

Audit Committee Agenda

Thursday, 21 January 2021 at 6.00 pm

This meeting will be held digitally. The meeting can be viewed from the link posted to <https://www.hastings.gov.uk/my-council/cm/>

For further information, please contact Democratic Services on 01424 451484 or email: democraticservices@hastings.gov.uk

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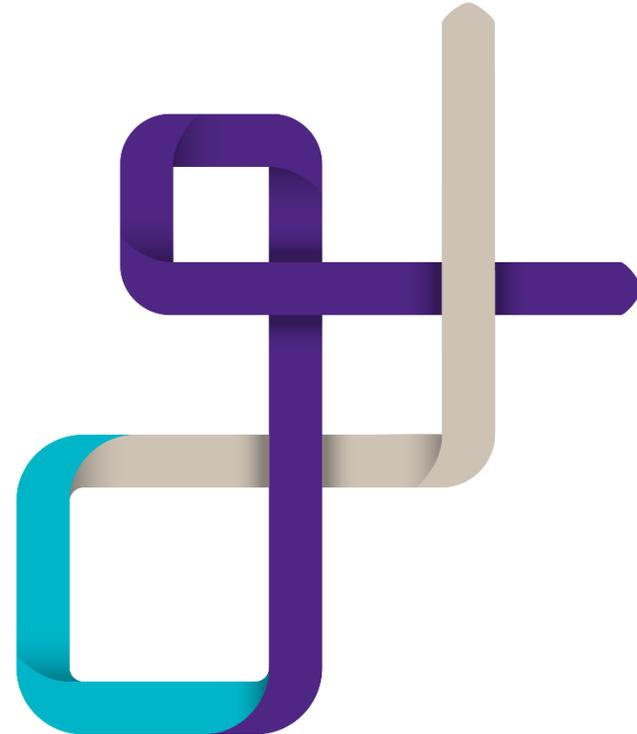
External Audit Plan update

Year ending 31 March 2020

Agenda Item 4a

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Hastings Borough Council
January 2021



Introduction & headlines

Purpose

This document provides an update to the planned scope and timing of the statutory audit of Hastings Borough Council ('the Authority') as reported in our Audit Plan communicated to the Committee in March 2020, for those charged with governance.

The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan, the events of 2020 have required us to update our planning risk assessment and reconsider our audit and value for money (VfM) approach to reflect the unprecedented global response to the Covid-19 pandemic. The significance of the situation cannot be underestimated and the implications for individuals, organisations and communities remains highly uncertain. For our public sector audited bodies, we appreciate the significant responsibility and burden your staff have to ensure vital public services are provided. As far we can, our aim is to work with you in these unprecedented times, ensuring up to date communication and flexibility where possible in our audit procedures.

Impact on our audit and VfM work

Management and those charged with governance are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financial statements to 30 November 2020. We had originally scheduled audit work to start in July 2020, however due to authority resourcing issues caused by Covid-19 and also by changes of key personnel in the finance team, the Authority was unable to provide working papers until mid-September. The impact has been that Grant Thornton were unable to fully resource the audit at the slipped date as our team's time had been committed to other audits. As such, it was not possible to meet the date for audited financial statements on the 30 November 2020

We have been liaising with management to agree appropriate timescales and logistics for the delivery of our audit fieldwork. We have agreed extended fieldwork dates taking place in January 2021, and we will communicate our Audit Findings Report to the Audit Committee meeting on 21 January 2021. We continue to be responsible for forming and expressing an opinion on the Authority group's financial statements and VfM arrangements, and we are working closely with your finance team to work towards the replanned timescales.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We have implemented changes to the procedures we had planned and reported in our Audit Plan to reflect current restrictions to working practices, such as the application of technology to allow remote working. Additionally, it has been confirmed since our Audit Plan was issued that the implementation of IFRS 16 has been delayed for the public sector until 2021/22.

Changes to our audit approach

To date we have:

- Identified a new significant financial statement risk, as described overleaf
- We did not identify any changes to our materiality assessment as a result of the risk identified due to Covid-19.

Changes to our VfM approach

We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. Medium term financial sustainability was identified as a significant VfM risk in our previously reported plan, and we are satisfied that in completing the work against this risk which was reported to the those charged with Governance in March 2020 this has also allowed us to address the ways that Covid-19 has impacted on the Authority's medium term financial sustainability, how management are forecasting the impacts on future income and expenditure, and the arrangements that have been put in place by management to respond to these impacts.

Conclusion

We will ensure any further changes in our audit and VfM approach and procedures are communicated with management and reported in our Audit Findings Report. We wish to thank management for their continued support and collaboration in this difficult time.

Significant risks identified – Covid – 19 pandemic

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Covid – 19</p>	<p>The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. As documented above the current circumstances have had an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;</p> <ul style="list-style-type: none"> - Remote working arrangements and redeployment of staff impact potentially impacting on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation - Volatility of financial and property markets increased the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - Financial uncertainty has required management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - Disclosures within the financial statements have required significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. <p>We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Work with management to understand the implications the response to the Covid-19 pandemic has on the organisation’s ability to prepare the financial statements and update financial forecasts and assess the implications on our audit approach • Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise • Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic. • Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely • Evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances • Evaluate management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment • Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence

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