

Item

EXTERNAL AUDIT – INITIAL AUDIT PLAN 2021/22



To:

Civic Affairs Committee 13/07/2022

Report by:

Jody Etherington, Deputy Head of Finance

Tel: 01223 - 458130 Email: jody.etherington@cambridge.gov.uk

Wards affected:

All

1. Introduction

- 1.1 The attached Initial Audit Plan 2021/22 from EY (Appendix 1) summarises the proposed approach to the 2021/22 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 Initial Audit Plan 2021/22 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 Initial Audit Plan details the approach that EY will use in relation to the 2021/22 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 2021/22 is anticipated to be 30 November 2022. 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 two new significant audit risks in relation to 2021/22, as follows:-

- Change in payroll system
- Infrastructure assets

In addition, EY have elevated the risk level relating to valuation of other land and buildings to 'significant', in response to the fact that the Council has appointed new valuers this year.

The risk level associated with accounting for Covid-19 related government grants has been reduced, in recognition of the fact that the Council now has 2 years' experience of accounting for these grants correctly.

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 In relation to the risk on infrastructure assets, it should be noted that this is a national issue which is currently subject of an urgent consultation by CIPFA. We will need to await the outcome of this consultation before the true impact is known, although it is recognised that this does have potential to delay the audit process this year, given the material level of infrastructure assets held by the Council.
- 4.3 EY have set a planning materiality level of £3 million, which represents 2% of the previous year's gross revenue expenditure.

Performance materiality has been held at 75%, reflecting the low level of errors detected in the 2020/21 financial statements. Further detail can be found in section 1 of the attached report.

5. VFM commentary

5.1 Under the National Audit Office Code of Audit Practice, auditors are required to publish a commentary on the Council's VFM 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 Civic Affairs Committee meeting.

6. Implications

a) Financial Implications

The proposed audit fee is set out at Appendix A to the attached report. It should be noted that both the 2020/21 and 2021/22 fees are still subject to negotiation and agreement with PSAA, who are responsible for approving any fee variations by local auditors.

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 Initial Audit Plan 2021/22

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.