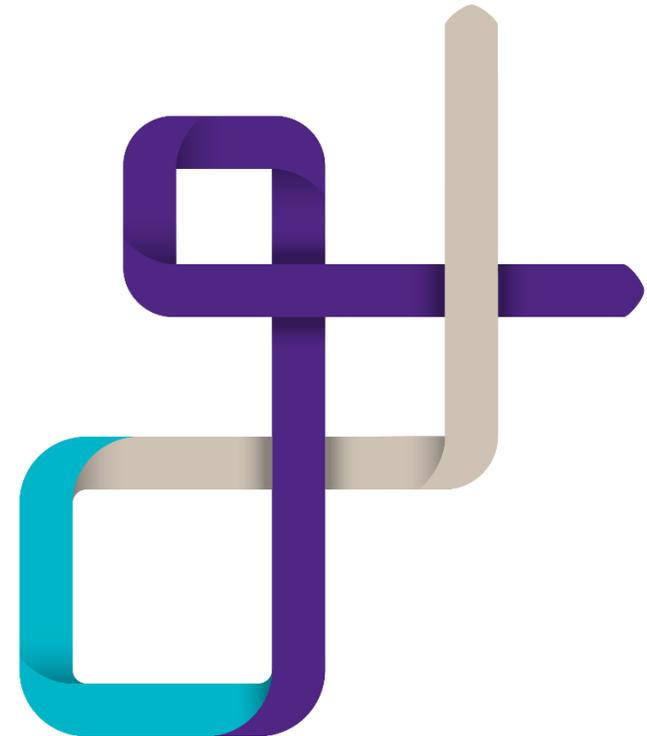


# External Audit Plan update

*Year ending 31 March 2020*

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Ashford Borough Council  
August 2020



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# Introduction & headlines

## Purpose

This document provides an update to the planned scope and timing of the statutory audit of Ashford Borough Council ('the Council'), as reported in our Audit Plan dated 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 dated 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 remain 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 the deadline for the preparation of financial statements has been extended to 31 August 2020 and for the publication of audited financial statements to 30 November 2020. We continue to be responsible for forming and expressing an opinion on the Council'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 2021/22.

## 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.

## 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. In our Audit Plan we identified a significant VfM risk relating to financial sustainability. 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.

# Significant risks identified – Covid-19 pandemic

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p><b>Covid – 19</b></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. 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;</p> <ul style="list-style-type: none"> <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 obtain through physical observation;</li> <li>- volatility of financial and property markets will increase 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;</li> <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> <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> <p>We have therefore identified the global outbreak of the Covid-19 virus as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• liaise with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arise</li> <li>• evaluate the adequacy of the disclosures in the financial statements in light of the Covid-19 pandemic.</li> <li>• evaluate whether sufficient audit evidence using alternative approaches can be obtained for the purposes of our audit whilst working remotely</li> <li>• evaluate whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances</li> <li>• evaluate management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment</li> <li>• discuss with management any potential implications for our audit report if we have been unable to obtain sufficient audit evidence.</li> </ul>