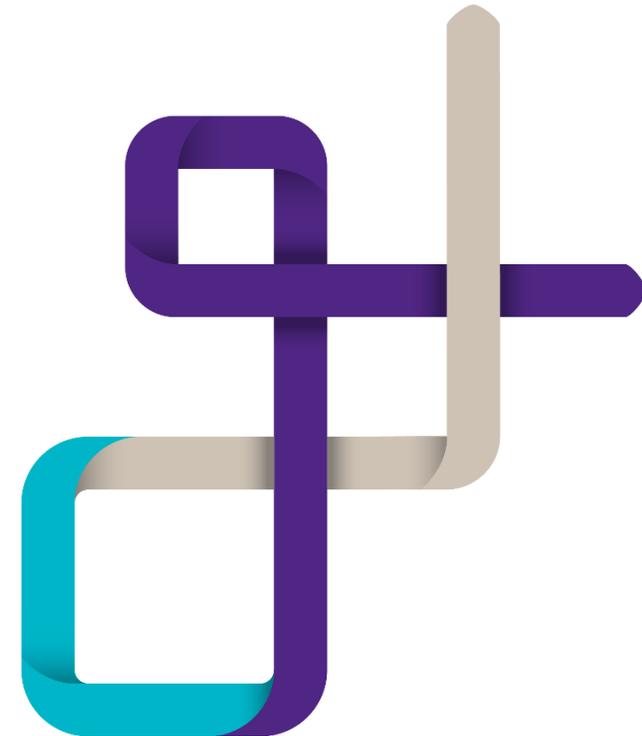




External Audit Plan update

Year ending 31 March 2020

Tonbridge & Malling Borough Council
May 2020



Introduction & headlines

Purpose

This document provides an update for those charged with governance to the planned scope and timing of the statutory audit of Tonbridge & Malling Borough Council ('the Council') as reported in our Audit Plan dated January 2020.

The current environment

In addition to the audit risks communicated to those charged with governance in our Audit Plan of January 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 the deadline for the preparation of financial statements has now 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. We will liaise with management to agree a timescale for our work on the Council's 2019/20 accounts.

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; and
- reviewed the materiality levels we determined for our 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 did not identify any significant VfM risks. We considered if the potential impact of COVID 19 on the Council's financial position should lead us to identify a significant risk in respect of the Council's arrangements to ensure the Council has a financially sustainable position.

Given that lockdown procedures were only announced on 23.3.20 the impact of the pandemic on the Council's financial performance in 2019/20 is likely to be minimal. However, we note that the Council;

- has experienced a shortfall on income totalling £700k in April 2020;
- is currently estimating a shortfall in income of between £3m and £5m for 2020/21, with potential additional costs of £350k for the year; and

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-has received additional government funding of £1350k.

Whilst the Council has significant levels of revenue reserves, officers have concluded that as a result of the pandemic a complete review of the Council's Medium Term Financial Strategy and Savings and Transformation Strategy will be required.

As part of our updated risk assessment we have therefore identified a significant risk in respect of the Council's arrangements to ensure financial sustainability, as we need further information in this area before arriving at our VFM conclusion. This will include understanding the Council's processes for;

-estimating the impact of Covid 19; and

-assessing the scope for financial savings or other actions to mitigate the financial impacts of 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 – 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. 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.</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.