



CORPORATE GOVERNANCE COMMITTEE – 20 FEBRUARY 2015

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

EXTERNAL AUDIT PLAN 2014/15

Purpose

1. To present the external Audit Plan for 2014/15 for consideration.

Background

2. A progress report on preparation of the Audit Plan for 2014/15 was presented to the Corporate Governance Committee at its last meeting on 20th November 2014.

Audit Plan 2014/15

3. The Audit Plan for 2014/15 is included in the Appendix attached to this report. Matthew Elmer from the County Council's external auditors, PricewaterhouseCoopers (PwC), will attend the meeting in order to present the Audit Plan and answer any questions.
4. Overall materiality for the audit opinion is £17.2m. This is reported on page 8 of the Appendix and is set at 2% of gross expenditure per the 2013/14 statement of accounts.
5. The Appendix, on page 8, also explains that auditing standards requires the Auditor to report all misstatements in the accounts unless they are 'clearly trivial', i.e. those that do not have a material effect on the financial statements. Auditing standards suggest 5% of overall materiality is appropriate which would mean a reporting level of £861,000. The Corporate Governance Committee has previously agreed a £100,000 limit. It is recommended that the limit is retained as the financial statements are reported to the nearest £100,000.
6. Within the section on fraud, page 12 of the Appendix, the auditor enquires of the committee the following:
 - Whether you have knowledge of fraud, either actual, suspected or alleged, including those involving management?
 - What fraud detection or prevention measures (e.g. whistleblower lines) are in place in the entity?
 - What role you have in relation to fraud?
 - What protocols / procedures have been established between those charged with governance and management to keep you informed of instances of fraud, either actual, suspected or alleged?

7. The Committee receives regular updates on anti-fraud and corruption initiatives, as the Council continually assesses its counter fraud arrangements and performance against professional guidance. A report on the revised whistle-blowing arrangements, was brought to Committee on 23 September 2014 as part of a number of policies which were being developed to contribute to achieving compliance with the principles of the revised Employee's Code of Conduct of selflessness, integrity, objectivity and openness. Those policies are also intended to reduce the risk of bribery, corruption or bias and a further report on today's agenda introduces specific documents designed to mitigate the risk of fraud and corruption.
8. The Committee is kept informed of instances of fraud through written reports from the Head of Internal Audit Service (HoIAS) at the conclusion of any investigations. There is also scope for the HoIAS to verbally brief the Chairman and Vice Chairman of the Committee throughout an investigation when a matter was considered to be of significant concern. The Committee has a new responsibility from 2015 to assess the Authority's level of conformance with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption (2014), a statement of which will ultimately be contained in the Council's Annual Governance Statement
9. In accordance with its terms of reference, the Committee monitors on an annual basis the adequacy and effectiveness of the Internal Audit Service. On a quarterly basis it considers any major Internal Audit Service findings and the responses to the implementation of its recommendations, as well as arrangements for the identification, monitoring and management of strategic and operational risk (including fraud risk) within the Council.

Recommendation

10. The Committee is asked to note the update provided by PwC.
11. The Committee is recommended to retain a reporting limit for 'trivial' misstatements of £100,000.

Equal Opportunities

12. None.

Circulation Under the Local Issues Alert Procedure

13. None.

Background Papers

Corporate Governance Committee 20 November 2014; External Audit Plan – Progress Report 2014/15

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