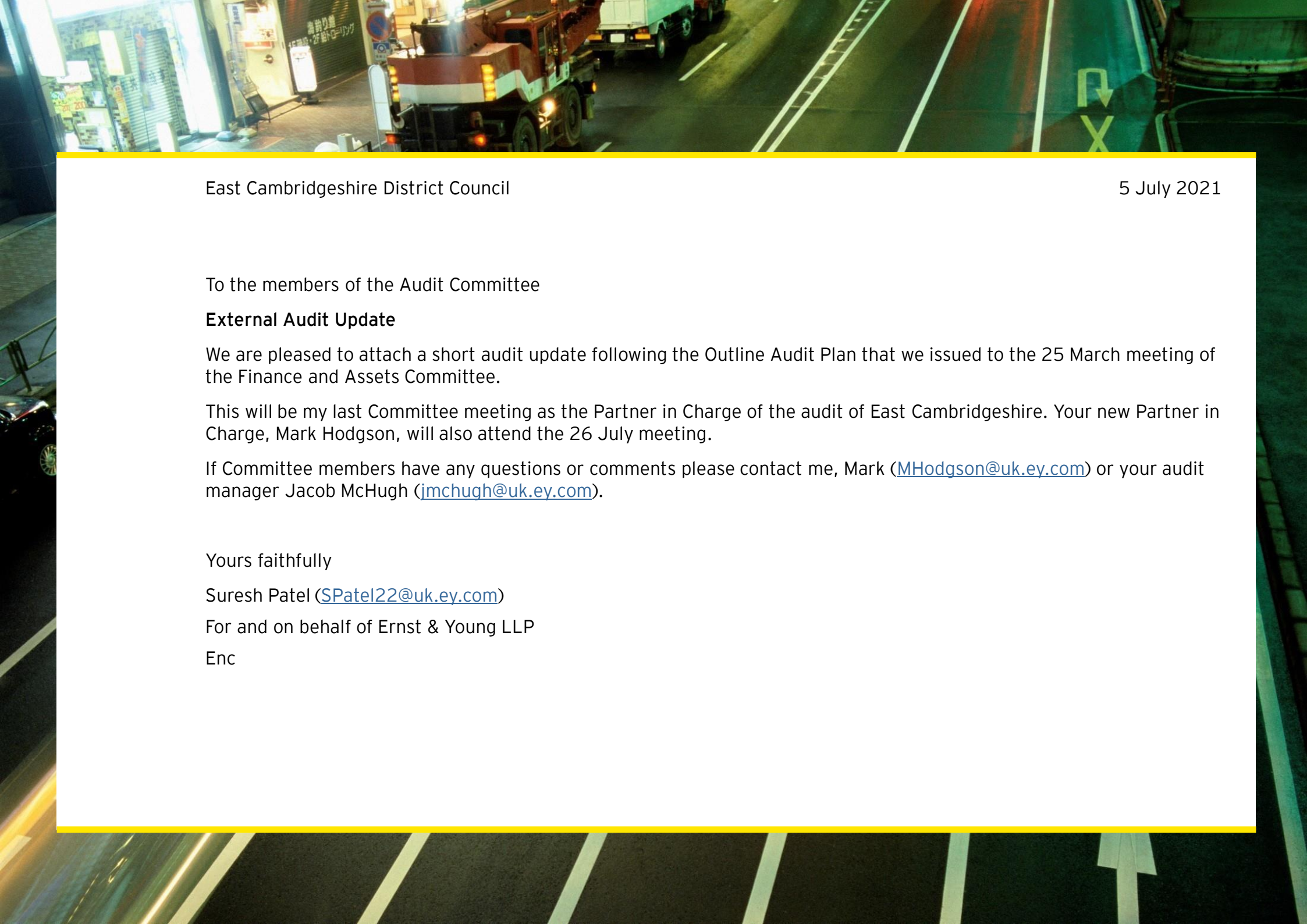


**East Cambridgeshire  
District Council**

**External audit update**

Year ended 31 March 2021

5 July 2021



East Cambridgeshire District Council

5 July 2021

To the members of the Audit Committee

### **External Audit Update**

We are pleased to attach a short audit update following the Outline Audit Plan that we issued to the 25 March meeting of the Finance and Assets Committee.

This will be my last Committee meeting as the Partner in Charge of the audit of East Cambridgeshire. Your new Partner in Charge, Mark Hodgson, will also attend the 26 July meeting.

If Committee members have any questions or comments please contact me, Mark ([MHodgson@uk.ey.com](mailto:MHodgson@uk.ey.com)) or your audit manager Jacob McHugh ([jmchugh@uk.ey.com](mailto:jmchugh@uk.ey.com)).

Yours faithfully

Suresh Patel ([SPatel22@uk.ey.com](mailto:SPatel22@uk.ey.com))

For and on behalf of Ernst & Young LLP

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## Audit update

### Update to the Outline Audit Plan

We issued and presented an Outline Audit Plan for the audit of the Council's 2020/21 financial statements to the 25 March 2021 Finance and Assets Committee. The plan is attached as Appendix 1.

### Change in Partner in Charge

Suresh Patel leaves EY in mid-August and Mark Hodgson (Associate Partner) will take over as Partner in Charge for the 2020/21 audit. Mark is EY's lead for public sector assurance in the East of England and is an experienced Partner in Charge. He is based in the EY Cambridge office and is responsible for a number of other local government audits including Cambridge County Council.

### Change to identified risks

Since drafting that plan we have now completed our audit planning procedures and have one change to report to the Audit Committee.

Item of account	Previous classification	Revised classification	Reasons for the change
National Non-Domestic Rates (NNDR) Appeals Provision	Significant risk	Inherent risk	Since issuing the Outline Audit Plan the government announced that it would not allow businesses to claim NNDR appeals in respect of material changes in circumstances as a result of Covid-19. As a result, we have down graded the audit risk from significant to inherent. This reduces the level of testing we will apply to the appeals provision.

There are no other changes to the risks we reported in the Outline Audit Plan.

### Timetable for the audit

In early June, EY's lead Partner for local public audit wrote to the Chief Finance Officers of all the local authorities where EY is the appointed auditor to outline EY's position in respect of the timing of the 2020/21 external audits and MHCLG's revised target dates for accounts publication. We can confirm that the timetable we included in the Outline Audit Plan and agreed with the Finance team remains and that we plan to conclude the audit of the Council's 2020/21 financial statements by the end of November.



# Audit update

## Value for money (VFM) risk assessment

### Scope

In the Outline Audit Plan we included details of the new NAO Code of Audit Practice (the Code) in respect of VFM and outlined that at that time we had yet to complete our risk assessment procedures. Under the Code we are required to carry out sufficient work to enable us to provide a commentary against the arrangements shown in Appendix 2.

### Risk assessment

Given the timing of the Council's audit we have yet to complete our assessment of the risk of significant weaknesses in the arrangements outlined in Appendix 2. We plan to issue an information request to the Finance team to enable us to complete the risk assessment. We will provide a verbal update to the Committee.

### Reporting

The NAO is cognisant of the pressures facing local authorities and auditors to meet their reporting requirements for 2020/21 whilst dealing with the challenges and issues presented by the pandemic. As a result, the NAO have now confirmed the following requirements:

1. The Code requires auditor's to report by exception within the auditor's opinion on the financial statements if they have identified a significant weakness in VFM arrangements, i.e. if auditor's have not identified a significant weakness then the audit opinion does not include reporting in respect of VFM. For 2020/21 the NAO's revised guidance allows auditors to issue the audit opinion even when the auditor has not concluded on their VFM work to address identified risks of significant weaknesses in arrangements, as long as the risks do not impact the financial statements.
2. The Code requires auditor's to issue their commentary on VFM as part of a new Auditor's Annual Report (AAR) by the end of September. For 2020/21 the NAO's revised guidance allows auditors to issue the commentary on VFM and AAR by 3 months after the date of the audit opinion on the statements.



## Appendix 2 – VFM arrangements

### Financial sustainability

**How the Authority plans and manages its resources to ensure it can continue to deliver its services.**

1. How the Authority ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them.
2. How the Authority plans to bridge its funding gaps and identifies achievable savings.
3. How the Authority plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities.
4. How the Authority ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system.
5. How the Authority identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

### Governance

**How the Authority ensures that it makes informed decisions and properly manages its risks.**

1. How the Authority monitors and assesses risk and how the Authority gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud.
2. How the Authority approaches and carries out its annual budget setting process.
3. How the Authority ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.
4. How the Authority ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from the audit committee.
5. How the Authority monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).



## Appendix 2 - VFM arrangements

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### Improving economy, efficiency and effectiveness

**How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.**

1. How financial and performance information has been used to assess performance to identify areas for improvement;
2. How the Authority evaluates the services it provides to assess performance and identify areas for improvement;
3. How the Authority ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve; and
4. Where the Authority commissions or procures services, how the Authority ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the Authority assesses whether it is realising the expected benefits

## EY | Assurance | Tax | Transactions | Advisory

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