Cambridgeshire County Council

Audit Plan

Year ended 31 March 2019

28 February 2019

EY

Building a better working world

Audit and Accounts Committee
Cambridgeshire County Council
Shire Hall
Castle Hill
Cambridge
CB3 0AP

28 February 2019

Dear Committee Members

2018-19 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 Accounts Committee with a basis to review our proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 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 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.

This report is intended solely for the information and use of the Audit and Accounts 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 28 March 2019 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Mark Hodgson

Mark Hodgson
Associate Partner
For and on behalf of Ernst & Young LLP
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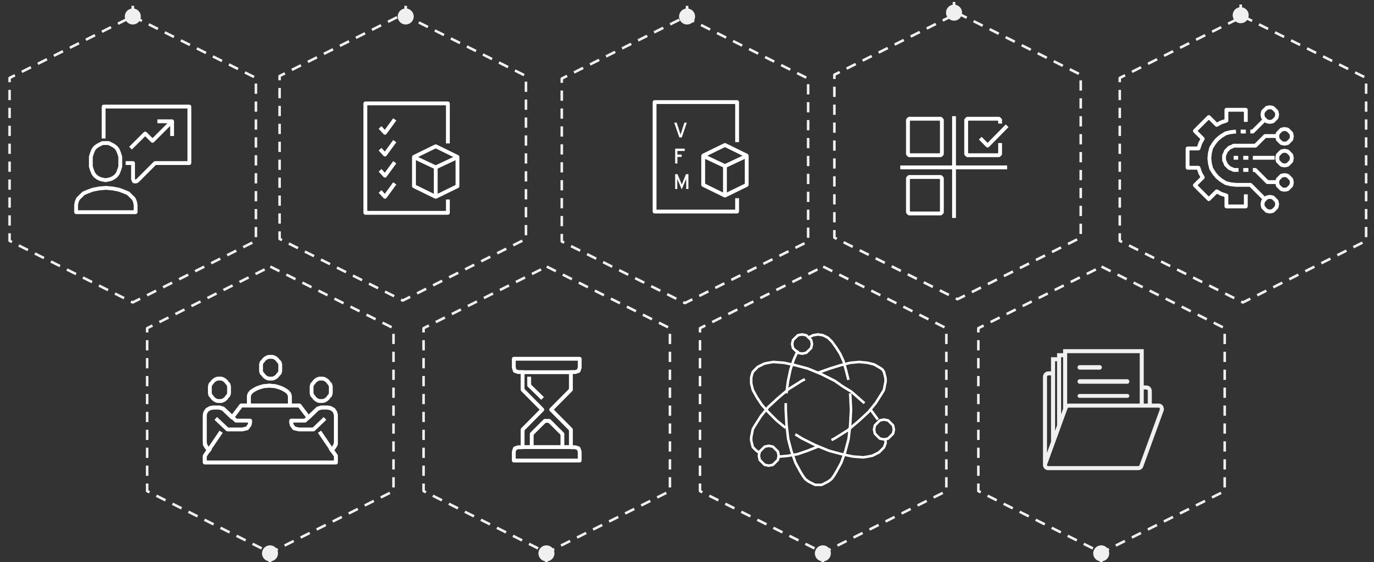
Contents



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 Accounts Committee and management of Cambridgeshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Accounts Committee and management of Cambridgeshire County 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 and Accounts Committee and management of Cambridgeshire County 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 2018/19 audit strategy

Overview of our 2018/19 audit strategy

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

Risk / area of focus	Risk identified	Details
Misstatements due to fraud or error	Fraud risk	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. We identify and respond to this fraud risk on every audit engagement.
Incorrect capitalisation of revenue expenditure	Fraud risk	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified one main area as being the incorrect classification of revenue spend as capital expenditure.
Accounting adjustments made in the 'Movement in Reserves Statement'	Fraud risk	We have considered the key areas where management has the material opportunity and incentive to override controls. We have identified a second main area as being the accounting adjustments made in the Movement in Reserves Statement (MiRS) as a key area at risk of manipulation.
Property, Plant & Equipment - Valuation of Land and Buildings	Significant risk	The Council has engaged a new external valuation specialist for the 2018/19 valuations. The external valuer will apply a number of complex assumptions and judgements to assess the Councils assets to determine their balance sheet value. Some of the issues they will consider include whether there is any indication of impairment, increases in value and any change to the respective assets useful lives. Due to the complexity in accounting for land and buildings and the material values involved, and together with the change in valuer, this presents a higher risk that asset valuations contain material misstatements.
New financial system	Significant risk	The Council implemented a new general ledger financial system (ERP Gold) on the 1 April 2018. Our initial review has identified material differences between the 2017/18 audited closing balances within the old financial system and the 2018/19 opening balances contained within the new system. Therefore, a risk remains that 100% of information has not been appropriately transferred to the new system leading to material misstatement in the 2018/19 financial statements.

Overview of our 2018/19 audit strategy

Risk / area of focus	Risk identified	Details
Private Finance Initiative (PFI)	Inherent risk	The Council operate three material PFI's which are long term private funded schemes. The Income, Expenditure and Balance Sheet accounting entries in the statement of accounts are based on complex PFI operating and finance models for each scheme. The models also provide the required disclosures of future projected payments.
Sensitive disclosures	Inherent risk	Our review of the previous auditor's working papers identified audit amendments to the following sensitive notes which have a lower materiality threshold as per section 4 of this plan - Related Parties note; - Senior Officers Remuneration note; and - Exit Packages note.
Implementation of new accounting standards	Inherent risk	The 2018/19 CIPFA Code of practice on local authority accounting confirms that Local Government will implement International Financial Reporting Standard (IFRS) 9 – Financial Instruments and IFRS 15 – Revenue from Contracts with Customers.
Categorisation of capital grants	Inherent risk	Our review of the previous auditor's working papers identified errors in the categorisation of Capital grants between those received in advance and those that should have been credited to the Comprehensive Income & Expenditure Statement (CIES).
Valuation of heritage assets	Inherent risk	Our review of the 2017/18 accounts has identified Heritage Assets of £21.2 million. These asset values have not been updated since 2008. As per the Code, "where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current." Given the length of time since the Council's previous valuation we deem there to be a higher risk over the appropriate valuation of heritage assets.
Accounting for schools that convert to 'Academy' status	Inherent risk	Schools have continued to convert to academy status during 2018/19. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to Property, Plant and Equipment.
Pensions Liability – IAS19	Inherent risk	The Local Authority Accounting Code of Practice (the code) and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body. Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf.

Overview of our 2018/19 audit strategy

Group Materiality

Planning materiality

£17.65m

Materiality has been set at £17.65 million, which represents 1.8% of the prior years gross expenditure on provision of services plus financing and investment expenditure.

Performance materiality

£8.82m

Performance materiality has been set at £8.82 million, which represents 50% of materiality.

Audit differences

£0.88m

We will report all uncorrected misstatements relating to the primary statements (comprehensive income and expenditure statement, balance sheet, movement in reserves statement and cash flow statement) greater than £0.88 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Accounts Committee.

We also identify areas where misstatement at a lower level than our overall materiality level might influence the reader and develop an audit strategy specific to these areas, including:

- Remuneration disclosures including councillor allowances and Exit packages: we will agree all disclosures back to source data, and councillor allowances to the agreed and approved amounts.
- Related party transactions we will test the completeness of related party disclosures and the accuracy of all disclosures by checking back to supporting evidence.

Overview of our 2018/19 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 Cambridgeshire County Council give a true and fair view of the financial position as at 31 March 2019 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.

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.

02 Audit risks

Our response to fraud and 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.

Fraud risk - misstatements due to fraud or error *

	What is the risk?	What will we do?
Fraud risk - misstatements due to fraud or error *	The financial statements as a whole are not free of material misstatements whether caused by fraud or error. As identified in ISA (UK) 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.	We will undertake our standard procedures to address fraud risk, which include: ▸ Identifying fraud risks during the planning stages. ▸ Inquiring 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. ▸ Considering the effectiveness of management's controls designed to address the risk of fraud. ▸ Determining an appropriate strategy to address those identified risks of fraud. ▸ Performing mandatory procedures regardless of specifically identified fraud risks, including; ▸ testing of journal entries and other adjustments in the preparation of the financial statements; ▸ reviewing accounting estimates for evidence of management bias; and ▸ evaluating the business rationale for significant unusual transactions.

Our response to fraud and significant risks (continued)

Fraud risk – incorrect capitalisation of revenue expenditure *	What is the risk?	What will we do?
	The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets. We have considered the key areas where management has the material opportunity and incentive to override controls and consider the risk applies to capitalisation of revenue expenditure. Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charge to the comprehensive income and expenditure account.	**Our approach will focus on:** ▸ Reviewing capital expenditure on Property, Plant and Equipment to ensure it meets the relevant accounting requirements to be capitalised; and ▸ Using our data analytics tool to identify and test journal entries that move expenditure into capital codes.

Our response to fraud and significant risks (continued)

Fraud risk – accounting adjustments made in the 'Movement in Reserves Statement' *

What is the risk?

The Council is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a way of achieving these targets.

We have considered the key areas where management has the material opportunity and incentive to override controls and consider the risk applies to accounting adjustments made in the Movement in Reserves Statement (MiRS):

- The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning;
- Revenue Expenditure Funded from Capital Under Statute (REFCUS);
- Capital Grants;
- Depreciation, impairments and revaluation losses; and
- Minimum Revenue Provision (MRP)

What will we do?

Our approach will focus on:

- Reviewing REFCUS entries in the movement in reserves statement and testing of entries to ensure the meet the accounting definition of REFCUS expenditure;
- Reconciling entries in the MiRS for consistency to other audited accounts within the financial statements, for example our work on property, plant and equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants; and
- Reviewing the Council's policy and application of the 'Minimum Revenue Provision'.

Our response to fraud and significant risks (continued)

Valuation of Land and Buildings

Financial statement impact

The fair value of Property, Plant and Equipment (PPE) represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the statement of financial position.

What is the risk?

The Council has engaged a new external expert to value assets in 2018/19. The external valuer will apply a number of complex assumptions and judgements assess the Councils assets to determine their value. Some of the issues they will consider include whether there is any indication of impairment, increases in value and changes to useful lives.

As the Council's asset base is material, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated.

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.

What will we do?

Our approach will focus on:

- Considering 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);
- Considering the annual cycle of valuations to ensure that assets have been valued, as a minimum, within a 5 year rolling programme as required by the Code. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- Reviewing assets not subject to valuation in 2018/19 to confirm that the remaining asset base is not materially misstated;
- Considering changes to useful economic lives as a result of the most recent valuation;
- Where there are significant changes in valuation, or a lack of change where a movement is expected, we may need to engage our own EY valuation experts to perform a review of valuation assumptions and methodologies, particularly on those more complex methodologies such as depreciated replacement cost; and
- Testing that accounting entries have been correctly processed in the financial statements.

Our response to fraud and significant risks (continued)

New financial system

What is the risk?	What will we do?
The Council implemented a new general ledger financial system on the 1 April 2018 (ERP Gold). Our initial review has identified material differences between the 2017/18 audited closing balances within the old system and the 2018/19 opening balances contained within the new system. There therefore remains a risk that 100% of information has not been appropriately transferred to the new system leading to material misstatement in the 2018/19 financial statements.	Our approach will focus on: ▸ Uploading data from the new system for both 2017/18 and 2018/19 into our data analytics tool. We will use our data analytics tool to check consistency of mapping (100% coverage); ▸ Agreeing the 2017/18 re-mapped data to the audited 2017/18 financial statements; ▸ Applying data analytic trending analysis and investigate any material differences; and ▸ Using transactions testing applied to BS and I&E to provide further assurance on the mapping applied to the 2018/19 data.

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 and therefore may be key audit matters we will include in our audit report.

What is the risk/area of focus?	What will we do?
<u>Academies</u> Schools have continued to convert to 'Academy' status during 2018/19. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment. There is a risk that these schools' transactions and balances may be either incorrectly included or omitted. Other balances relating to debtors, creditors, cash balances and income (including dedicated schools grant) and expenditure within the Council's accounts are considered to be lower risk due to their size and nature.	Our approach will focus on: ▶ Reviewing the arrangements for agreeing with the school assets, liabilities and balances for transfers; and ▶ Reviewing how the transfers have been accounted for, including reconciling the Schools that have converted to academies during the year to the various systems including those that have been disposed of in the Fixed Asset Register during the year.
<u>Pensions valuations and disclosures</u> The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body. The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet. The information disclosed is based on the IAS19 report issued to the Council by the actuary to the pension fund. 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.	Our approach will focus on: ▶ Liaising with the auditors of Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Cambridgeshire County Council; ▶ Assessing the work of the Pension Fund actuary (Hymans) including the assumptions they have used by relying on the work of PwC – Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and ▶ Reviewing and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
<u>**Private Finance Initiative**</u> The Council operate three material PFI's which are long term private funded schemes. The Income, Expenditure and Balance Sheet accounting entries in the statement of accounts are based on complex PFI operating and finance models for each scheme. The models also provide the required disclosures of future projected payments.	Our approach will focus on: ▸ Engaging EY specialists to perform a review of the three PFI models, including review of the underlying contracts; ▸ Performing testing to ensure that in year payments included in the PFI models are accurate and correctly accounted; and ▸ Confirming consistency of the PFI models to the financial statements.
<u>**Categorisation of Capital Grants**</u> Our review of the previous auditor's working papers identified errors in the categorisation of capital grants between those received in advance and those that should have been credited to the CIES.	Our approach will focus on: ▸ Performing sample testing over capital grants received in advance (held on balance sheet) and those posted through the CIES; and ▸ Reviewing these for the underlying terms/conditions to ensure categorisation is appropriate.
<u>**Sensitive Notes**</u> Our review of the previous auditor's working papers identified audit amendments to the following sensitive notes which have a lower materiality threshold as per section 4: • Related Parties note; • Senior Officers Remuneration note; and • Exit Packages note.	Our approach will focus on: ▸ Testing completeness of all sensitive disclosures, as well as the relevant accuracy of figures disclosed.
<u>**Valuation of heritage assets**</u> Our review of the 2017/18 accounts has identified heritage assets of £21.2 million. Asset values have not been updated since 2008. As per the Code, "where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current." Given the length of time since the Council previous valuation we deem there to be a higher risk over the valuation of heritage assets.	Our approach will focus on: ▸ Reviewing and testing managements consideration of the value and the valuation methodology applied to heritage assets to confirm that they remain current.

Other areas of audit focus (continued)

What is the risk/area of focus?	What will we do?
IFRS 9 financial instruments This new accounting standard is applicable for local authority accounts from the 2018/19 financial year and will change: ▸ How financial assets are classified and measured; ▸ How the impairment of financial assets are calculated; and ▸ The disclosure requirements for financial assets. There are transitional arrangements within the standard; and the 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 9. However, until the Guidance Notes are issued and any statutory overrides are confirmed there remains some uncertainty on the accounting treatment.	Our approach will focus on: ▸ Assessing the Authority's implementation arrangements and review the Council impact assessment setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19; ▸ Considering the classification and valuation of financial instrument assets; ▸ Reviewing new expected credit loss model impairment calculations for assets; and ▸ Checking the adequacy of additional disclosure requirements.
IFRS 15 Revenue from contracts with customers This new accounting standard is applicable for local authority accounts from the 2018/19 financial year. The key requirements of the standard cover the identification of performance obligations under customer contracts and the linking of income to the meeting of those performance obligations. The 2018/19 Cipfa Code of practice on local authority accounting provides guidance on the application of IFRS 15 and includes a useful flow diagram and commentary on the main sources of LG revenue and how they should be recognised. The impact on local authority accounting is likely to be limited as large revenue streams like council tax, non domestic rates and government grants will be outside the scope of IFRS 15. However where that standard is relevant, the recognition of revenue will change and new disclosure requirements introduced.	Our approach will focus on: ▸ Assessing the Authority's implementation arrangements and review the Councils impact assessment setting out the application of the new standard, transitional adjustments and planned accounting for 2018/19. This will include Local Authority Trading Companies consolidated into the Authority's Group Accounts; ▸ Considering application to the Authority's (including group components) revenue streams, and where the standard is relevant test to ensure revenue is recognised when (or as) it satisfies a performance obligation; and ▸ Checking additional disclosure requirements.

03 Value for Money Risks

Value for Money

Background

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. This is known as our value for money conclusion.

For 2018/19 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as:

"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"

Our risk assessment supports the planning of sufficient work to enable us to deliver a safe conclusion on arrangements to secure value for money and enables us to determine the nature and extent of further work that may be required. If we do not identify any significant risks there is no requirement to carry out further work. We consider business and operational risks insofar as they relate to proper arrangements at both sector and organisation-specific level. In 2018/19 this has included consideration of the steps taken by the Authority to consider the impact of Brexit on its future service provision, medium-term financing and investment values. Although the precise impact cannot yet be modelled, we anticipate that Authorities will be carrying out scenario planning and that Brexit and its impact will feature on operational risk registers.

Our risk assessment has therefore considered both the potential financial impact of the issues we have identified, and also the likelihood that the issue will be of interest to local taxpayers, the Government and other stakeholders.

We have undertaken some preliminary planning work in this area, noting that our predecessor auditor has not yet concluded on the Authority's 2017/18 arrangements. This is due the their consideration of an objection to the 2017/18 financial statements. Clearly the outcome of their work and their conclusion will have an impact on our risk assessment and we will keep this area under review and update both this plan and the Committee accordingly of our response to any identified risk in this specific area or areas.

However, our planning work to date has resulted in the following significant VFM risk which we view as relevant to our value for money conclusion.

Value for Money Risks

What is the significant value for money risk?	What arrangements does the risk affect?	What will we do?
Sustainable resource deployment: Achievement of savings needed over the medium term	To date the Council has responded well to the financial pressure resulting from the continuing economic downturn. The Council has already identified savings of £21.3 million in the period 2019/20 to 2023/24. However, further substantial savings of £34.7 million are required over that period to balance the budget, as set out below: • 2019/20 = £0.0 million • 2020/21 = £14.4 million • 2021/22 = £5.3 million • 2022/23 = £8.9 million • 2023/24 = £6.1 million (Source: Cambridgeshire County Council Budget Book 2019-24) The most recent financial forecast (Period 6 figures) for the year ended 31 March 2019 projects an overspend of £4.496 million. (Source: Cambridgeshire County Council P&R agenda and reports 28th November 2018) It is clear that the Council is facing a number of financial pressures which may impact on its ability to develop and deliver sustainable financial and service plans for current and future years. Therefore, a risk remains that further savings or increased income will not be identified to close the funding shortfalls.	Our approach will focus on: ▸ Assess the adequacy of the Council's budget monitoring process, comparing budget to outturn; ▸ Consider the robustness of any key assumptions used in medium term planning; ▸ Consider the Council's approach to prioritising resources whilst maintaining services; and ▸ Consider the adequacy of savings plans in place and the historic achievement of these.

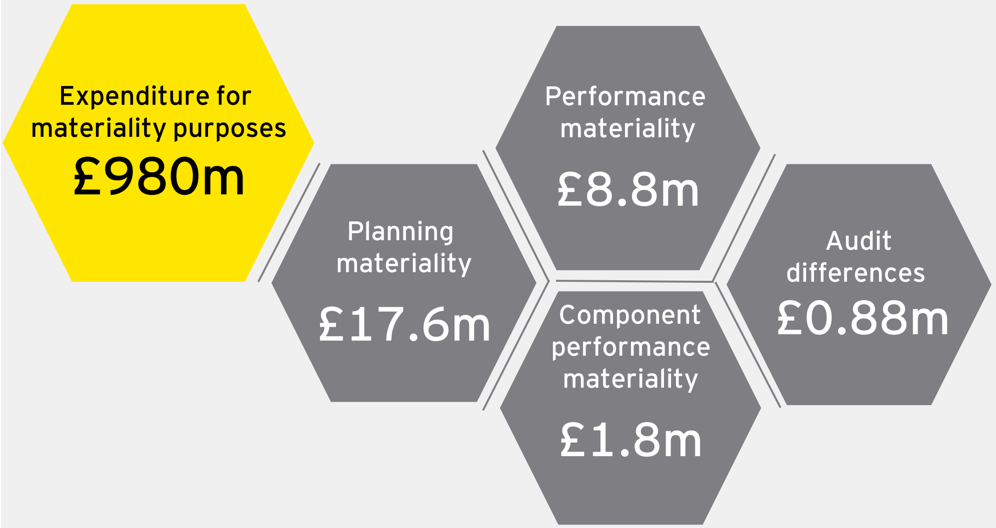
04 Audit materiality

Group Materiality

Materiality

For planning purposes, Group materiality for 2018/19 has been set at £17.647 million. This represents 1.8% of the Group's prior year gross expenditure on net cost of services plus financing and investment expenditure.

Materiality will be reassessed throughout the audit process. In an audit of a public sector entity, we consider gross expenditure to be the appropriate basis for setting materiality as it is the benchmark for public sector programme activities. The level applied reflects the fact that this is a first year audit. Based on our initial assessments we do not believe it would be appropriate to raise materiality above this. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit and Accounts 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 £8.823 million which represents 50% of planning materiality. As an initial audit, we set 50% as our performance materiality as standard as this is our first year of performing audit procedures.

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. Assigned performance materiality is £1.8 million for 'This Land Limited'.

Audit difference threshold – we propose that misstatements identified below £0.88 million for the group are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement and balance sheet 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 and Accounts Committee, or are important from a qualitative perspective.

Specific materiality – We have set a specific materiality for the areas below which reflects our understanding that an amount less than our materiality may influence the economic decisions of users of the financial statements:

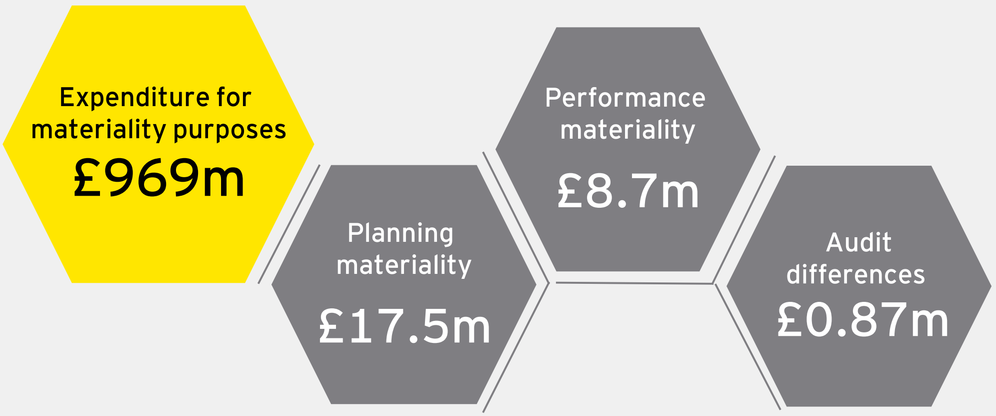
- Remuneration disclosures including Exit packages, Related Party transactions and Councillor Allowances - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

Cambridgeshire County Council Materiality

Materiality

For planning purposes, materiality for 2018/19 has been set at £17.453 million. This represents 1.8% of the Council's prior year gross expenditure on net cost of services plus financing and investment expenditure.

Materiality will be reassessed throughout the audit process. In an audit of a public sector entity, we consider gross expenditure to be the appropriate basis for setting materiality as it is the benchmark for public sector programme activities. The level applied reflects the fact that this is a first year audit. Based on our initial assessments we do not believe it would be appropriate to raise materiality above this. We have provided supplemental information about audit materiality in Appendix C.



We request that the Audit and Accounts 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 £8.726 million which represents 50% of planning materiality. As an initial audit, we set 50% as our performance materiality as standard as this is our first year of performing audit procedures.

Audit difference threshold – we propose that misstatements identified below £0.87 million for the Council are deemed clearly trivial. We will report to you all uncorrected misstatements over this amount relating to the comprehensive income and expenditure statement and balance sheet 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 and Accounts Committee, or are important from a qualitative perspective.

Specific materiality – We have set a specific materiality for the areas below which reflects our understanding that an amount less than our materiality may influence the economic decisions of users of the financial statements:

- Remuneration disclosures including Exit packages, Related Party transactions and Councillor Allowances - As these disclosures are considered to be of interest to users of the accounts we have adopted judgement in ensuring that we have tested the disclosures in sufficient detail to ensure they are correctly disclosed.

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.

For 2018/19 we plan to follow a substantive approach to the audit as we have concluded this is the most efficient way to obtain the level of audit assurance required to conclude that the financial statements are not materially misstated.

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 Audit and Accounts Committee.

Internal audit:
As in prior years, we will review internal audit plans and the results of their work. 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 year-end financial statements.

Our Audit Process and Strategy (continued)

Earlier deadline for production of the financial statements

The Accounts and Audit Regulations 2015 introduced a significant change in statutory deadlines from the 2017/18 financial year. From that year the timetable for the preparation and approval of accounts was brought forward with draft accounts needing to be prepared by 31 May and the publication of the accounts by 31 July.

These changes provide risks for both the preparers and the auditors of the financial statements:

- The Council now has less time to prepare the financial statements and supporting working papers. Risks to the Council include changes to the finance team, co-ordination of closedown arrangements across Council departments and preparing Group financial accounts.
- As your auditor, we have a more significant peak in our audit work and a shorter period to complete the audit. Risks for auditors relate to delivery of all audits within the same compressed timetable. Slippage at one client could potentially put delivery of others at risk.

To mitigate this risk we will require:

- good quality draft financial statements and supporting working papers by the agreed deadline;
- appropriate Council staff to be available throughout the agreed audit period;
- timely and complete provision of assurances from the component auditor (RSM for 'This Land Limited'); and
- complete and prompt responses to audit questions.

If you are unable to meet key dates within our agreed timetable, we will notify you of the impact on the timing of your audit, which may be that we postpone your audit until later in the summer and redeploy the team to other work to meet deadlines elsewhere. Where additional work is required to complete your audit, due to additional risks being identified, additional work being required as a result of scope changes, or poor audit evidence, we will notify you of the impact on the fee and the timing of the audit. Such circumstances may result in a delay to your audit while we complete other work elsewhere.

To support the Council we will:

- Work with the Council to engage early to facilitate early substantive testing where appropriate;
- Provide an early review on any streamlining of the Statement of Accounts where non-material disclosure notes are removed;
- Facilitate faster close workshops to provide an interactive forum for Local Authority accountants and auditors to share good practice and ideas to enable us all to achieve a successful faster closure of accounts for the 2018/19 financial year;
- Work with the Council to further embed the use of EY Client Portal to securely manage audit requests;
- Agree the team and timing of each element of our work with you; and
- Agree the supporting working papers that we require to complete our audit.

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.

Nil	Full scope audits
1	Specific scope audits
Nil	Review scope audits
Nil	Specified procedures
Nil	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 (continued)

Coverage of Revenue/Profit before tax/Total assets

Based on the group's prior year results, our scoping is expected to achieve the following coverage of the group's expenditure and group's revenue.

Expenditure — **0.1%** of the group's expenditure will be covered by specific scope audits, with the remainder covered by the single entity's audit.

Revenue — **0.0%** of the group's revenue will be covered by specific scope audits, with the remainder covered by the single entity's audit.

Our audit approach is risk based and therefore the data above on coverage is provided for your information only.

This Land Limited will be audited by RSM, a non-EY member firm, who will confirm their independence via our group instructions.

Group scope

This Land Limited is a non significant component, categorised as specific scope.

Group audit team involvement in This Land Limited component audit

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

- We provide specific instruction to component team and our expectations regarding the detailed procedures;
- We set up initial meeting with component team to discuss the content of the group instructions;
- We will consider the need to perform a file review of component team's work where appropriate; and
- We will attend a closing meeting with component team to discuss their audit procedures and findings.

06 Audit team

Audit team

Audit team structure:

Mark Hodgson
Lead Audit Partner

Mark Russell
Audit Manager

Jacob McHugh
Senior

The engagement team is led by Mark Hodgson, who has significant experience of County Council audits and leads our Government & Public Sector team across East Anglia. Mark is supported by Mark Russell, Manager who is responsible for the day-to-day direction of audit work and is the key point of contact for the chief accountant. The day to day audit team will be led by Jacob McHugh, Senior.

Specialists

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	NPS (Council's property valuer). We will also consider any valuation aspects that require EY valuation specialists to review any material specialist assets and the underlying assumptions used.
Pensions disclosure	EY Actuaries, PwC (Consulting Actuary to the NAO) and Hymans Robertson (Council's Actuary).
Private Finance Initiatives (PFI)	EY PFI Specialist

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

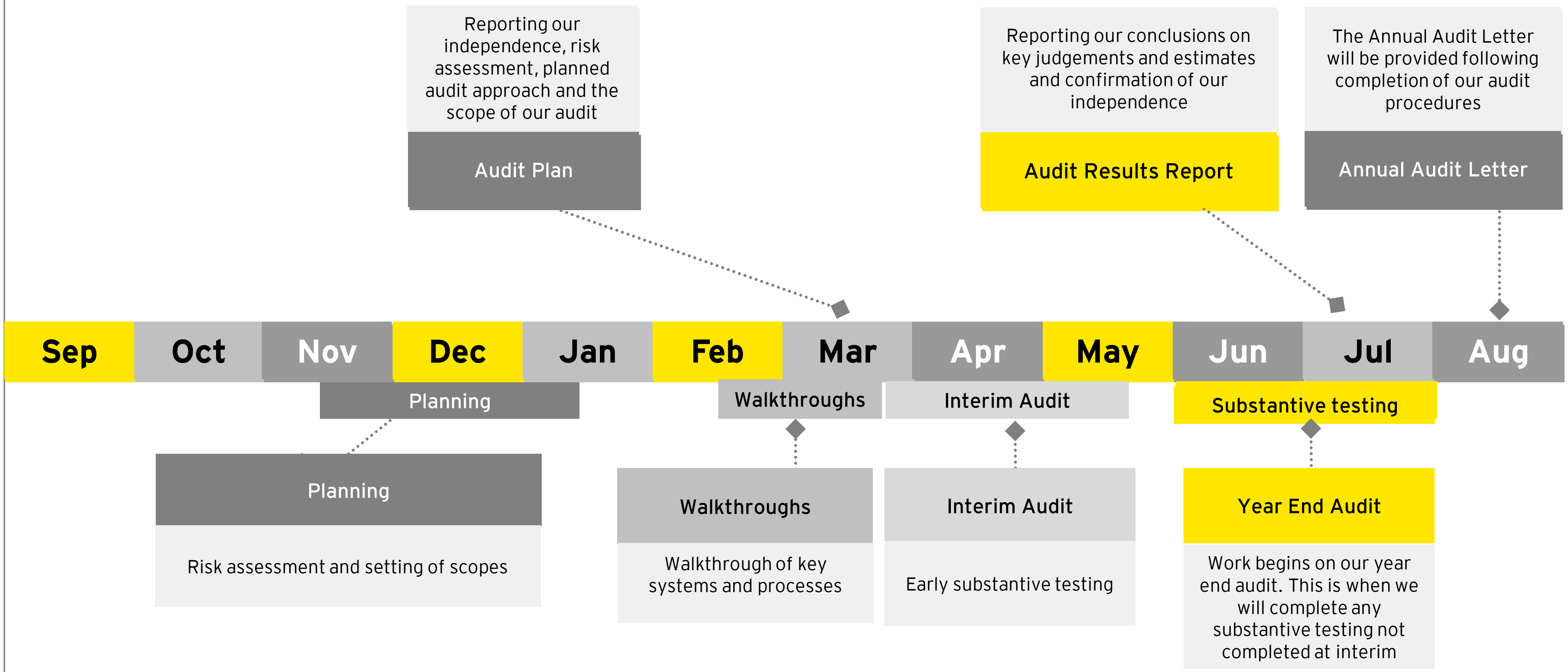
Audit timeline

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 2018/19.

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



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.	▸ 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 Mark Hodgson, 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%.

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 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.

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.

Other communications

EY Transparency Report 2018

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 ended 1 July 2018 and can be found here:

http://https://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018

09 Appendices

Appendix A

Fees

Public Sector Audit Appointments Ltd (PSAA) has published the fee scale for the audit of the 2018/19 accounts of opted-in principal local government and police bodies.

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.

	Planned fee 2018/19	Scale fee 2018/19
	£'s	£'s
Total Fee – Code work	72,427 (Note 1)	72,427
Total audit	72,427	72,427
Other services not covered above	-	-
Total other non-audit services	-	-
Total fees	72,427	72,427

All fees exclude VAT

Note 1 - Our planning work has identified that additional work will be required on Opening Balances, PFI schemes, Minimum Revenue Provision and implementation of new financial standards. The extent of this work will be agreed with officers.

Additionally, we have yet to been able to fully scope our work in relation to our responsibilities for the VFM arrangements. The outcome of the conclusion on the 2017/18 arrangements may lead to additional audit procedures for our 2018/19 conclusion, which would have further fee implications.

Any correspondence with members of the Public and any work in relation to objections to the financial statements is outside of the scale fee and would result in additional audit fees being levied.

The agreed fee presented is based on the following assumptions:

- Officers meeting the agreed timetable of deliverables;
- Our accounts 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.

Appendix B

Required communications with the Audit and Accounts Committee

We have detailed the communications that we must provide to the Audit and Accounts Committee**.**

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the Audit and Accounts 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.	Audit Plan - March 2019
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 ▶ Findings and issues regarding the opening balance on initial audits	Audit Results Report - July 2019

Required communications with the Audit and Accounts 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 - July 2019
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 - July 2019
Fraud	▸ Enquiries of the Audit and Accounts 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 - July 2019
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 - July 2019

Appendix B

Required communications with the Audit and Accounts 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 For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016: ▸ Relationships between EY, the Council and senior management, its affiliates and its connected parties ▸ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▸ Related safeguards ▸ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▸ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▸ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy ▸ Details of any contingent fee arrangements for non-audit services ▸ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▸ The Audit and Accounts Committee should also be provided an opportunity to discuss matters affecting auditor independence	Audit Plan - March 2019 Audit Results Report - July 2019

Required communications with the Audit and Accounts Committee (continued)

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▸ Management's refusal for us to request confirmations ▸ Inability to obtain relevant and reliable audit evidence from other procedures	Audit Results Report – July 2019
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 Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee may be aware of	Audit Results Report – July 2019
Internal controls	▸ Significant deficiencies in internal controls identified during the audit	Audit Results Report – July 2019
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 Plan – March 2019 Audit Results Report – July 2019

Required communications with the Audit and Accounts Committee (continued)

Required communications	What is reported?	Our Reporting to you When and where
Representations	Written representations we are requesting from management and/or those charged with governance	Audit Results Report – July 2019
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – July 2019
Auditors report	Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – July 2019
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 – March 2019 Audit Results Report – July 2019 Annual Audit Letter – August 2019

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 Group and 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 Group and the Council to express an opinion on the consolidated financial statements. Reading other information contained in the financial statements, that Audit and Accounts Committee reporting appropriately addresses matters communicated by us to the Audit and Accounts 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 locations at which we conduct audit procedures to support the opinion given on the Group financial statements; and
- 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.