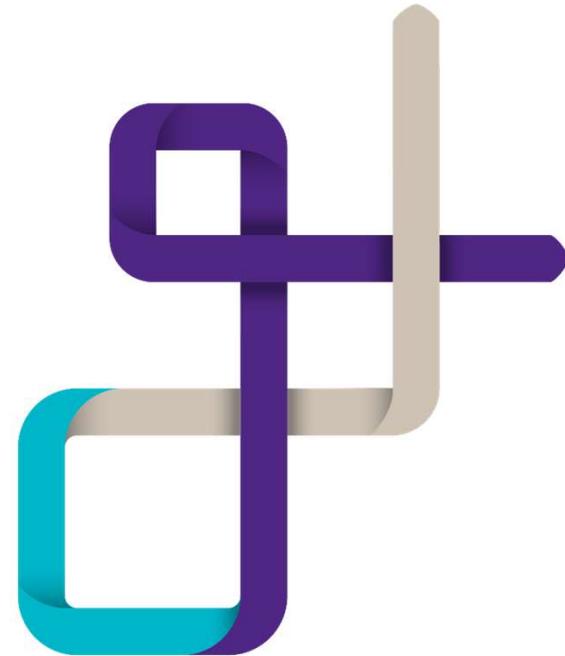




External Audit Plan update

Year ending 31 March 2020

High Peak Borough Council
29 April 2020



Introduction & headlines

Purpose

This document provides an update to the planned scope and timing of the statutory audit of High Peak Borough Council ('the Authority') as reported in our Audit Plan dated 12 February 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 12 February 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. Along with the Covid-19 pandemic, in March 2020 both the Chief Executive and Assistant Chief Executive of the Council resigned. This has resulted in changes in the senior management team and leadership of the Council during the 2019/20 financial year and has required existing Directors and Managers to "step up" to fill the void created by these departures, whilst also dealing with the impact of the pandemic.

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, however we will liaise with management to agree appropriate timescales. We continue to be responsible for forming and expressing an opinion on the Authority'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 and 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 now assessed that the

- financial sustainability of the Council as a significant risk, given the impact of Covid 19 and will look to see what arrangements the council has in place to manage this impact on its finances
- the changes in the senior management team represent a significant risk, given that this has resulted in many managers taking on additional responsibilities and the impact on governance arrangements at the Council.

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 – Covid – 19 pandemic

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Covid – 19 (Financial Statements and Value for Money)	<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"> - 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 - 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 - 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 - 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. <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>Financial Statements</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 <p>Value for Money</p> <p>We will:</p> <ul style="list-style-type: none"> ▪ Review the Councils updated Medium Term Financial Plan and Efficiency and Rationalisation Strategy and assess the impact on the Councils financial resilience and arrangements it has to manage its finances as a result of the pandemic.
Senior Management Changes (Value for Money)	<p>In March 2020 both the Chief Executive and Assistant Chief Executive of the Council resigned. This has resulted in existing Directors and Managers within the organisation having to “step up” to fill the void and had had an impact on governance arrangements within the operations of the Council.</p>	<p>We will:</p> <ul style="list-style-type: none"> • Work with management to understand the impact on operations of the Council after these departures and look at how they responded • Work with Internal Audit to assess the impact on governance arrangements at the Council • Gain an understanding of the Councils future arrangements in regards to these vacated posts