

6. EXTERNAL AUDIT PLAN 2018/19

The committee considered a report (copies of which had been circulated) by the Audit, Risk and Counter Fraud Manager informing the committee of the external auditor's 2018/19 annual audit plan.

The plan, attached as appendix to the report, was divided in four sections: section one set out the audit context and identified a number of risk areas currently impacting the public sector in Scotland; section two set out the audit approach and the auditor's responsibilities as well as significant risks EY, the external auditor, had identified for their audit; section three set out the wider scope audit work and section four summarised other work to be undertaken, timings, deliverables and fees.

In response to concerns about the council's year-end pension liability, which according to the EY report had been understated by £16.2 million, the external auditors indicated that the gap was due to a timing issue regarding information receipt between the actuaries and the external auditor, as new information had arisen between production of the draft financial statements and production of the final statements on valuation of pension assets. The position was the same for all councils.

With regard to setting tolerable error figures, EY indicated that 2018/19 planning materiality was consistent with that of 2017/18, while this year tolerable error had been set higher than in the previous year, at 75% of planning materiality; this increased level reflected various factors, including identified risk levels, arising from the previous year's audit experience.

The committee was advised that due to changes in accounting and audit practice, it was not possible for external auditors to place formal reliance on the council's internal audit service, although the two complemented each other.

It was recommended that the committee note the external auditor's 2018/19 annual audit plan.

Decision

To note the terms of the report.