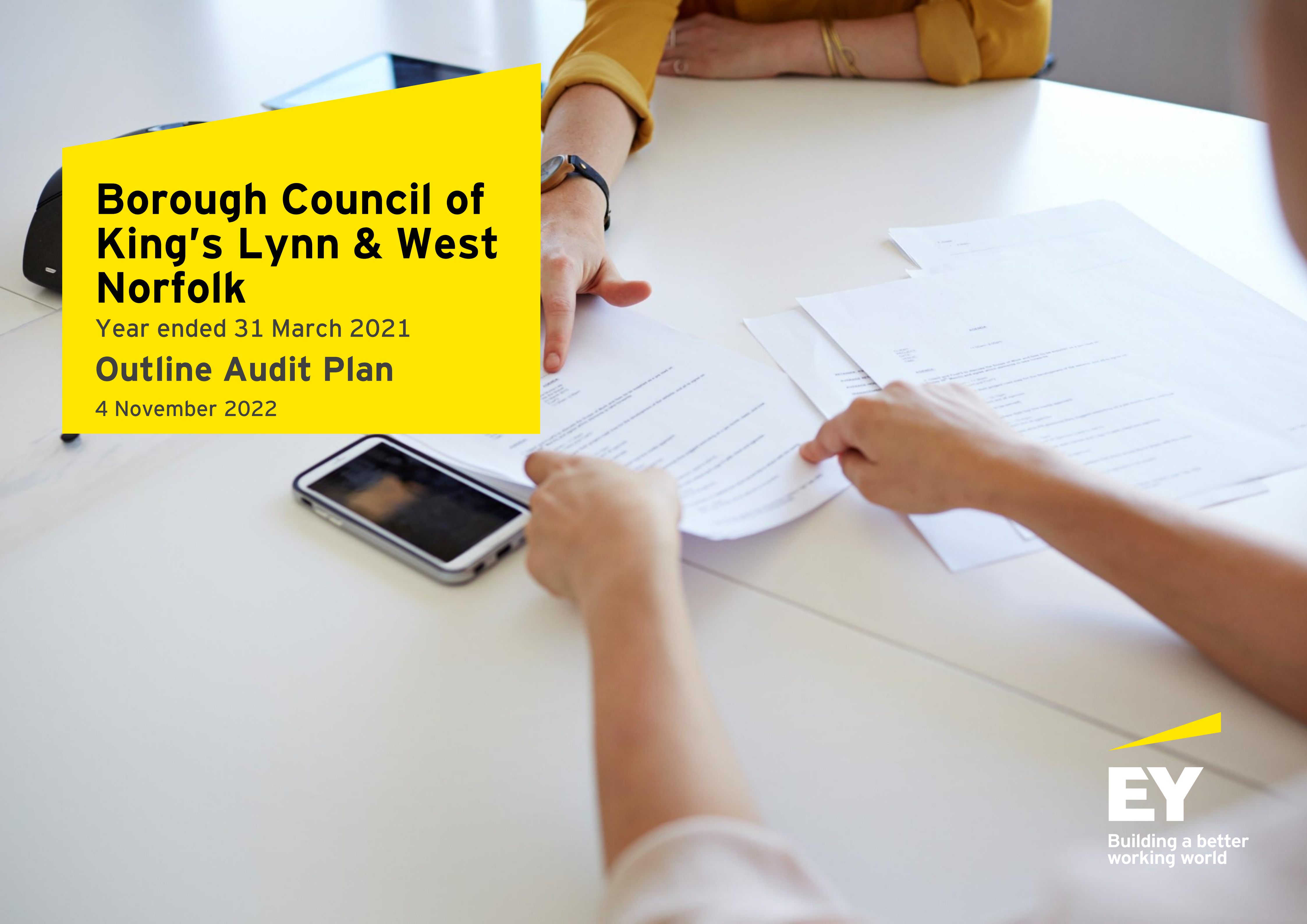


Borough Council of King's Lynn & West Norfolk

Year ended 31 March 2021

Outline Audit Plan

4 November 2022

EY

Building a better working world

Audit Committee
Borough Council of King's Lynn & West Norfolk
Kings Court, Chapel Street
King's Lynn
Norfolk
PE30 1EX

4 November 2022

Dear Audit Committee Members

2020/21 Outline Audit Plan

We are pleased to attach our provisional Outline Audit Plan which sets out how we intend to carry out our responsibilities as your auditor. Its purpose is to provide the Audit Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This provisional Outline Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. The delivery of this audit is wholly predicated on the completion of the 2019/20 audit to the timetable we have agreed with Management. Our planning procedures remain ongoing; we will inform the Audit Committee if there any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the committee.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties. We welcome the opportunity to discuss this report with you on 21 November 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

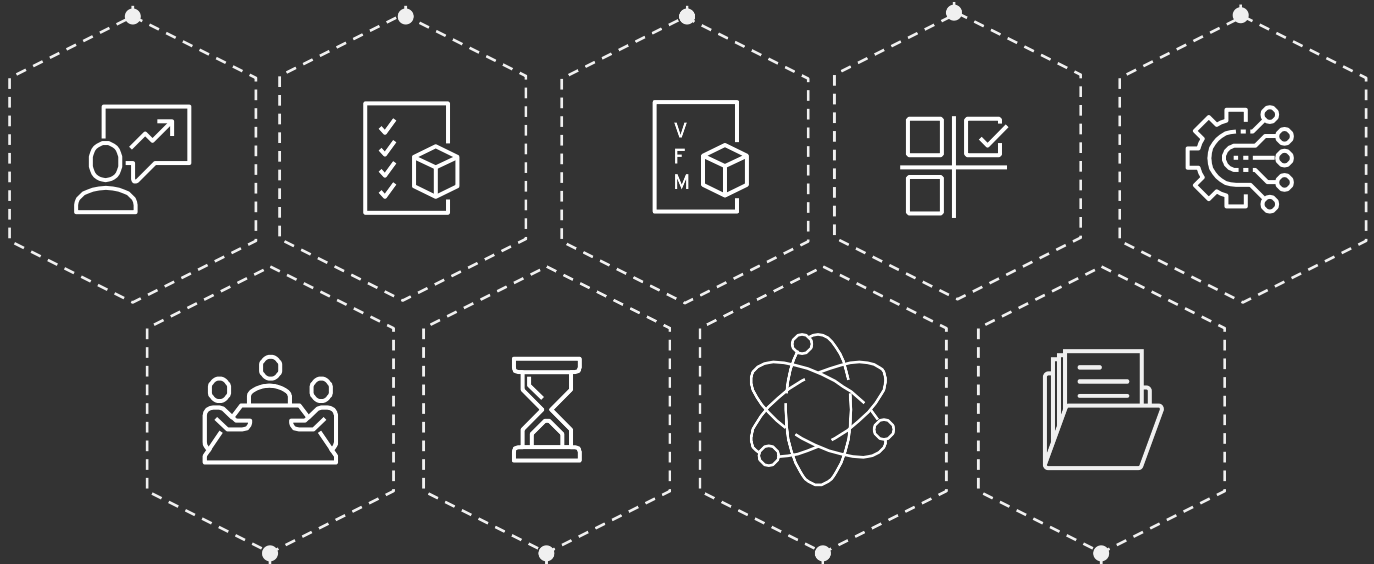
MARK HODGSON

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

Contents



Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.
This report is made solely to the Audit Committee and management of Borough Council of King's Lynn & West Norfolk in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of Borough Council of King's Lynn & West Norfolk those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Borough Council of King's Lynn & West Norfolk for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Overview of our 2020/21 audit strategy

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud Risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Fraud risk	No change in risk or focus	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified one area as being; incorrect classification of revenue spend as capital expenditure and manipulation of revenue expenditure funded through capital under statute (REFCUS).
Covid-19 related grant income	Significant Risk	New risk and area of focus	The Council has received a significant level of government funding in relation to Covid-19 during the 2019/20 financial year. There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions.
Property, Plant and Equipment – Valuation of Land and Buildings and Investment Properties	Significant Risk	No change in risk or focus	The fair value of Land and Buildings and Investment Properties represent significant balances in the Council's accounts and are estimates which are subject to valuation changes, impairment reviews and depreciation charges. Management are required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet. Findings from work completed on the 2019/20 audit to date have resulted in numerous valuation adjustments to the accounts resulting in the significant risk being maintained into 2020/21.

Overview of our 2019/20 audit strategy

Audit risks and areas of focus			
Risk / area of focus	**Risk identified**	**Change from PY**	**Details**
Group Consolidation	Inherent Risk	No change in risk or focus	The Council prepares group accounts to consolidate Alive Management Limited, Alive West Norfolk, and West Norfolk Housing Company. The Council needs to ensure that the consolidation of the subsidiaries is undertaken in line with the relevant accounting standards and in line with the code of practice. We need to gain assurance from the component auditor of all three subsidiaries.
Calculation of expected credit losses (NWES Loan)	Inherent risk	No change in risk or focus	In the previous financial year, the Council entered an agreement with Norfolk & Waveney Enterprise Services (NWES) for the repayment of their loan. The loan was impaired by the Council in 2018/19 to reflect the expectation of repayment. The expected credit loss model for the remaining loan is complex, we need to assess the adequacy of the impairment at the Balance Sheet date, taking into account any available information that would impact the model.
Accounting for Assets Held for Sale	Inherent risk	No change in risk or focus	In the 2018/19 audit, we identified a number of errors relating to the classification of Assets Held for Sale (AHFS), where assets tested did not meet the criteria and the balance was overstated (with a corresponding understatement of Property, Plant & Equipment). In the 2019/20 draft Statement of Accounts, the balance of AHFS was £9.754 million this amount remains unchanged in the 2020/21 draft Statement of Accounts, which could indicate that the criteria for classification may not be met, with an inherent risk that the balance may be overstated.
Preparation of Cash Flow Statement	Inherent risk	No change in risk or focus	In the 2019/20 audit, we have identified a number of issues with the Cash Flow statement where an incorrect format had been used and figures were inconsistent with the remainder of the Statement of Accounts. We therefore have an increased risk that similar issues might be present in the 2020/21 accounts.

Overview of our 2020/21 audit strategy

Audit risks and areas of focus			
Risk / area of focus	**Risk identified**	**Change from PY**	**Details**
Pension Liability Valuation	Inherent Risk	No change in risk or focus	The Council's Pension Fund Liability is a material estimated balance disclosed on the Council's balance sheet. Accounting for this scheme involves significant estimation and judgement, management engages an Actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.
Omission or Understatement of NDR Appeals Provisions	Inherent Risk	New risk and area of focus	The NDR appeals provision includes, not only claims up to 31 March 2021, but claims that relate to earlier periods and is subject to estimation. As appeals are made to the Valuation Office, the Council may not be aware of the level of claims lodged. The Council may also find it difficult to obtain sufficient information to establish a reliable estimate. Due to the level of estimation, size of the balance and the complexity of this provision we consider this to be a higher inherent risk.
Collection Fund Accounting	Inherent Risk	New risk and area of focus	Businesses in the retail, hospitality, and leisure sections will not have to pay business rates for the 2020/21 fiscal yearend which is automatically applied by the council. Management will be required to update internal applications of the business rates. There is a risk that business rates are overstated. Furthermore, there is a risk that Council Tax will not be fully collected related to 2020/21 and that any related deficits will need to be rebalanced over the next three year period.

Overview of our 2020/21 audit strategy

Risk / area of focus	Risk identified	Change from PY	Details
Recoverability of Receivables (Bad Debt Provision)	Inherent Risk	New risk and area of focus	There is increased risk that money due to the Council becomes less recoverable due to the Covid-19 pandemic as an increased number of businesses and residents struggle to meet financial obligations. As a result, the Council needs to ensure that it has appropriately considered the impairment of year-end receivables.
Going Concern Disclosure	Area of Focus	No change in risk or focus	The financial landscape for the Council remains challenging and management will need to prepare a going concern assessment covering a period up to 12 months from the expected date of authorisation of the financial statements authorisation. The Council will also need to make an appropriate disclosure in the financial statements. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.

Auditing accounting estimates

In addition to the above risks and areas of focus, a revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required.

Overview of our 2020/21 audit strategy

Materiality

Planning materiality

£1.437m

We have set materiality at £1.437 million, which represents 2% of the gross expenditure on provision of services within the draft 2020/21 Statement of Accounts.

Performance materiality

£0.718m

Performance materiality has been set at £1.056 million, which represents 50% of materiality. This is at the lower end of our range and reflects the level of errors we have identified in the 2019/20 audit to date.

Audit differences

£0.071m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £0.071 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures including councillor allowances: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

Overview of our 2020/21 audit strategy

Audit scope

This Outline Audit Plan covers the work that we plan to perform to provide you with our audit opinion on the Council and Group financial statements for 2020/21. We are also required to report a commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 03, highlighting the changes included in the NAO's Code of Audit Practice 2020.

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council. Taking the above into account, and as articulated in this Outline Audit Plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response. The fees we have included in Section 09 reflect the work we need to undertake to address the risks we have currently identified. We will continuously review and update as necessary our understanding of your risks and discuss with management and the Audit Committee any significant changes.

Overview of our 2021 audit strategy

Value for money conclusion

One of the main changes in the NAO's 2020 Code is in relation to the value for money conclusion. We include details in Section 03 but in summary:

- We are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.
- Planning on VFM and the associated risk assessment is now focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.
- We will be required to provide a commentary on the Council's arrangements against three reporting criteria:
    - Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services;
    - Governance - How the Council ensures that it makes informed decisions and properly manages its risks; and
    - Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
- Within the audit opinion we will still only report by exception where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
- The commentary on arrangements will be included in a new Auditor's Annual Report which we will be required to issue within 3 months of issuing the audit opinion on the accounts.

Timeline

In Section 07 we include a provisional timeline for the audit. This timeline is predicated on being supported by the Council to conclude the 2019/20 audit within the timeline we have notified to Management.

Fees

We remain in discussion with PSAA about our proposed increase to the scale fee which we consider to be appropriate to deliver a Code compliant audit. We include in Section 09, our current view of the fees required to carry out the 2020/21 audit. We will update the Committee on any determinations by PSAA on fees.

02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

What is the risk?	What will we do?
The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. As part of our audit work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation. In addition, we have identified those areas of the where the risk of manipulation could specifically manifest itself. This area is set out on the following page.	We will undertake our standard procedures to address fraud risk, which include: ▸ Identifying fraud risks during the planning stages; ▸ Inquiry of management about risks of fraud and the controls put in place to address those risks; ▸ Understanding the oversight given by those charged with governance of management's processes over fraud; ▸ Consideration of the effectiveness of management's controls designed to address the risk of fraud; ▸ Determining an appropriate strategy to address those identified risks of fraud; and ▸ Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements. To address the residual risk of management override we perform specific procedures which include: ▸ Testing the appropriate ness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, for example using our journal tool to focus our testing on specific journals such as those created at unusual times or by staff members not usually involved in journal processing; ▸ Assessing key accounting estimates for evidence of management bias; and ▸ Evaluating the business rationale for significant unusual transactions.

Our response to significant risks (continued)

Misstatements due to fraud or error – Incorrect capitalisation of revenue expenditure*

Financial statement impact

We have identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts.

We consider the risk applies to capitalisation of revenue expenditure and could result in a misstatement of 'Cost of Services' reported in the Comprehensive Income and Expenditure Statement.

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

As the Council is more focused on its financial position over medium term, we have considered the risk of manipulation to be more prevalent in the inappropriate capitalisation of revenue expenditure on Property, Plant and Equipment and manipulation of revenue expenditure funded through capital under statute (REFCUS).

What will we do?

In order to address this risk we will carry out a range of procedures including:

- For significant capital additions, we will examine invoices, capital expenditure authorisations, leases and other data that support these additions. We review the sample selected against the definition of capital expenditure in IAS 16;
- We will extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold;
- Reviewing REFCUS entries in the movement in reserves statement and testing of entries to ensure the meet the accounting definition of REFCUS expenditure; and
- Journal testing – we will use our testing of journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised.

Our response to significant risks (continued)

Significant Risk - Accounting for Covid-19 related Government Grants

Financial statement impact

We have identified a risk of Government grant income misstatement that could affect the Comprehensive Income and Expenditure Statement.

We consider the risk applies to the classification of Government grant income and could result in a misstatement of 'Cost of Services' reported in the 'Comprehensive Income and Expenditure' statement and Balance Sheet.

What is the risk?

The Council has received a significant level of additional government funding in relation to Covid-19 amounting to £6.573 million in the draft Statement of Accounts.

Whilst there is no change in the CIPFA Code or Accounting Standard (IFRS 15) in respect of accounting for government grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment within the 2020/21 statements.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Sample testing Government Grant Income to ensure that they have been correctly classified as specific or non-specific in nature / Principal or Agent basis; and
- Sample testing Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body.
- Analytical procedures over amounts claimed back through the Lost Sales, Fees, and Charges Scheme.

We will encourage the Finance Team to provide its assessment of grant accounting before it prepares the statements so that we can provide an early view on its proposed accounting treatment.

Our response to significant risks (continued)

Significant Risk – Valuation of Property, Plant and Equipment (Land and Buildings) and Investment Properties

Financial statement impact

Property, Plant & Equipment represents significant balances in the Council's accounts and are subject to fluctuation.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the statement of financial position.

What is the risk?

In the prior year we reported issues with the adequacy of the Council's arrangements for obtaining valuations of its land and buildings and investment properties. These assets represent a significant balance in the Council's financial statements (£182.39m at 31 March 2021) and are subject to valuation changes, impairment reviews and depreciation charges.

During 2020/21 the Council experience a change in its internal valuer that it engages to value its assets. This increases the risk of material misstatement in relation to land and buildings and investment property valuations.
The valuer will apply a number of complex assumptions to these assets as well as making an assessment to identify whether there is any indication of impairment.

As the Council's asset base is significant, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Consider the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- For certain land and buildings and investment properties that are subject to volatility in relevant market information, we will engage our own experts, EY Real Estates, to challenge management's judgements and assumptions;
- Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated;
- Consider changes to useful economic lives as a result of the most recent valuation; and
- Test accounting entries have been correctly processed in the financial statements.

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
Group Consolidation The Council prepares group accounts. It will be consolidating three subsidiaries: Alive Management Ltd., Alive West Norfolk, and West Norfolk Housing Company. In previous years, we identified a number of audit differences in relation to the group accounts, and the consolidation working papers provided were of poor quality. The Council needs to ensure that the consolidation of any subsidiaries within the Group Boundary is undertaken in line with the relevant accounting standards and in line with the code of practice.	In order to address this risk we will carry out a range of procedures including: ▸ Review the group assessment prepared by the Council, ensuring that the accounting framework and accounting policies are aligned to the Borough Council of King's Lynn & West Norfolk Council group; ▸ Scope the audit requirements for the subsidiaries based on their significance to the group accounts. Liaising with the external auditor of the subsidiaries and issuing group instructions that detail the required audit procedures they are to undertake in order to provide us with assurance for the opinion we will issue on the group accounts; ▸ Reviewing the outcomes of the component auditor's work; and ▸ Ensuring that appropriate consolidation procedures are applied when consolidating relevant entities into the BCKLWN group accounts.
Calculation of Expected Credit Loss (NWES Loan) In November 2018 Norfolk & Waveney Enterprise Services (NWES) became indebted to the Council after failing to repay a loan for £2.75 million (£2.5 million initial loan plus a further £250,000). There is a risk around the calculation of expected credit loss in the 2020/21 accounts and the reasonableness of methodology and assumptions. There is also the need to take into consideration any additional available information in respect of the loan at the Balance Sheet date.	In order to address this risk we will carry out a range of procedures including: ▸ Review the Council's accounting treatment for the loan and calculation of expected credit loss; ▸ Review the arrangements in place with NWES for repayment of the loan, including the settlement agreement; ▸ Review the repayment of the NWES loan; and ▸ Test that accounting entries have been correctly processed in the financial statements.

Other areas of audit focus (continued)

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<u>Incorrect classification of Assets Held for Sale</u> In the 2018/19 audit we identified a number of errors relating to the classification of Assets Held for Sale, where assets tested did not meet the criteria and the balance was overstated (with understatement of Property, Plant & Equipment). In the 2019/20 audit we identified that the balance has increased from £0.934 million to £9.754 million per draft 2019/20 Statement of Accounts. In the 2020/21 accounts the balance remains unchanged from the 2019/20 accounts. This presents a risk that the assets are misclassified as they do not comply with the requirements of the CIPFA Code of Practice for timing of sale.	In order to address this risk we will carry out a range of procedures including: ▸ Sample test assets held for sale and check that items meet criteria; and ▸ Review sales documentation from after the year-end to check that assets classified as held for sale as at 31 March 2021 were subsequently sold
<u>Preparation of Cash Flow Statement</u> We identified a number of issues with the cash flow statement in the initial 2018/19 draft accounts where an incorrect format had been used and figures were inconsistent with the remainder of the statement of accounts. This resulted in a revised cash flow statement being prepared, and various adjustments were made across several line items. These issues have carried into the 2019/20 audit with multiple revisions being required to the cash flow statement.	In order to address this risk we will carry out a range of procedures including: ▸ Review cash flow statement and check internal consistency to the primary statements and disclosure notes; and ▸ Review presentation of the cash flow statement and associates notes are in line with the CIPFA Code of Practice.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk?	What will we do?
Pension liability valuation – Inherent Risk The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2021 this totalled £76.75 million. The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	In order to address this risk we will carry out a range of procedures including: ▸ Liaise with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Borough Council of King's Lynn & West Norfolk ; ▸ Assess the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▸ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
NDR Appeals Provision – Inherent Risk The business rates appeals provision includes, not only claims up to 31 March 2020, but claims that relate to earlier periods and is subject to estimation. As appeals are made to the Valuation Office, the Council may not be aware of the level of claims lodged. The Council may also find it difficult to obtain sufficient information to establish a reliable estimate. Due to the level of estimation, size of the balance and the complexity of this provision we have included it as an area of risk for this year.	In order to address this risk we will carry out a range of procedures including: ▸ Reviewing the Council's methodology underpinning the provision for business rate appeals to ensure it has been calculated on a reasonable basis in line with IAS 37; ▸ Ensuring the provision is supported by appropriate evidence and that the level of estimation uncertainty is adequately disclosed; and ▸ Reviewing the completeness of the provision.
Recoverability of Receivables (Bad Debt Provision) – Inherent Risk There is increased risk that money due to the Council becomes less recoverable due to the Covid-19 pandemic as an increased number of businesses and residents struggle to meet financial obligations. As a result, the Council needs to ensure that it has appropriately considered the impairment of year-end receivables.	In order to address this risk we will carry out a range of procedures including: ▸ Obtaining an understanding of Bad Debt Provision policies applied by the Council including any updates to the policies throughout the fiscal period; ▸ Obtain and review the aged debt report for increases in non-current outstanding balances and sample test the report to underlying source documentation to ensure the accuracy of aging; and ▸ Identify significant overdue balances and assess the appropriateness of the bad debt provision recorded by The Council to address these balances.
Collection Fund Accounting – Inherent Risk In the 2019/20 accounts, the Council identified the need for two prior period adjustments relating to the Collection Fund. They related to historic errors identified by the Section 151 officer. The Council needs to ensure that it has now fully resolved historic errors in the Collection Fund.	In order to address this risk we will carry out a range of procedures including: ▸ Perform analytic procedures over NDR and Council Tax factoring in new assumptions ▸ Review impact of prior period adjustments on current year balances ▸ Review of Collection Fund Statement and related disclosures for appropriateness in line with the Code

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
Going Concern disclosures There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, its annual budget, its cashflow and its medium term financial strategy, there is a need for the Council to ensure it's going concern assessment is thorough and appropriately comprehensive. The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified. In addition, the auditing standard in relation to going concern (ISA570) has been revised with effect for the 2020/21 accounts audit.	We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by: ▸ Challenging management's identification of events or conditions impacting going concern; ▸ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias); ▸ Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern; ▸ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; ▸ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties; We will discuss the detailed implications of the revised Auditing Standard with finance staff shortly and seek to agree with management to receive an early draft of the Council's going concern assessment in advance of the 2020/21 year-end audit in order to provide management with feedback on the adequacy and sufficiency of the proposed disclosures in relation to going concern.

Other areas of audit focus (continued)

What is the risk/area of focus?

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard will affect the nature and extent of information that we request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- We will place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
- We will provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradicts them.
- We will make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
- You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
- We may ask for new or changed management representations compared to prior year's as a result of the above procedures.

03 Value for Money Risks

Value for money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

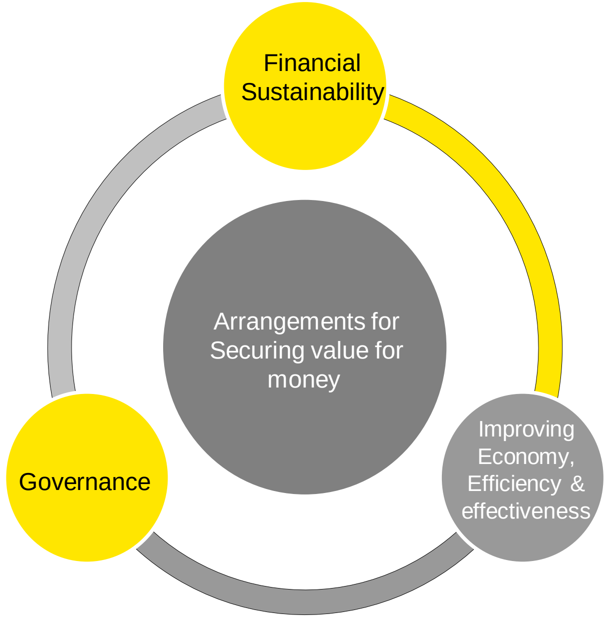
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**
  How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**
  How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**
  How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Value for money

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as OfSTED) and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves, or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.

Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the Audit Report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM planning

We have yet to complete our detailed VFM planning.

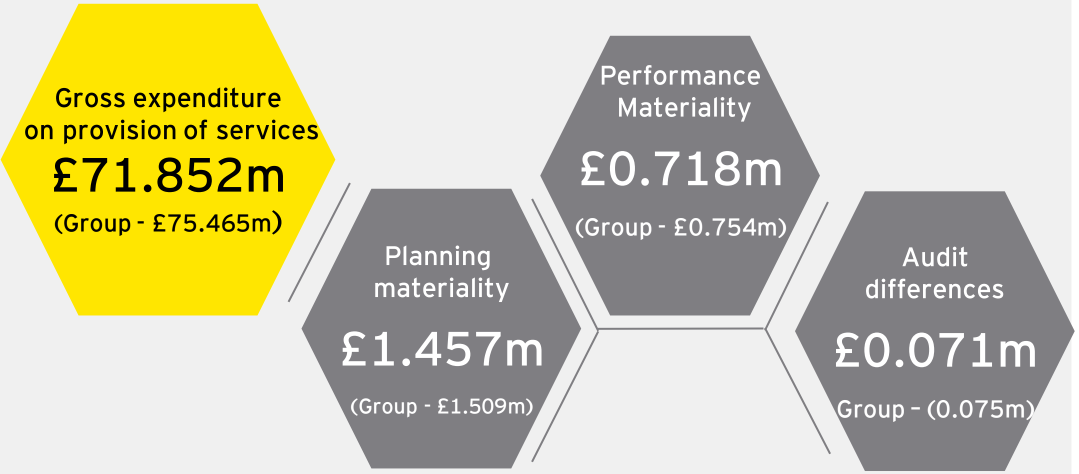
We will update a future Audit Committee meeting on the outcome of our VFM planning and our planned response to any identified risks of significant weaknesses in arrangements.

04 Audit materiality

Audit materiality

Materiality

For planning purposes, materiality for 2020/21 has been set at £1.457 million. This represents 2% of gross expenditure on provision of services as set out in the draft 2020/21 Statement of Accounts. It will be reassessed throughout the audit process. We have chosen this percentage on the basis of there being no shareholders; no traded debt or covenants; limited changes in the business environment; good viability of the business and limited external financing.



We request that the Audit Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance Materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.718 million which represents 50% of planning materiality. We have considered a number of factors such as the number of errors in the prior year and any significant changes when determining the percentage of performance materiality. We have used the lower end of the range which is a decrease on the percentage used last year.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the Audit Committee, or are important from a qualitative perspective.

Specific materiality – We have set a materiality threshold of £5,000 for related party transactions and members' allowances. For officers remuneration including exit packages we will apply materiality of £5,000 in line with bandings. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to these disclosures.

05 Scope of our audit

Our Audit Process and Strategy

Objective and Scope of our Audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit Process Overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

Our intention is to carry out a fully substantive audit in 2020/21 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2020/21, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Committee.

Internal audit:

As in prior years we will review Internal Audit plans and the results of the works. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below.

1	Full scope audits
2	Specific scope audits
Nil	Review scope audits
Nil	Specified procedures
1	Other procedures

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified Procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scoping the group audit (continued)

Coverage of Revenue and Expenditure

Based on the group's draft current year results, our scoping is expected to achieve the following coverage of the group's net cost of service revenue and group's net cost of service expenditure.

Revenue	100%	of the group's provision of services revenue will be covered by specific scope audits (5.6%), with the remainder covered by the single entity's audit (council) (94.4%).
Expenditure	100%	of the group's provision of services expenditure will be covered by specific scope audits (5.0%), with the remainder covered by the single entity's audit (95.0%).

Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

Alive West Norfolk, and West Norfolk Housing will be audited by Ensors, a non-EY member firm, who will confirm their independence via our group instructions.

Key changes in scope from last year

Alive West Norfolk, and West Norfolk Housing have remained a significant component. Alive Management Ltd. has been deemed insignificant and will have other procedures performed.

Details of specified procedures

In order to provide us a reasonable assurance over the three subsidiaries, we will request the component team to perform specified procedures in relation to what we identify as significant accounts in each. We will perform other procedures including analytic review over Alive Management Ltd.

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

- We provide specific instruction to component team and our expectations regarding the detailed procedures;
- We set up initial meeting with component team to discuss the content of the group instructions;
- We will consider the need to perform a file review of component team's work where appropriate; and
- We will attend a closing meeting with component team to discuss their audit procedures and findings.

06 Audit team

Audit team

The engagement team continues to be led by Mark Hodgson as the Lead Audit Partner. Mark has significant experience on local government audits and leads our Government & Public Sector practice across East Anglia. Mark is supported by Andrew Paylor who is taking on the role of Audit Manager at the Borough Council of King's Lynn & West Norfolk. Andrew is responsible for the day-to-day direction of audit work and is the key point of contact for the finance team.

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of Land and Buildings & Investment Properties	Council's Internal Valuation Team EY Real Estates Team (in relation to investment property and otherwise where required)
Pensions Disclosure	Council's Actuary (Hymans Robertson) PWC (Consulting Actuary to PSAA) EY Pensions Advisory Team
Fair Value Investment Measurement	Link Asset Services (the Council's Treasury Advisor)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

07 Provisional audit timeline

Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you in respect of the 2020/21. This timetable is wholly predicated on the Council being able to service the closure of the 2019/20 audit in February 2023.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Audit Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

Audit phase	Timetable	Deliverables
Planning: Risk assessment and setting of scopes.	**March 2023**	Audit Plan Update
Walkthrough of key systems and processes	**March 2023**	
Year end audit	**March 2023**	Audit Plan Update – VFM Risk Assessment
Audit Completion procedures	**May 2023**	Audit Results Report Audit opinion and completion certificates
	June 2023	Auditor’s Annual Report

08 Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in December 2019, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
▸ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us; ▸ The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ▸ The overall assessment of threats and safeguards; ▸ Information about the general policies and process within EY to maintain objectivity and independence.	▸ In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ▸ Details of non-audit/additional services provided and the fees charged in relation thereto; ▸ Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ▸ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner ▸ Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ▸ Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; and ▸ An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Mark Hodgson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees. We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved. None of the services are prohibited under the FRC's ES or the National Audit Office's Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is 0%.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements. There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Other communications

EY Transparency Report 2020
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2022: EY UK Transparency Report 2022 | EY UK

09 Appendices

Appendix A

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

	Scale fee 2020/21
Total Fee – Code work as per set scale fee	39,494
Additional work:	
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	TBD
Approved PSAA Amounts for ISA540 and VFM	8,500
Total fees	**39,494**

All fees exclude VAT

Note 1 - For 2020/21 we will need to seek an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors. Our proposed increase will be discussed with Management and is sent to PSAA for determination. For 2020/21 the scale fee will again been re-assessed to take into account the same recurring risk factors as in 2019/20, plus any additional risks not reflected in the 2019/20 audit, as set out in this Audit Plan. We need to be able to conclude the 2019/20 audit to be able to quantity the financial impact of this on the 2020/21 audit fee.

Any revised scale fee will be discussed with Management and is subject to review and approval by the PSAA Ltd in respect of both financial years.

Appendix B

Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Outline Audit Plan – November 2022
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process.	Audit Results Report - May 2023

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence	Outline Audit Plan – November 2022 Audit Results Report - May 2023
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report - May 2023
Consideration of laws and regulations	▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the Audit Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit Committee may be aware of	Audit Results Report - May 2023
Internal controls	▶ Significant deficiencies in internal controls identified during the audit	Audit Results Report - May 2023

Appendix B

Required communications with the Audit Committee (continued)

Required communications	What is reported?	Our Reporting to you When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit Results Report - May 2023
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Corrected misstatements that are significant ▸ Material misstatements corrected by management	Audit Results Report - May 2023
Fraud	▸ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ A discussion of any other matters related to fraud	Audit Results Report - May 2023
Related parties	▸ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report - May 2023

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - May 2023
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - May 2023
Auditors report	▸ Key audit matters that we will include in our auditor's report ▸ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - May 2023
Fee Reporting	▸ Breakdown of fee information when the audit plan is agreed ▸ Breakdown of fee information at the completion of the audit ▸ Any non-audit work	Audit Results Report - May 2023 Audit Results Report - May 2023 Audit Results Report - May 2023

Appendix C

Additional audit information

Other required procedures during the course of the audit	
In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.	
Our responsibilities required by auditing standards	▶ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. ▶ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. ▶ Concluding on the appropriateness of management's use of the going concern basis of accounting. ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. ▶ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit Committee reporting appropriately addresses matters communicated by us to the Audit Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and ▶ Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.