



AUDIT COMMITTEE

EXTERNAL AUDIT PLAN 2018/19

REPORT BY AUDIT, RISK AND COUNTER FRAUD MANAGER

A. PURPOSE OF REPORT

To inform the Audit Committee of the external auditor's 2018/19 annual audit plan.

B. RECOMMENDATION

It is recommended that the Audit Committee notes the external auditor's 2018/19 annual audit plan.

C. SUMMARY OF IMPLICATIONS

I Council Values	Being honest, open and accountable. Making best use of our resources.
II Policy and Legal (including Strategic Environmental Assessment, Equality Issues, Health or Risk Assessment)	The external auditor undertakes the audit in accordance with the Local Government (Scotland) Act 1973 and the Code of Audit Practice.
III Implications for Scheme of Delegations to Officers	None.
IV Impact on performance and performance Indicators	None.
V Relevance to Single Outcome Agreement	Our public services are high quality, continually improving, efficient and responsive to local people's needs.
VI Resources - (Financial, Staffing and Property)	None.
VII Consideration at PDSP	None.
VIII Other consultations	Head of Finance and Property Services

D. TERMS OF REPORT

In May 2016, the Accounts Commission appointed Ernst & Young (EY) as the council's external auditor for the five year period to 2020/21. EY's annual plan, which is appended, sets out the work they propose to undertake in relation to the financial year ending 31 March 2019.

Section one of the plan sets out the audit context. It identifies a number of risk areas currently impacting the public sector in Scotland:

- EU withdrawal;
- the changing landscape for public financial management;
- dependency on key suppliers;
- care income, financial assessments and financial guardianship;
- openness and transparency.

Section two of the plan sets out the audit approach and sets out the auditor's responsibilities in relation to their audit of the council's financial statements. This section also sets out significant risks that EY have identified for their audit, as follows:

- risk of fraud in income and expenditure recognition;
- misstatement due to fraud or error.

EY have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures, as follows:

- valuation of property, plant and equipment;
- pension liability and asset valuation;
- national loans fund accounting.

Section three of the plan sets out the four dimensions of public sector audit which comprise the wider scope audit work i.e. financial sustainability, financial management, governance and transparency, and value for money. The wider scope audit work, and the judgements and conclusions reached in these areas, contribute to the overall assessment and assurance on Best Value. EY's annual audit continues to focus on aspects of Best Value over the full five year audit appointment and this section includes an indicative high level five year Best Value plan. This section also includes risks identified by the auditor through the planning process that relate to the wider scope dimensions.

Section four of the plan summarises other work to be undertaken, timing and deliverables, and the audit fee.

E. CONCLUSION

EY's annual audit plan sets out their approach to their 2018/19 audit.

F. BACKGROUND REFERENCES

Report to Audit and Governance Committee 19 December 2016: External Audit Framework

Appendices/Attachments: EY Annual Audit Plan 2018/19

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