Great Yarmouth Borough Council

Audit Plan

Year ended 31 March 2021

8 July 2022

Building a better working world

Audit and Risk Committee Members

Great Yarmouth Borough Council
Hall Plain
Great Yarmouth, NR30 2QF

8 July 2022

Dear Audit and Risk Committee Members

2020/21 Audit Plan

We are pleased to attach our Audit Plan which sets out how we intend to carry out our responsibilities as auditor. Its purpose is to provide the Audit and Risk Committee with a basis to review our proposed audit approach and scope for the 2020/21 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements. It is also to ensure that our audit is aligned with the Committee's service expectations.

This Audit Plan summarises our initial assessment of the key risks driving the development of an effective audit for the Council, and outlines our planned audit strategy in response to those risks. Our planning procedures remain ongoing; we will inform the Audit and Risk Committee if there any significant changes or revisions once we have completed these procedures and will provide an update to the next meeting of the Committee.

This report is intended solely for the information and use of the Audit Committee and management, and is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss this report with you on 18 July 2022 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson

Debbie Hanson
For and on behalf of Ernst & Young LLP

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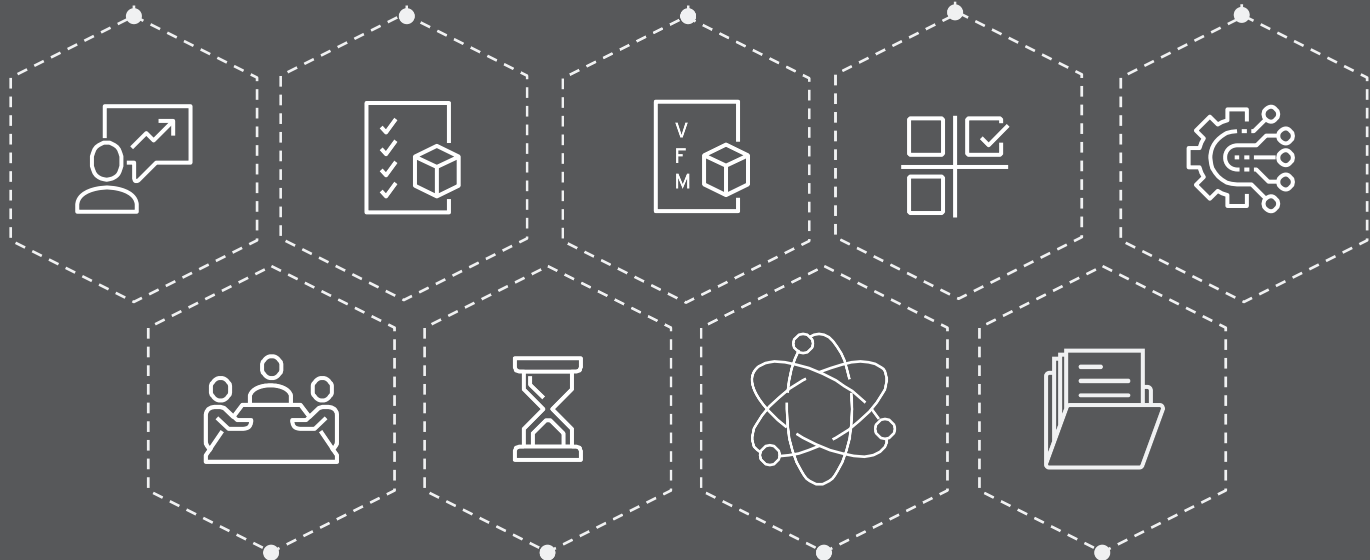

Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/).The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Risk Committee and management of Great Yarmouth Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee, and management of Great Yarmouth Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of Great Yarmouth Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Overview of our 2020/21 audit strategy

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Finance, Resources, Audit and Governance Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Misstatements due to fraud or error	Fraud risk	No change in risk or focus	As identified in ISA 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that would otherwise appear to be operating effectively.
Incorrect capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure. The Council's capital programme for 2020/21 was £29 million and is therefore significant. We also consider this risk to manifest itself through inappropriate classification of expenditure as revenue expenditure funded from capital under statute (REFCUS). However, as REFCUS in 2020/21 is only £0.671 million and therefore not material, we have not identified this as an area of significant risk for 2020/21.
Investment property valuations	Significant risk	No change in risk or focus	The Council's investment property totals £51.68 million as at 31 March 2021 (per the draft Financial Statements) which represents a significant balance in the Council's accounts. The balance is subject to valuation changes and impairment reviews. Material judgements and estimation techniques are required to calculate the year-end balances. Covid-19 is expected to continue to have an impact on valuation for properties measured at fair value (i.e. investment properties) since rental income may fall as tenants' potentially default on their rents and seek to negotiate rent reductions where they can no longer trade effectively. There is a therefore a risk that investment property may be misstated or the associated accounting entries incorrectly posted. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Covid-19 related grant income	Significant risk	New risk	The Council has received a significant level of government funding in relation to Covid-19 totalling £9.97 million (per the draft financial statements). There is a need for the Council to ensure that it accounts for these grants appropriately, taking into account any associated restrictions and conditions, and whether it is acting as principal or agent.
Infrastructure assets	Significant risk	New risk	A national issue has been identified via the NAO's Local Government Technical Group relating to accounting for infrastructure assets. The issue that has been identified is that local authorities may not be writing out the gross cost and accumulated depreciation on infrastructure assets when a major part or component has been replaced or decommissioned. The Council holds infrastructure assets at a net book value of £14.3 million (per the draft accounts) which is a material balance. We will need to understand the Councils' approach to subsequent expenditure on infrastructure assets and assess the appropriateness of gross and net book values recorded to the accounts and ensure the Council's approach is in line with the Cipfa code of Practice (the Code). CIPFA has recently issued an urgent consultation on temporary changes to the Code to address this issue and we will also need to consider the outcome of this once finalised.
Pension liability valuation	Inherent risk	No change in risk or focus	The Code and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the pension fund administered by the Council. The Council's pension fund deficit is a material estimated balance disclosed on the balance sheet. At 31 March 2021, this totalled £73.8 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Overview of our 2020/21 audit strategy

Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Land and buildings valuation	Inherent risk	No change in risk or focus	Land and buildings represent significant balances in the Council's accounts, totalling £322 million as at 31 March 2021. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.
Group accounts preparation	Inherent risk	No change in risk or focus	The Council produced group accounts consolidating the wholly owned subsidiary, Equinox Enterprises Ltd, for the first time in 2018/19 as the subsidiary is material to the financial statements. Our audit work identified a number of misstatements and amendments were required to the group accounts in both 2018/19 and 2019/20. We therefore consider that there is a risk of misstatement in the 2020/21 accounts. In addition, the Council needs to undertake an assessment of group boundaries in relation to is investments in two limited companies with which it traded in 2020/21 (Great Yarmouth Borough Services and Great Yarmouth Norse) and any other companies in which it has an interest to establish whether it had control of the arrangements or exerted significant influence over these investees and whether they are material for the Group in 2020/21.
Accuracy of the Council and Group cashflow statement	Inherent risk	No change in risk or focus	Our audit work on the Council and Group Cashflow Statement identified a number of material errors and inaccuracies which were reported in our 2019/20 Audit Results Report. There is a risk that similar errors will be present in the 2020/21 Cashflow Statements.

Overview of our 2020/21 audit strategy

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Audit risks and areas of focus

Risk / area of focus	Risk identified	Change from PY	Details
Going concern disclosure	Inherent risk	No change in risk or focus	The financial landscape for the Council remains challenging and management will need to prepare a going concern assessment covering a period up to 12 months from the expected date of the financial statements authorisation and issue of our audit report. The Council will also need to make an appropriate disclosure in the financial statements. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.
Debtors and creditors – accuracy of balances in the Balance Sheet	Inherent risk	No change in risk or focus	Our audit testing in 2018/19 and 2019/20 identified errors in the accuracy of the debtors and creditors balances reported in the Financial Statements. We report a controls issue in our Audit Results Report for 2019/20, noting that the Council should revisit their closedown process in these areas to ensure that the audit of debtors and creditors can be completed more effectively and efficiently.
NDR appeals provision	Inherent risk	New risk and area of focus	We have identified the risk of omission and incorrect valuation of the NDR appeals provisions as an inherent risk. It is expected that the number of appeals by businesses may have increased from prior year due to inoperability of businesses throughout the Covid-19 pandemic. The calculation of the provision involves significant judgements and a high level of complexity. Due to the size and nature of the balance there is a risk that the provision could be materially understated.
Expenditure and funding analysis restatement	Inherent risk	New risk and area of focus	The Expenditure and Funding Analysis Statement has been restated from the prior period due to internal management restructuring. We will need to review the restatement and ensure the prior year comparatives have been appropriately restated.

Overview of our 2020/21 audit strategy

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.

Auditing accounting estimates

In addition to the above risks and areas of focus, a revised auditing standard has been issued in respect of the audit of accounting estimates. The revised standard requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors now consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we may see the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area. The changes to the standard may affect the nature and extent of information that we may request and will likely increase the level of audit work required.

Timetable for the delivery of the audit

We have set out our current proposed timetable for the delivery of the audit in Section 7 of this Plan.

We note however that in prior years, there have been significant delays in the completion of the audit, with the opinion and certificate on the 2019/20 financial statements not being issued until December 2021. A number of factors have impacted on the timely completion of the audit, including the level of errors identified, difficulties obtaining listings for debtors and creditors and delays in responses to audit queries. We recognise that the capacity within the finance team may have impacted on this and recommended that the Council should review this. We acknowledge that we also experienced some resourcing difficulties in 2019/20. We also recommended in our 2019/20 Annual Audit Letter that the Council should revisit again its closedown process in these areas to ensure that these parts of the audit can be completed more efficiently and effectively future years.

If timely responses to working paper requests and audit queries are not provided in relation to the 2020/21 we will need to reschedule the audit to a later date than those set out in section 7.

Overview of our 2020/21 audit strategy

Materiality

Planning materiality

£1.46m

Materiality for the single entity has been set at £1.46 million (Group - £1.64 million), which represents 2% of the current years gross expenditure on provision of services. Materiality for the group has been set at £1.64

Performance materiality

£0.73m

Performance materiality has been set at £0.73 million (group – £0.82 million), which represents 50% of materiality.

Audit differences

£73K

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement, cash flow statement and collection fund) greater than £73k (group - £0.082k). Other misstatements identified will be communicated to the extent that they merit the attention of the Audit Committee

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all the circumstances that might ultimately influence our judgement. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the financial statements, including the total effect of any audit misstatements, and our evaluation of materiality at that date.

Overview of our 2020/21 audit strategy

Audit scope

This Audit Plan covers the work that we plan to perform to provide you with:

- Our audit opinion on whether the financial statements of Great Yarmouth Borough Council give a true and fair view of the financial position as at 31 March 2021 and of the income and expenditure for the year then ended; and
- Our conclusion on the Council's arrangements to secure economy, efficiency and effectiveness (Value for Money).

We will also review and report to the National Audit Office (NAO), to the extent and in the form required by them, on the Council's Whole of Government Accounts return.

Our audit will also include the mandatory procedures that we are required to perform in accordance with applicable laws and auditing standards.

When planning the audit we take into account several key inputs:

- Strategic, operational and financial risks relevant to the financial statements;
- Developments in financial reporting and auditing standards;
- The quality of systems and processes;
- Changes in the business and regulatory environment; and,
- Management's views on all of the above.

By considering these inputs, our audit is focused on the areas that matter and our feedback is more likely to be relevant to the Council.

Taking the above into account, and as articulated in this audit plan, our professional responsibilities require us to independently assess the risks associated with providing an audit opinion and undertake appropriate procedures in response to that. Our Terms of Appointment with PSAA allow them to vary the fee dependent on "the auditors assessment of risk and the work needed to meet their professional responsibilities".

PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit with increased focus on, for example, the valuations of land and buildings, the auditing of groups, the valuation of pension assets and obligations, the introduction of new accounting standards in recent years as well as the expansion of factors impacting the value for money conclusion.

We are currently in the process of discussing the extent of these areas and the audit risks highlighted in this Audit Plan as relevant in the context of Great Yarmouth Borough Council's audit, and the resultant impact on the scale fee. We have only set out the published Scale Fee in Appendix A, at this time.

02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Misstatements due to fraud or error*

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

As part of our audit work to identify fraud risks during the planning stages, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.

In addition, we have identified those areas of the where the risk of manipulation could specifically manifest itself.

This area is set out on the following page.

What will we do?

We will undertake our standard procedures to address fraud risk, which include:

- Identifying fraud risks during the planning stages;
- Inquiry of management about risks of fraud and the controls put in place to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Consideration of the effectiveness of management's controls designed to address the risk of fraud;
- Determining an appropriate strategy to address those identified risks of fraud; and
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.

To address the residual risk of management override we perform specific procedures which include:

- Testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements, for example using our journal tool to focus our testing on specific journals such as those created at unusual times or by staff members not usually involved in journal processing;
- Assessing key accounting estimates for evidence of management bias; and
- Evaluating the business rationale for any significant unusual transactions.

Our response to significant risks (continued)

Misstatements due to fraud or error - Incorrect capitalisation of revenue expenditure*

Financial statement impact

Misstatements that occur in relation to the risk incorrect capitalisation of revenue expenditure could affect the comprehensive income and expenditure account and the balance sheet by decreasing revenue expenditure and increasing capital expenditure.

What is the risk?

In considering how the risk of management override may present itself, we conclude that this is primarily through management taking action to override controls and manipulate in year financial transactions that impact the medium to longer term financial position. A key way of improving the revenue position is through the inappropriate capitalisation of revenue expenditure.

The Council's capital programme for 2020/21 was £29 million and is therefore significant.

We also consider this risk to manifest itself through inappropriate classification of expenditure as revenue expenditure funded from capital under statute (REFCUS). However as REFCUS in 2020/21 is only £0.671 million and therefore not material we have not identified this as an area of significant risk for 2020/21.

What will we do?

We will undertake additional procedures to address the specific risk we have identified, which will include:

- Sample testing additions to property, plant and equipment to ensure they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised;
- We will extended our testing of items capitalised in the year by lowering our testing threshold. We will also review a larger random sample of capital additions below our testing threshold.
- As part of our journal testing strategy, we will review unusual journals related to capital expenditure posted around the year-end; for example where the debit is to capital expenditure and the credit to income and expenditure

Our response to significant risks (continued)

Significant risk - Valuation of investment properties

Financial statement impact

Misstatements that occur in relation to the valuation risk of investment property could affect the comprehensive income and expenditure account and the balance sheet by misstating the fair value of the assets and increase/decrease in valuation in the year.

What is the risk?

The Council's investment property totals £51.68 million as at 31 March 2021 (per the draft Financial Statements) which represents a significant balance in the Council's accounts and is subject to valuation changes and impairment reviews. Material judgements and estimation techniques are required to calculate the year-end balances.

Covid-19 is expected to continue to have an impact on valuation for properties measured at fair value (i.e. investment properties) since rental income may fall as tenants' potentially default on their rents and seek to negotiate rent reductions where they can no longer trade effectively.

There is a therefore a risk that investment property may be misstated or the associated accounting entries incorrectly posted.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

What will we do?

We will undertake additional procedures to address the specific risk we have identified, which will include:

- Assess the classification of the assets and whether the appropriate valuation basis has been applied.
- Identify and obtain evidence to support any material increases in values or impairments that occur during the year.
- Consider the work performed by the Council's external valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- For a sample of assets;
    - Review the methodology and assumptions used by the valuer;
    - Sample test key asset information used by the valuers in performing their valuation
    - Investigate any significant movements in values.
    - Consider the engagement of internal experts as required to review asset valuations
- Test accounting entries, ensuring these have been correctly processed in the financial statements.
- As we have identified a higher degree of risk in relation to the valuation of investment property assets as at 31 March 2021, we will also consider how the Council's valuer has addressed the continued impact of Covid on the year-end valuation of this assets and their assessment of any impairment.

Our response to significant risks (continued)

Significant risk - Covid-19 related grant income

Financial statement impact

We have identified a risk of Government grant income misstatement that could affect the Comprehensive Income and Expenditure Statement and balance sheet.

We consider the risk applies to the classification of Government grant income and could result in a misstatement of 'Cost of Services' reported in the 'Comprehensive Income and Expenditure' statement and "Creditors" through Grants Received in Advance on the Balance Sheet.

What is the risk?

The Council has received a significant level of additional government funding in relation to Covid-19.

Whilst there is no change in the CIPFA Code or Accounting Standard (IFRS 15) in respect of accounting for government grant funding, the emergency nature of some of the grants received and in some cases the lack of clarity on any associated restrictions and conditions, means that the Council will need to apply a greater degree of assessment and judgement to determine the appropriate accounting treatment within the 2020/21 statements. The Council will also need to consider whether they are acting as principal or agent as this will also impact on the accounting requirements.

What will we do?

We will undertake additional procedures to address the specific risk we have identified, which will include:

- Reviewing managements assessment of accounting treatment for Covid-19 grants and comparing this to data collected from other Councils in a benchmarking exercise. This will provide a risk assessment and identify where testing should be focused.
- Sample testing Government grant income to ensure that they have been correctly classified as principal or agent and whether and specific conditions have been appropriately reflected;
- Sample testing Government grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body; and
- Reconciliation of those primary statement balances to the detailed notes within the statement of accounts to ensure appropriate presentation of grant income and consistency.

Our response to significant risks (continued)

Significant risk - Infrastructure assets

Financial statement impact

We have identified a risk of misstatements in relation to infrastructure assets that could affect the Balance Sheet.

We consider the risk applies to the existence and valuation of Infrastructure assets and could result in a misstatement in infrastructure assets reported in the Balance Sheet.

What is the risk?

A national issue has been identified via the NAO's Local Government Technical Group relating to accounting for infrastructure assets. The issue that has been identified is that local authorities may not be writing out the gross cost and accumulated depreciation on infrastructure assets when a major part or component has been replaced or decommissioned.

The Council holds infrastructure assets at a net book value of £14.3 million (per the draft accounts) which is a material balance.

We will need to understand the Councils' approach to subsequent expenditure on infrastructure assets and assess the appropriateness of gross and net book values recorded to the accounts and ensure the Council's approach is in line with the Cipfa code of Practice (the Code). CIPFA has recently issued an urgent consultation on temporary changes to the Code to address this issue and we will also need to consider the outcome of this once finalised.

What will we do?

In order to address this risk we will carry out a range of procedures including:

- Obtain an understanding from management of the accounting policy for treatment of subsequent expenditure on infrastructure assets and compare this against the CiPFA Code of Practice to ensure the correct approach is being taken;
- Inspect current year additions and historical balances for infrastructure assets dating back to implementation of IFRS to identify material additions for testing;
- Test if these represent new assets or refurbishments to extend the life of the asset and determine if componentization and derecognition has been appropriately undertaken;
- Consider the update from the CIPFA an urgent consultation on temporary changes to the Code to address this issue once finalised.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk?	What will we do?
Pension liability valuation – Inherent risk The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the pension fund administered by the Council. The Council's pension fund deficit is a material estimated balance disclosed on the Council's balance sheet. At 31 March 2021, this totalled £73.8 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement, management engages an actuary to undertake the calculations on their behalf. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.	In order to address this risk we will carry out a range of procedures including: ▸ Liaise with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Great Yarmouth Borough Council; ▸ Assess the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by The National Audit Office for all Local Government sector auditors, and considering any relevant reviews of this by the EY actuarial team; ▸ Review Norfolk Pension Fund's draft financial statements and compare the year end asset values with the estimate used by the actuary in producing the Council's IAS 19 report and consider the impact on he Council's pension fund liability and IAS19 disclosures; ▸ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19. ▸ Consider the nature and value of level 3 investments held by Norfolk Pension Fund and the proportion of the overall Fund relating to Great Yarmouth in order to identify any additional procedures required to support the estimates of the valuation of these asset as at 31 March 2021 ▸ Engage the EY actuarial team to recalculate an estimate of the pension liability and consider any variation from output from the Council's management expert.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk?	What will we do?
Land and buildings valuation – Inherent risk Land and buildings represent significant balances in the Council's accounts, totalling £322 million as at 31 March 2021. Management is required to make material judgements and apply estimation techniques to calculate the year-end balances. There is a risk fixed assets may be under/overstated or the associated accounting entries incorrectly posted.	In order to address this risk we will carry out a range of procedures including: ➢ Evaluate the selection and application of accounting policies established to determine whether the accounting policies are being applied in an inappropriate manner; ➢ Ensure the correct classification of the Council's land and buildings and that the appropriate valuation basis has therefore been adopted; ➢ Consider the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ➢ Sample testing key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre); ➢ Consider the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme for property, plant and equipment and annually for investment property assets as required by the Code. We will also consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer; ➢ Review assets not subject to valuation in 2020/21 to confirm that the remaining asset base is not materially misstated; ➢ Consider changes to useful economic lives as a result of the most recent valuation; and ➢ Test accounting entries have been correctly processed in the financial statements. We will also consider how the Council's valuer has addressed the continues impact of Covid on the year-end valuation of assets and assessment of impairments and consider whether we need to engage EY valuation specialists to assist the audit team in relation to this assessment

Other areas of audit focus (continued)

What is the risk?	What will we do?
Group accounts preparation The Council produced group accounts consolidating the wholly owned subsidiary, Equinox Enterprises Ltd, for the first time in 2018/19 as the subsidiary is material to the financial statements. Our audit work identified a number of misstatements and amendments were required to the group accounts in both 2018/19 and 2019/20. We therefore consider that there is a risk of misstatement in the 2020/21 accounts. In addition, the Council needs to undertake an assessment of group boundaries in relation to is investments in two limited companies with which it traded in 2020/21 (Great Yarmouth Borough Services and Great Yarmouth Norse) and any other companies in which it has an interest to establish whether it had control of the arrangements or exerted significant influence over these investees and whether they are material for the Group in 2020/21.	To address this risk we will carry out a range of procedures including: ▸ Considering the Council's assessment of how its investments companies should be reflected within its group financial statements and whether the Council's decision to exclude any of its investments could cumulatively or individually influence the decisions of readers; ▸ Considering group wide controls over the consolidation process; ▸ Determining the scope of our work on each component included in the Council's group accounts dependent on the relative size and risk of the component; ▸ Issuing group audit instructions to each component we deem to be significant by size or risk and liaise with those auditors as appropriate; ▸ Determining the competence and independence of each component auditor we wish to rely on; ▸ Determining our level of involvement in the work of each component auditor and the level of review of their working papers; and ▸ Assessing the completeness and accuracy of the consolidation workings and group disclosures.
Debtors and creditors – accuracy of balances Our audit testing in 2018/19 and 2019/20 identified errors in the accuracy of the debtors and creditors balances reported in the financial statements. We reported a controls issue in our Audit Results Report for 2019/20 noting that the Council should revisit their closedown process in these areas to ensure that the audit of debtors and creditors can be completed more effectively and efficiently.	To address this risk we will carry out a range of procedures including: ▸ Reviewing the briefing paper prepared by management to understand how they have prepared the debtors and creditors notes for 2020/21 to reduce the errors identified in the prior year before audit testing begins; ▸ Reviewing the year end reconciliation of the debtors and creditors feeder systems to the General Ledger to ensure completeness of the balances; ▸ Sample testing the debtors and creditors balances at a lower testing threshold, to recognise the increased risk of material misstatement in the Balance Sheet; and ▸ Performing unrecorded liabilities testing to ensure all balances have been identified appropriately post year end and included in the 2020/21 financial statements. ▸ Reviewing any unusual items included in debtors and creditors, any manual adjustments outside the trial balance, historic balances that have not moved year on year.

Other areas of audit focus (continued)

What is the risk?	What will we do?
Accuracy of the Council and Group cashflow statement Our audit work for the Council and Group cashflow statement identified a number of errors and inaccuracies which were reported in our 2019/20 Audit Results Report. There is a risk that similar errors will be present in the 2020/21 cashflow statement.	In order to address this risk we will carry out a range of procedures including: ▸ Reviewing the entries disclosed in the draft 2020/21 financial statements for the Council and Group cashflow statements and associated notes against supporting working papers; ▸ Testing the correctness and completeness of intercompany consolidation adjustments in the group cash flow (e.g. financing for one entity if investing for the other) ▸ Testing to ensure consistency between the Council and Group cashflow statements and other entries in the draft 2020/21 financial statements, for example movement in balances between 2019/20 and 2020/21; and ▸ Ensure that the disclosures are in line with the Code requirements.
Going concern disclosure There is a presumption that the Council will continue as a going concern for the foreseeable future. However, the Council is required to carry out a going concern assessment that is proportionate to the risks it faces. In light of the continued impact of Covid-19 on the Council's day to day finances, annual budget, cashflows and medium term financial strategy, there is a need for the Council to ensure it's going concern assessment is sufficiently comprehensive. The Council is then required to ensure that its going concern disclosure within the statement of accounts adequately reflects its going concern assessment and in particular highlights any uncertainties it has identified. In addition, the revised auditing standard on going concern requires additional challenge from auditors on the assertions being made by management.	We will meet the requirements of the revised auditing standard on going concern (ISA 570) and consider the adequacy of the Council's going concern assessment and its disclosure in the accounts by: ▸ Challenging management's identification of events or conditions impacting going concern; ▸ Testing management's resulting assessment of going concern by evaluating supporting evidence (including consideration of the risk of management bias); ▸ Reviewing the Council's cashflow forecast covering the foreseeable future, to ensure that it has sufficient liquidity to continue to operate as a going concern; ▸ Undertaking a 'stand back' review to consider all of the evidence obtained, whether corroborative or contradictory, when we draw our conclusions on going concern; ▸ Challenging the disclosure made in the accounts in respect of going concern and any material uncertainties;

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks, but are still important when considering the risks of material misstatement to the financial statements and disclosures.

What is the risk?	What will we do?
NDR appeals provision – Inherent risk We have identified the risk of omission and incorrect valuation of the NDR appeals provisions as an inherent risk. It is expected that the number of appeals by businesses may have increased from prior year due to inoperability of businesses throughout the Covid-19 pandemic. The calculation of the provision involves significant judgements and a high level of complexity. Due to the size and nature of the balance there is a risk that the provision could be materially understated.	In order to address this risk we will carry out a range of procedures including: ▸ Testing the calculation of the NDR provision to ensure all estimates and judgements are fully supported and are agreed to independent sources wherever possible. Where testing is performed we will apply a lower testing threshold to ensure the appeals provision is calculated on an appropriate basis and has been correctly valued; ▸ Undertaking procedures such as review of minutes and enquiries of management and those charged with governance to gain assurance over the material completeness and methodology of the provision
Expenditure and funding analysis restatement – Inherent risk The Expenditure and Funding Analysis has been restated from the prior period due to internal management restructuring. We will need to review the restatement and ensure the prior year comparatives have been appropriately restated.	In order to address this risk we will carry out a range of procedures including: ▸ Inspection of updated directory mapping and re-performance of calculation to assess appropriateness of updated prior year comparators. ▸ Review of the impact of the re-statement on the accounts as a whole

Other areas of audit focus (continued)

What is the risk/area of focus?

Auditing accounting estimates

ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019.

This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors.

The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates. These could relate, for example, to the complexity of the method applied, subjectivity in the choice of data or assumptions or a high degree of estimation uncertainty. As part of this, auditors consider risk on a spectrum (from low to high inherent risk) rather than a simplified classification of whether there is a significant risk or not. At the same time, we expect the number of significant risks we report in respect of accounting estimates to increase as a result of the revised guidance in this area.

The changes to the standard will affect the nature and extent of information that we request and will likely increase the level of audit work required, particularly in cases where an accounting estimate and related disclosures are higher on the spectrum of inherent risk. For example:

- We will place more emphasis on obtaining an understanding of the nature and extent of your estimation processes and key aspects of related policies and procedures. We will need to review whether controls over these processes have been adequately designed and implemented in a greater number of cases.
- We will provide increased challenge of aspects of how you derive your accounting estimates. For example, as well as undertaking procedures to determine whether there is evidence which supports the judgments made by management, we may also consider whether there is evidence which could contradicts them.
- We will make more focussed requests for evidence or carry out more targeted procedures relating to components of accounting estimates. This might include the methods or models used, assumptions and data chosen or how disclosures (for instance on the level of uncertainty in an estimate) have been made, depending on our assessment of where the inherent risk lies.
- You may wish to consider retaining experts to assist with related work. You may also consider documenting key judgements and decisions in anticipation of auditor requests, to facilitate more efficient and effective discussions with the audit team.
- We may ask for new or changed management representations compared to prior year's as a result of the above procedures.

03 Value for Money Risks

Value for money

The Council's responsibilities for value for money

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

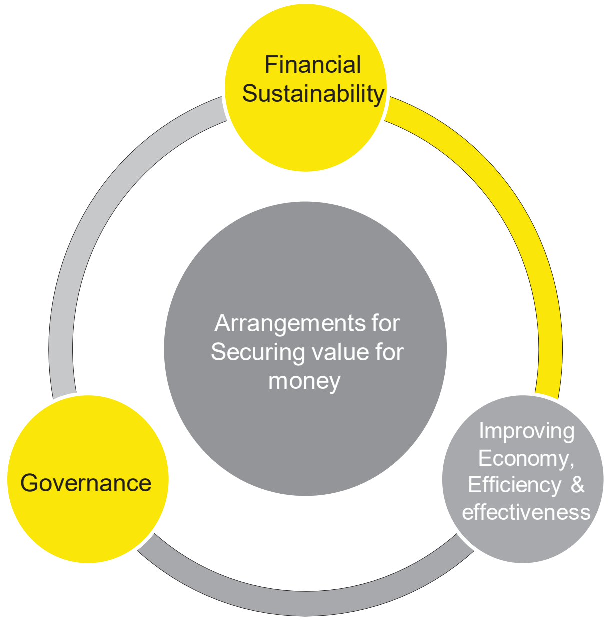
As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailor's the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

Auditor responsibilities under the new Code

Under the 2020 Code we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. However, there is no longer overall evaluation criterion which we need to conclude on. Instead the 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- **Financial sustainability**
  How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance**
  How the Council ensures that it makes informed decisions and properly manages its risks; and
- **Improving economy, efficiency and effectiveness**
  How the Council uses information about its costs and performance to improve the way it manages and delivers its services.



Value for money

Planning and identifying VFM risks

The NAO's guidance notes require us to carry out a risk assessment which gathers sufficient evidence to enable us to document our evaluation of the Council's arrangements, in order to enable us to draft a commentary under the three reporting criteria. This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. This is a change to 2015 Code guidance notes where the NAO required auditors as part of planning, to consider the risk of reaching an incorrect conclusion in relation to the overall criterion.

In considering the Council's arrangements, we are required to consider:

- The Council's governance statement
- Evidence that the Council's arrangements were in place during the reporting period;
- Evidence obtained from our work on the accounts;
- The work of inspectorates (such as OfSTED) and other bodies and
- Any other evidence source that we regard as necessary to facilitate the performance of our statutory duties.

We then consider whether there is evidence to suggest that there are significant weaknesses in arrangements. The NAO's guidance is clear that the assessment of what constitutes a significant weakness and the amount of additional audit work required to adequately respond to the risk of a significant weakness in arrangements is a matter of professional judgement. However, the NAO states that a weakness may be said to be significant if it:

- Exposes – or could reasonably be expected to expose – the Council to significant financial loss or risk;
- Leads to – or could reasonably be expected to lead to – significant impact on the quality or effectiveness of service or on the Council's reputation;
- Leads to – or could reasonably be expected to lead to – unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

We should also be informed by a consideration of:

- The magnitude of the issue in relation to the size of the Council;
- Financial consequences in comparison to, for example, levels of income or expenditure, levels of reserves, or impact on budgets or cashflow forecasts;
- The impact of the weakness on the Council's reported performance;
- Whether the issue has been identified by the Council's own internal arrangements and what corrective action has been taken or planned;
- Whether any legal judgements have been made including judicial review;
- Whether there has been any intervention by a regulator or Secretary of State;
- Whether the weakness could be considered significant when assessed against the nature, visibility or sensitivity of the issue;
- The impact on delivery of services to local taxpayers; and
- The length of time the Council has had to respond to the issue.

Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the Audit Report on the financial statements.

However, a new requirement under the 2020 Code is for us to include the commentary on arrangements in a new Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2020/21 VFM planning

We have yet to complete our detailed value for money planning.

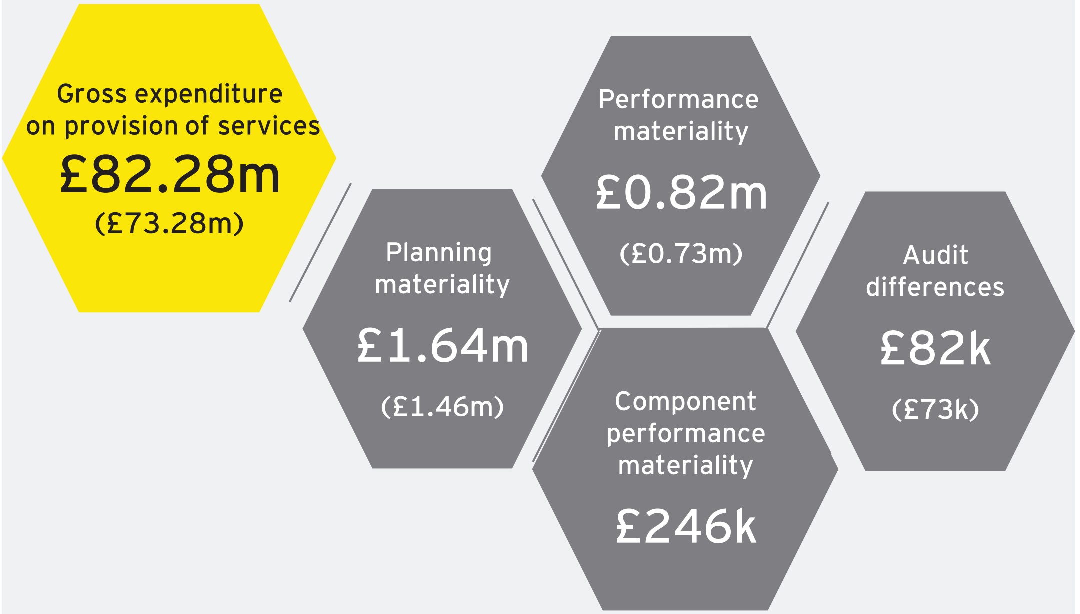
We will update a future Risk and Audit Committee meeting on the outcome of our value for money planning and our planned response to any identified risks of significant weaknesses in arrangements.

04 Audit materiality

Materiality – Group (single entity figures shown in brackets below)

Materiality

For planning purposes, Group materiality for 2020/21 has been set at £1.64 million. This represents 2% of the Group gross expenditure on provision of services. It will be reassessed throughout the audit process. Single entity figures provided below for reference.



We request that the Audit and Risk Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – the amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – the amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.82 million which represents 50% of planning materiality.

Component performance materiality range – we determine component performance materiality as a percentage of Group performance materiality based on risk and relative size to the Group.

Audit difference threshold – we propose that misstatements identified below this threshold are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement, balance sheet, housing revenue account and collection fund that have an effect on income or that relate to other comprehensive income.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow statement and movement in reserves statement or disclosures, and corrected misstatements will be communicated to the extent that they merit the attention of the audit committee, or are important from a qualitative perspective.

Specific materiality – We will set a lower level of materiality for the following: Remuneration disclosures (including severance payments, exit packages and termination benefits), related party transactions, members' allowances and audit fees. This reflects our understanding that an amount less than our materiality would influence the economic decisions of users of the financial statements in relation to this.

05 Scope of our audit

Our Audit Process and Strategy

Objective and scope of our audit scoping

Under the Code of Audit Practice our principal objectives are to review and report on the Council's financial statements and arrangements for securing economy, efficiency and effectiveness in its use of resources to the extent required by the relevant legislation and the requirements of the Code.

We issue an audit report that covers:

1. **Financial statement audit**

Our objective is to form an opinion on the financial statements under International Standards on Auditing (UK and Ireland).

We also perform other procedures as required by auditing, ethical and independence standards, the Code and other regulations. We outline below the procedures we will undertake during the course of our audit.

Procedures required by standards

- Addressing the risk of fraud and error;
- Significant disclosures included in the financial statements;
- Entity-wide controls;
- Reading other information contained in the financial statements and reporting whether it is inconsistent with our understanding and the financial statements; and
- Auditor independence.

Procedures required by the Code

- Reviewing, and reporting on as appropriate, other information published with the financial statements, including the Annual Governance; and
- Reviewing and reporting on the Whole of Government Accounts return, in line with the instructions issued by the NAO

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Audit Process and Strategy (continued)

Audit process overview

Our audit involves:

- Identifying and understanding the key processes and internal controls; and
- Substantive tests of detail of transactions and amounts.

Our intention is to carry out a fully substantive audit in 2020/21 as we believe this to be the most efficient audit approach. Although we are therefore not intending to rely on individual system controls in 2020/21, the overarching control arrangements form part of our assessment of your overall control environment and will form part of the evidence for your Annual Governance Statement.

Analytics:

We will use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular journal entries. These tools:

- Help identify specific exceptions and anomalies which can then be subject to more traditional substantive audit tests; and
- Give greater likelihood of identifying errors than random sampling techniques.

We will report the findings from our process and analytics work, including any significant weaknesses or inefficiencies identified and recommendations for improvement, to management and the Committee.

Internal audit:

As in prior years, we will review Internal Audit plans and the results of the works. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

Scoping the group audit

Group scoping

Our audit strategy for performing an audit of an entity with multiple locations is risk based. We identify components as:

1. **Significant components:** A component is significant when it is likely to include risks of material misstatement of the group financial statements, either because of its relative financial size to the group (quantitative criteria), or because of its specific nature or circumstances (qualitative criteria). We generally assign significant components a full or specific scope given their importance to the financial statements.
2. **Not significant components:** The number of additional components and extent of procedures performed depended primarily on: evidence from significant components, the effectiveness of group wide controls and the results of analytical procedures.

For all other components we perform other procedures to confirm that there is no risk of material misstatement within those locations. These procedures are detailed below.

Scoping by Entity

Our preliminary audit scopes by number of locations we have adopted are set out below. We provide scope details for each component within Appendix E.

1	A	Full scope audits
1	B	Specific scope audits
0	C	Review scope audits
0	D	Specified procedures
0	E	Other procedures

Scope definitions

Full scope: locations where a full audit is performed to the materiality levels assigned by the Group audit team for purposes of the consolidated audit. Procedures performed at full scope locations support an interoffice conclusion on the reporting package. These may not be sufficient to issue a stand-alone audit opinion on the local statutory financial statements because of the materiality used and any additional procedures required to comply with local laws and regulations.

Specific scope: locations where the audit is limited to specific accounts or disclosures identified by the Group audit team based on the size and/or risk profile of those accounts.

Review scope: locations where procedures primarily consist of analytical procedures and inquiries of management. On-site or desk top reviews may be performed, according to our assessment of risk and the availability of information centrally.

Specified procedures: locations where the component team performs procedures specified by the Group audit team in order to respond to a risk identified.

Other procedures: For those locations that we do not consider material to the Group financial statements in terms of size relative to the Group and risk, we perform other procedures to confirm that there is no risk of material misstatement within those locations.

Scoping the group audit

The below table sets out the scope of our audit. We set audit scopes for each reporting unit which, when taken together, enable us to form an opinion on the group accounts. We take into account the size, risk profile, changes in the business environment, and other factors when assessing the level of work to be performed at each reporting unit.

Detailed scoping

In scope locations	Scope	Statutory audit performed by EY	Coverage	Current year rationale for scoping	
			Gross Expenditure	Size	Risk
Great Yarmouth Borough Council	Full	Yes	89.1%	Yes	Yes
Equinox Enterprises Limited*	Specific	No	10.9%	Yes	Yes
TOTAL FULL & SPECIFIC SCOPE			100%		

Group audit team involvement in component audits

Auditing standards require us to be involved in the work of our component teams. We have listed our planned involvement below.

Location name	Planned involvement by the Group team
Equinox Enterprises Limited	We will: ▸ Issue group audit instructions to the component auditor; ▸ Determine the competence and independence of the component auditor whose work we wish to rely on; ▸ Obtain specified forms from the component auditor; and ▸ Review the working papers of the component auditor.

06 Audit team

Audit team

Debbie Hanson Assurance Partner	Sappho Powell Senior Manager	Andrew Paylor Manager

Use of specialists

Our approach to the involvement of specialists, and the use of their work.

When auditing key judgements, we are often required to rely on the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where either EY or third party specialists provide input for the current year audit are:

Area	Specialists
Valuation of land and buildings including investment property	EY Real Estates (as required) and the Council's in house property valuer as well as an external company (Harvey & Co)
Pensions disclosure	EY Actuaries, PwC (Consulting Actuary to PSAA) and Hymans Robertson (the Council's actuary)
Fair value investment measurement	Arlingclose (the Council's Treasury Advisor)

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.

07 Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2020/21.

From time to time matters may arise that require immediate communication with the Audit and Risk Committee and we will discuss them with the Audit and Risk Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.

We note that in prior years there have been significant delays in the completion of the audit, with the opinion and certificate on the 2019/20 financial statements not being issued until December 2021. A number of factors have impacted on the timely completion of the audit, including the level of errors identified, difficulties obtaining listings for debtors and creditors and delays in responses to audit queries. We acknowledge that we also experienced some resourcing difficulties in 2019/20. We recommended in our 2019/20 Annual Audit Letter that the Council should revisit again its closedown process in these areas to ensure that this part of the audit can be completed more efficiently and effectively future years. If timely responses to working paper requests and audit queries are not provided in relation to the 2020/21 we will need to reschedule the audit to a later date than those set out below.

Audit phase	Timetable	Audit and Risk committee timetable	Deliverables
Planning: Risk assessment and setting of scopes. Walkthrough of key systems and processes	**June 2022**	Committee: July 2022	Audit Planning Report
Year end audit	**June/July 2022**		
Audit Completion procedures	**September 2022**	Committee: September 2022	Audit Results Report Audit opinions and completion certificates
Conclusion of reporting	**December 2022**	Committee: date to be confirmed	Auditor's Annual Report

08 Independence

Introduction

The FRC Ethical Standard and ISA (UK) 260 "Communication of audit matters with those charged with governance", requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard, as revised in June 2016, requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications	
Planning stage	**Final stage**
► The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between the you, your affiliates and directors and us; ► The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review; ► The overall assessment of threats and safeguards; ► Information about the general policies and process within EY to maintain objectivity and independence. ► Where EY has determined it is appropriate to apply more restrictive independence rules than permitted under the Ethical Standard [note: additional wording should be included in the communication reflecting the client specific situation]	► In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed; ► Details of non-audit services provided and the fees charged in relation thereto; ► Written confirmation that the firm and each covered person is independent and, if applicable, that any non-EY firms used in the group audit or external experts used have confirmed their independence to us; ► Written confirmation that all covered persons are independent; ► Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy; ► Details of any contingent fee arrangements for non-audit services provided by us or our network firms; and ► An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We also provide information on any contingent fee arrangements , the amounts of any future services that have been contracted, and details of any written proposal to provide non-audit services that has been submitted;

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non –audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in the Council. Examples include where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake permissible non-audit services and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES or the National Audit Office’s Auditor Guidance Note 01 and the services have been approved in accordance with your policy on pre-approval. The ratio of non audit fees to audits fees is not permitted to exceed 70%.

At the time of writing, the current ratio of non-audit fees to audit fees is 0%. We do however, provide Agreed Upon Procedures work in relation to the Housing Benefit Certification in line with DWP guidance. This falls outside of the audit fee set by PSAA Ltd for a Code of Practice engagement. No additional safeguards are required.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with Ethical Standard part 4. There are no other self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of the Council. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decision based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

Relationships, services and related threats and safeguards

Other threats			
Other threats, such as advocacy, familiarity or intimidation, may arise. There are no other threats at the date of this report.			
Description of service	**Related independence threat**	**Period provided**	**Safeguards adopted and reasons considered to be effective**
We have undertaken the audit of the Housing Benefits Subsidy Claim 2020/21.	Self review threat – figures included in the return are also included in the 2020/21 financial statements.	Relates to 2020/21 return for the period to 31 March 2021.	We have assessed the related threats to independence and note that the agreed upon procedures focus on the specific requirements of the certification arrangements. No other threats to independence have been identified.

Other communications

EY Transparency Report 2020
Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2021: EY UK 2021 Transparency Report | EY UK

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 16 March 2021. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
    - Tax advocacy services
    - Remuneration advisory services
    - Internal audit services
    - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 116 March 2021 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.

09 Appendices

Fees

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work. As noted earlier in this Plan, PSAA are aware that the setting of scale fees has not kept pace with the changing requirements of external audit. We are currently in the process of discussing the extent of these areas and the audit risks highlighted in this Audit Plan as relevant in the context of Great Yarmouth Borough Council's audit, and the resultant impact on the scale fee. We have only set out the published Scale Fee in the table below.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Fee – Code work	46,966	46,966	46,966
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	TBC	-	44,434
Additional work required due to changes in auditing standards for estimates (note 4)	2,500		
Additional work required due to changes in audit scope of VFM work (note 4)	6,000 to 11,000		
Revised proposed scale fee	**TBC**	**46,966**	**87,400**
Additional work:			
2020/21 additional procedures required in response to the additional risks identified in this Audit Plan.	TBC	-	-
Total Fees	TBC	46,966	87,400

All fees exclude VAT

Note 1: For 2019/20, we proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in our 2019/20 Audit Results Report. Our proposed increase was discussed with management and has now been determined by PSAA as set out in the above table. For 2020/21 the scale fee has again been re-assessed to take into account the same recurring risk factors as in 2019/20 and will be submitted to PSAA once the audit has been complete.

Note 2: PSAA published additional information for 2020/21 audit fees in August 2021, whereby PSAA provided guidance about the range of minimum additional fee in certain areas of audit. The figures above are the ranges or minimum fee set by PSAA. PSAA also revised its hourly rates for calculating the additional fee variations.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our financial statement opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

Fees for the auditor's consideration of correspondence from the public and formal objections will be charged in addition to the scale fee.

Required communications with the Audit Committee

We have detailed the communications that we must provide to the Performance & Audit Scrutiny Committee.

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Performance & Audit Scrutiny Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team	Audit Plan - July 2022
Significant findings from the audit	▸ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▸ Significant difficulties, if any, encountered during the audit ▸ Significant matters, if any, arising from the audit that were discussed with management ▸ Written representations that we are seeking ▸ Expected modifications to the audit report ▸ Other matters if any, significant to the oversight of the financial reporting process.	Audit Results Report - September 2022
Group audits	▸ An overview of the type of work to be performed on the financial information of the components ▸ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▸ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▸ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▸ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements	Audit Results Report - September 2022 Audit Plan - July 2022

Required communications with the Performance & Audit Scrutiny Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▸ The principal threats ▸ Safeguards adopted and their effectiveness ▸ An overall assessment of threats and safeguards ▸ Information about the general policies and process within the firm to maintain objectivity and independence	Audit Plan – July 2022 Audit Results Report – September 2022
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report – September 2022
Consideration of laws and regulations	▸ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▸ Enquiry of the Performance & Audit Scrutiny Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Performance & Audit Scrutiny Committee may be aware of	Audit Results Report – September 2022
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report – September 2022

Required communications with the Performance & Audit Scrutiny Committee (continued)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▸ Whether the events or conditions constitute a material uncertainty ▸ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▸ The adequacy of related disclosures in the financial statements	Audit Results Report - September 2022
Misstatements	▸ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▸ The effect of uncorrected misstatements related to prior periods ▸ A request that any uncorrected misstatement be corrected ▸ Corrected misstatements that are significant ▸ Material misstatements corrected by management	Audit Results Report - September 2022
Fraud	▸ Enquiries of the Performance & Audit Scrutiny Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▸ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▸ A discussion of any other matters related to fraud	Audit Results Report - September 2022
Related parties	▸ Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▸ Non-disclosure by management ▸ Inappropriate authorisation and approval of transactions ▸ Disagreement over disclosures ▸ Non-compliance with laws and regulations ▸ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report - September 2022

Appendix B

Required communications with the Audit Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report - September 2022
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - September 2022
Auditors report	▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - September 2022
Fee Reporting	▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Audit Plan - July 2022 Audit Results Report - September 2022 Auditor's Annual Report - December 2022

Appendix C

Additional audit information

Other required procedures during the course of the audit	
In addition to the key areas of audit focus outlined in section 2, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.	
Our responsibilities required by auditing standards	▸ Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. ▸ Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. ▸ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. ▸ Concluding on the appropriateness of management's use of the going concern basis of accounting. ▸ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. ▸ Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Performance & Audit Scrutiny Committee reporting appropriately addresses matters communicated by us to the Performance & Audit Scrutiny Committee and reporting whether it is materially inconsistent with our understanding and the financial statements; and ▸ Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.