKGROUND PAPERS

None

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