



**SOUTH
KESTEVEN
DISTRICT
COUNCIL**

Governance and Audit Committee

21 March 2019

Report of: Councillor Adam Stokes
Cabinet Member for Finance



2018/19 External Audit Plan

The attached report from Grant Thornton provides an overview of the planned scope and timing of the statutory audit of the final accounts and the Value for Money work in respect of the financial year 2018/19.

Report Author

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Corporate Priority:	Decision type:	Wards:
Administrative	Administrative	All Wards

Reviewed by:	Richard Wyles	5 March 2019
Approved by:	Debbie Muddimer, Strategic Director - Resources	5 March 2019
Signed off by:	Councillor Adam Stokes, Cabinet Member for Finance	7 March 2019

Recommendation to the decision maker

It is recommended that the Committee accept the 2018/19 External Audit Plan shown at Appendix A.

1 The Background to the Report

- 1.1 The attached reports from Grant Thornton provide an overview of the planned scope and timing of the statutory audit of the final accounts and the Value for Money work in respect of the financial year 2018/19 and the audit progress and sector update.
- 1.2 The Audit Plan (appendix A) highlights several significant risks which require special audit consideration and procedures to address the likelihood of a material financial error. These risks are not unique to the Authority but are risks facing all local authorities. These have been identified as follows:
 - Valuation of property, plant and equipment
 - Valuation of pension fund net liability
 - Management override of controls
- 1.3 Each year external audit set the level of materiality for errors, for 2018/19 this has been set at £1.4m which equates to 2% of the Council's gross expenditure in the previous year.
- 1.4 The auditors also set a 'clearly trivial' level which for 2018/19 has been set at £70k, any uncorrected omissions or misstatements in the accounts which are above this level will be reported to this Committee.
- 1.5 The value for money focusses on whether the Council has proper arrangements in place to secure value for money. Grant Thornton has assessed that there is a significant risk surrounding financial sustainability as the Council currently has an unbalanced budget for both 2020/21 and 2021/22. Again, this is typical of many local authorities as the financial years in question will be impacted by the national funding review and therefore a prudent level of funding has currently been assumed. The Council will be working during 2019/20 to ensure a balanced position is achieved through the transformation, commercialism and service review programme which is designed to reduce costs and generate new income streams.
- 1.6 The annual audit fee of £36,400 has been set by Public Sector Audit Appointments Limited (PSAA) and has been incorporated into the 2019/20 budget.
- 1.7 The audit progress report (appendix B) provides a timeline for the audit deliverables and a sector update which provides a summary of emerging national issues and developments. The report covers issues which will impact on the council, the wider NHS and the public sector as a whole.

2 Consultation and Feedback Received, Including Overview and Scrutiny

- 2.1 The Governance and Audit Committee are asked to accept the 2018/19 External Audit Plan.

3 Available Options Considered

- 3.1 Not applicable.

4 Reasons for the Recommendation (s)

- 4.1 To comply with the Audit Commission's Code of Audit Practice, relevant legislation and good practice.

5 Financial Implications

5.1 The financial implications are included in paragraph 1.5.

Financial Implications reviewed by: Richard Wyles, Assistant Director - Resources

6 Legal and Governance Implications

6.1 The External Audit Plan is designed to meet the requirements of the Code of Practice on Local Authority Accounting and comply with the Audit Commission Act 1998.

Legal Implications reviewed by: Lee Sirdifield, Assistant Chief Executive, Transformation and Change and Monitoring Officer

7 Equality and Safeguarding Implications

7.1 Not applicable.

8 Risk and Mitigation

8.1 The Grant Thornton plan includes risks in section 3, pages 5 - 7.

9 Community Safety Implications

9.1 Not applicable.

10 Background Papers

10.1 None.

11 Appendices

11.1 Appendix A – 2018/19 External Audit Plan

11.2 Appendix B – 2018/19 External Audit Progress Plan

Report Timeline:	Date of Publication on Forward Plan (if required)	Not required
	Previously Considered by	Not applicable
	Final Decision date	21 March 2019