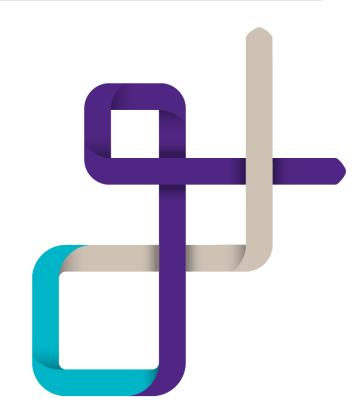


# **External Audit Plan update**

Year ending 31 March 2020

Bath and North East Somerset Council 5 May 2020



### Introduction & headlines

#### **Purpose**

This document provides an update to the planned scope and timing of the statutory audit of Bath and North East Somerset Council ('the Authority') as reported in our Audit Plan dated 24 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 on 24 March 2020, recent events have led 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 financials statements to 30 November 2020. We have agreed a target date of the end of June to receive a draft set of financial statements, we will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority and group's financial statements and VfM arrangements.

In order to fulfil our responsibilities under International Auditing Standards (ISA's (UK)) we have revisited our planning risk assessment. We may also need to consider implementing 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 2020/21.

#### Changes to our audit approach

To date we have:

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

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.

#### 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 timely collaboration in this difficult time.

## Significant risks identified

Risk	Risk relates to	Reason for risk identification	Ke	ey aspects of our proposed response to the risk
Covid-19	Authority	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. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to:	•	We will:  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
		<ul> <li>Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can</li> </ul>	•	Liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise
		obtain through physical observation	•	Evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic.
		<ul> <li>Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuand receivable recovery estimates, and the reliability of evidence can obtain to corroborate management estimates</li> </ul>	•	Evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely
		<ul> <li>Financial uncertainty will require 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</li> </ul>	•	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
		<ul> <li>Disclosures within the financial statements will require 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.</li> </ul>		assessment  Discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.
		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.		

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings Report in September 2020.



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