

Item

**EXTERNAL OUTLINE AUDIT PLANNING REPORT
2020/21**

To:

Civic Affairs Committee 17/05/2021

Report by:

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Wards affected:

All

1. Introduction

- 1.1 The attached Outline Audit Planning Report 2020/21 from EY (Appendix 1) summarises the proposed approach to the 2020/21 external audit, including a consideration of the most significant audit risks.
- 1.2 EY staff will be available to discuss their report and answer any questions arising.

2. Recommendations

- 2.1 That the contents of the EY Outline Audit Planning Report 2020/21 are noted.

3. Background

- 3.1 In line with the National Audit Office Code of Audit Practice, EY are required to review and report on the Council's Statement of Accounts. They are also required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency

and effectiveness in its use of resources, and report a commentary on those arrangements (also known as the 'value for money' or 'VFM' commentary).

- 3.2 The attached Outline Audit Planning Report details the approach that EY will use in relation to the 2020/21 audit. It specifies the work they will undertake, when they anticipate completing this work and how they will report their findings. It also details EY's assessment of the key risks with regards to the Statement of Accounts.
- 3.3 The deadline for the publication of the approved and final Statement of Accounts 2020/21 is 30 September 2021. Section 7 of the attached report sets out an indicative audit timeline which allows this deadline to be met.

4. Statement of Accounts audit

- 4.1 EY have identified four new audit risks in relation to 2020/21, all of which are related to the impact of the Covid-19 pandemic on the Council's finances and Statement of Accounts. These can be summarised as follows:-

- Inappropriate claims under the Local Government income compensation scheme
- Accounting for Covid-19 related government grants
- National Non-Domestic Rates (NNDR) Appeals Provision
- Bad debt provision and recoverability of debtors

Further detail on each of these risks, and EY's planned audit response, can be found in sections 1 and 2 of the attached report.

- 4.2 EY have set a planning materiality level of £2.826 million, which represents 2% of the previous year's gross revenue expenditure. Performance materiality has been increased from 50% in 2019/20 to 75% in 2020/21, reflecting the lower level of errors detected in the 2019/20 financial statements. Further detail can be found in section 1 of the attached report.

5. VFM commentary

5.1 The National Audit Office has issued a new Code of Audit Practice effective for the 2020/21 financial year, which includes a number of changes in relation to auditors' value for money (VFM) conclusion. Auditors are now required to publish a commentary on the Council's arrangements against three reporting criteria as follows:-

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

Further details can be found in section 3 of the attached report.

5.2 EY have yet to commence their detailed VFM planning, and they will update the Committee on the outcome of their VFM risk assessment and their planning response to any identified risks at the next meeting in July 2021.

6. Implications

a) Financial Implications

The proposed audit fee is set out at Appendix A to the attached report.

b) Staffing Implications

None

c) Equality and Poverty Implications

None

d) Environmental Implications

None

e) Procurement Implications

None

f) Community Safety Implications

None

7. Consultation and communication considerations

None

8. Background papers

No background papers were used in the preparation of this report.

9. Appendices

Appendix 1 – EY Outline Audit Planning Report for the year ended 31 March 2021

10. Inspection of papers

To inspect the background papers or if you have a query on the report please contact Jody Etherington, Deputy Head of Finance, tel: 01223 - 458130, email: jody.etherington@cambridge.gov.uk.