

**REPORT TO: AUDIT AND PERFORMANCE REVIEW COMMITTEE ON 23RD  
APRIL 2008**

**SUBJECT: EXTERNAL AUDIT - ANNUAL PLAN 2007/08**

**BY: CHIEF FINANCIAL OFFICER**

**1. REASON FOR REPORT**

1.1 To provide Committee with a copy of the External Auditor's Annual Plan for 2007/08.

1.2 This Report is submitted to Committee in terms of Section I(7) of the Council's Administrative Scheme relating to reports produced by the Council's External Auditor and Audit Scotland.

**2. RECOMMENDATION**

**2.1 It is recommended that the Committee consider the contents of the External Auditor's Annual Plan for 2007/08.**

**3. BACKGROUND**

3.1 The Annual Audit Plan 2007/08 has been received from Audit Scotland attached as **APPENDIX 1**. The Plan sets out the findings from External Audit's risk assessment for the Council, the corresponding actions to be taken by the Council to mitigate those risks and the planned work to be undertaken by Audit Scotland for the year ahead.

**4. SUMMARY OF IMPLICATIONS**

**(a) Corporate Development Plan/Community Plan/Service Improvement Plan**

The work undertaken by External Audit provides assurance to the Committee on the Council's performance management, financial statements and the actions taken by the Council to address key risks.

**(b) Policy and Legal**

The audit is conducted in terms of statutory powers afforded to the appointed External Auditor.

**(c) Resources (Financial, Risks, Staffing and Property)**

The management of risks relating to key issues for the year ahead involves all services across the Council.

Preparation of the Council's annual financial statements requires significant resource inputs as part of the scheduled work of the accountancy team within Finance and ICT.

The audit fee is dealt with in Section 37 of the attached report. Current arrangements allow for negotiation regarding the local fee around a mid point of £172,1000 +/- 10%. Experience with previous auditors has encouraged officers to seek a fee below the mid-point. Audit Scotland have indicated that the fee level required is the maximum amount of £187,300. The main reason given for the fee level is the view by External Audit that the Council's Internal Audit service provides limited assurance in respect of key financial systems. The fee was not agreed and in accordance with current arrangements, the maximum fee has been imposed by Audit Scotland for 2007/08.

We have recently received a more detailed assessment from Audit Scotland of the additional work that would need to be undertaken by Internal Audit to reduce the fee to the mid-point. This assessment needs to be given consideration by officers before any recommendation can be made to Members.

**(d) Consultations**

The content of the Plan has been discussed with CMT and other relevant officers of the Council.

**5. CONCLUSION**

- 5.1 The reports by External Audit inform Members and Officers of Council of the work to be undertaken by Audit Scotland in the year ahead.**

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Background Papers:

Ref: MP/LJC/409995/410137