

**AUDIT COMMITTEE**  
**19 MARCH 2015**  
**EXTERNAL AUDIT PLAN**

Report from: Phil Watts, Chief Finance Officer

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**Summary**

This report and attachments set out the Audit Plan for the Council's external auditor for the year ending 31 March 2015 and the proposed fees and work programme for 2015/16.

The Plan summarises the work that BDO propose to undertake in respect of their audit for the 2014/2015 financial year.

The Planning Letter sets out the scope of the audit, proposed fees and audit arrangements for 2015/16.

**1. Budget and Policy Framework**

1.1 International Standards on Auditing require the audit plan to be communicated to 'those charged with governance.' The terms of reference of this committee include: discussions with the external auditor on new accounting standards, changes to the reporting framework and the basis of the annual audit, including the content of performance work.

**2. Background**

2.1 In accordance with the International Standards on Auditing it is necessary to communicate the annual audit plan for 2014/2015.

2.2 The purpose of the audit plan is to:

- ensure that there is mutual understanding of the respective responsibilities relating to the audit
- provide an overview of the planned scope of the audit for the year ending 31 March 2015
- ensure that the areas of potential risk of material misstatement which the external auditor have identified are consistent with the areas which the council perceives to be the key areas and to promote effective two-way communication.

2.3 The overall scope of the work to be carried out is determined by the Audit Commission's Code of Audit Practice and Appendix 1 sets out details of the key reports, opinions and conclusions that will be provided by BDO. Principal

objectives will include their opinion on the financial statements, a report on the Whole of Government Accounts return and an opinion on the arrangements for securing economy, efficiency and effectiveness in the use of resource.

- 2.4 The Audit Plan to the year ending 31 March 2015 and the Planning Letter 2015/16 are attached as Appendix 1 and Appendix 2 to this report.

### **3. Financial and Legal Implications**

- 3.1 The proposed audit fees are calculated in accordance with national scales established by the Audit Commission. BDO have confirmed their proposed core audit fee for 2014/15 as £189,934, planned fee for certification of grant claims and returns as £12,250, and £4,200 for Review of the teachers' Pension Return.

- 3.2 The fees for 2015/16 are proposed as £142,627 for the core audit, £9,188 for grant certification and £4,200 for the review of the Teachers' Pension Return.

- 3.3 The International Standards on Auditing require the plan to be communicated to discharge governance requirements.

- 3.4 There are no direct legal implications arising from this report.

### **4. Risk Management**

- 4.1 BDO have assessed the key audit risks, which are contained within the audit plan. However, there will always be a risk that the auditor may find material errors or misstatements in the accounts and the results of the audit of the statements will not be known before they are presented for adoption by the Council as part of the Audit Committee function.

### **5. Recommendations**

- 5.1 That the Audit Committee accepts the proposed annual audit plan for 2014/15, as set out at Appendix 1 to this report.

- 5.2 That the Audit Committee notes the contents of the Planning Letter 2015/16, as set out as Appendix 2 to this report.

### **Background papers**

None

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