

Cambridge City Council Final Audit Results Report

Year ended 31 March 2020
17 December 2020

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Building a better
working world

Agenda Item 9



Cambridge City Council
The Guildhall
Market Square
Cambridge
CB2 3QJ

17 December 2020

Dear Civic Affairs Committee Members

We are pleased to attach our Final Audit Results Report. This report follows on from the report dated 17 November 2020 that we presented to the 25 November meeting of the Committee. This report summarises our final audit conclusion in relation to the audit of Cambridge City Council (the Authority) for 2019/20. We have agreed the content of the report with the Head of Finance.

We have now completed our audit of the Authority's accounts for the year ended 31 March 2020. Subject to concluding the outstanding closing matters listed in our report, we will issue an unqualified audit opinion on the financial statements in the form at Section 3 of this report. We have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources. As set out on pages 5 to 9 the Covid-19 pandemic has impacted the statements and our audit opinion

This report is intended solely for the use of the Civic Affairs Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement given the additional pressures they have faced responding to the pandemic and working remotely. We are particularly pleased to report a significant improvement in the quality of the working papers and the responsiveness of officers to our audit queries which has led to a much smoother audit process this year.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This 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 (updated April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure - If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Hywell Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.



01

Executive Summary



Executive Summary

Scope update

In our Outline Audit Plan tabled at the June 2020 Civic Affairs Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

Change in materiality - We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we have updated our overall materiality assessment to £2.84m (Outline Audit Plan – £2.778m). This results in updated performance materiality, at 50% of overall materiality, of £1.419m, and an updated threshold for reporting misstatements of £0.142m.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19. The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. The full impact on the audit fee is yet to be determined but will be subject to agreement with the Head of Finance and PSAA.

Status of the audit

We have now completed the audit of Cambridge City Council's financial statements for the year 31 March 2020. Subject to satisfactory completion of the following outstanding closing items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3.

- ▶ Review of the final version of the financial statements
- ▶ Review of subsequent events
- ▶ Receipt and review of the signed management representation letter

We expect to issue the audit certificate at the same time as the audit opinion.

Our audit opinion will emphasise the valuation of investment properties and other land and buildings valued using market data. We include an "emphasis of matter" paragraph to draw users attention to revised valuation uncertainty disclosures in the accounts. This is not a modification to the audit report.

Executive Summary

Audit differences

We have identified 3 unadjusted audit differences in the draft financial statements which all relate to estimates and management has chosen not to adjust. We ask that this be corrected or a rationale as to why it is not corrected be approved by the Civic Affairs Committee and included in the Letter of Representation. The 3 differences are:

- £206,000 - representing our estimate of the impact of the Goodwin judgement on the defined benefit liability.
- £606,038 - our judgement on the estimated variance between the carrying value and fair value for investment properties not valued in 2019/20.
- £265,000 - our judgement on the estimated difference with the Council's fair value of Clay Farm Medical Centre which we estimate is understated.

There is no impact on the Authority's general fund due to a statutory override. We agree with management's assessment that the impact is not material. We have also identified some disclosure related differences which have been adjusted by management. See Section 04.

Areas of audit focus

Our Outline Audit Plan identified key areas of focus for our audit of the Authority's financial statements. We summarise below our latest findings.

Significant risk	Findings & conclusions
Misstatements due to fraud or error	We have no matters to report.
Incorrect capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	We have not identified any material issues or unusual transactions to indicate any misreporting of the Authority's financial position through the inappropriate capitalisation of revenue expenditure. Our testing of REFCUS identified that the Council accounted for expenditure on assets below its de minimis policy as REFCUS. The Code requires that such expenditure is accounted for as revenue expenditure. As the amounts are trivial we have not treated this as an audit difference.
Investment Property Valuations & other assets valued using market information	We have completed our work, including the work by our valuations specialist (EY Real Estates). We have not identified any material valuation differences. We have however identified two judgemental differences which represent our estimate that the value of investment properties could be overstated by £341,000. These are outlined under audit differences above, are not material and management have not adjusted the accounts. We noted that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This has been updated in the final accounts and we have emphasised the disclosure in our audit opinion given the scale of assets impacted.

Executive Summary

Areas of audit focus (continued)

Other area of audit focus	Findings & conclusions
Other Land and Buildings valuations	We note that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This will need to be updated in the final accounts. We have no other matters to report to date.
Council dwellings valuation	Again we note that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This will need to be updated in the final accounts. We have no other matters to report to date.
Pension Liability Valuation & other pension disclosures	▶ The Authority re-engaged its actuary to update pension asset values and the estimated impacts of the McCloud and Guaranteed Minimum Pension (GMP) rulings on the pension liability. The pension liability decreased by £484,000 as a result of this amendment. ▶ The Authority has chosen not to amend the defined benefit pension liability for the impact of the Goodwin ruling. We estimate that this would increase the liability by approximately £206,000. This is shown as an uncorrected audit difference in Section 4. We have no other matters to report to date.
Presentation and disclosure of accounting items	We commenced the final accounts phase of the audit in the last week of October. The quality of the working papers that have been prepared by the Council have been of a high quality and officers have responded in a timely manner to follow up queries. This represents rapid and substantial progress from the prior year. We have no matters of concern to report to the Committee in this regard.
Group accounts	We have no matters to report to date.
Going concern	We reviewed the Authority's going concern assessment and associated disclosure note. We have challenged assumptions and sensitivities applied to assess the impact on income, expenditure, reserves and balances. We have also evaluated the Council's cashflow forecast to December 2020. We have also consulted internally on the adequacy of the Council's disclosure and our conclusion that there is nothing of such significance in the going concern disclosure to warrant an emphasis of matter paragraph in the audit opinion.

We ask you to review these and any other matters in this report to ensure there are no other considerations or matters that could have an impact on these issues, you agree with the resolution of the issue and that there are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.



Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, from the results of substantive procedures performed we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statement.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Outline Audit Plan we did not identify any significant risk to our value for money conclusion.

We have no matters to report about your arrangements to secure economy efficiency and effectiveness in your use of resources.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We identified only minor factual amendments as a result of this work.

We have no other matters to report.

Independence

We have no matters relating to our Independence to bring to your attention. Please refer to Section 8 for our update on Independence.



02 Areas of Audit Focus





Areas of Audit Focus

Significant risk

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) 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 work to identify fraud risks during the planning stages, we identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation. These are set out on the following page.

What judgements are we focused on?

We focussed on testing key areas that are susceptible to management bias including journal entries, material accounting estimates, and unusual transactions.

What did we do?

- ▶ Identified fraud risks during the planning stages.
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Inquired about the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud.

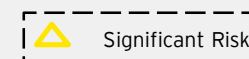
To address the residual risk of management override we:

- ▶ Tested 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;
- ▶ Assessed key accounting estimates for evidence of management bias; and
- ▶ Evaluated the business rationale for significant unusual transactions

What are our conclusions?

We have not identified any

- ▶ material weaknesses in controls or evidence of material management override;
- ▶ instances of inappropriate judgements being applied; or
- ▶ other transactions during our audit which appeared unusual or outside the Authority's normal course of business





Areas of Audit Focus

Significant risk

Incorrect capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS) *

What is the risk?

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 consider the risk applies to capitalisation of revenue expenditure including Revenue Expenditure funded from Capital Under Statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account. This could result in a misstatement of cost of services reported in the comprehensive income and expenditure statement.

What judgements are we focused on?

We focussed on whether capital expenditure and expenditure accounted for as REFCUS had been correctly classified.

What did we do?

As capital expenditure and REFCUS were material to the financial statements, we undertook additional procedures to address the specific risk we have identified.

This included:

- ▶ testing samples of capital expenditure and Revenue Expenditure Funded from Capital Under Statute to a higher level to verify that revenue costs had not been inappropriately capitalised.
- ▶ Identification of the controls the Council has in place to prevent incorrect capitalisation of revenue expenditure.
- ▶ Consideration of the effectiveness of management's controls designed to address the risk.
- ▶ Testing year end journals which move expenditure from revenue to capital.

What are our conclusions?

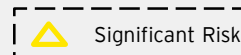
Our audit work did not identify any material issues or unusual transactions to indicate any misreporting of the Authority's financial position through the inappropriate capitalisation of revenue expenditure.

The Authority has a policy, in common with other councils, that it will not capitalise expenditure with a value below £2,000 for vehicles and £15,000 for other items. This is called the de minimis policy and is allowable under accounting standards to reduce the need to apply capital accounting rules to small value expenditure.

Our testing of REFCUS identified that the Council accounted for expenditure on assets below its de minimis policy as REFCUS.

Where an Authority applies a de minimis policy, the Code requires that such expenditure is accounted for as revenue expenditure. This expenditure should not be financed from capital resources. Including these amounts in REFCUS is not accepted practice.

On further investigation we agreed with officers that the total de minimis expenditure was below our audit differences threshold. Therefore we have not treated this as an audit difference. However, we recommend the Authority revisits its practice of treating de minimis expenditure as REFCUS and either capitalises that expenditure or accounts for it as revenue.





Areas of Audit Focus

Significant risk

Investment Property Valuations & other assets valued using market information

What is the risk?

The Council's investment property portfolio is a material balance (£163m at 31 March 2020) disclosed on the Council's balance sheet. In addition, the Council owns other assets that are valued on the basis of market information.

The Royal Institution of Chartered Surveyors (RICS) issued guidance to valuers following the Covid-19 pandemic that there likely exists a material uncertainty surrounding property valuations (and other assets valued using market data) in the 2019-20 period. This guidance follows uncertainties in the current economic climate and the impact upon commercial market rents. Such events may limit the valuer's scope in determining reasonable estimates within the valuation model of investment properties. This leads to a risk of material uncertainty in the valuations of Investment Property and other assets within the Council's financial statements.

What judgements are we focused on?

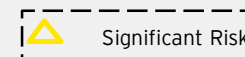
The reasonableness of the methodologies adopted by the valuer in undertaking their valuations in 2019/20 and of the key assumptions input into these valuations. In particular assets with reference to fair value/market value. Additionally, we considered assets not revalued in the current year for the potential of material misstatement in valuation as of 31 March 2020.

What did we do?

- ▶ Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuers in performing their valuation (for example market rents and other market information).
- ▶ Engaged EY Real Estate as our internal specialists to review the valuations, assumptions and conclusions reached by the external valuers in regard to investment properties and other assets valued using market information. We apply special consideration to any disclosures or disclaimers resulting from Covid-19.
- ▶ Test accounting entries have been correctly processed in the financial statements.
- ▶ Consider the impact of any material uncertainty reported by the Council's valuers on our audit report.

What are our conclusions?

- ▶ We have not identified any material valuation differences to date.
- ▶ We have estimated a variance overstatement of £0.6m between the carrying value and fair value for investment properties not valued in year.
- ▶ We have also estimated a difference of and understatement of £0.265m on the Council's fair value of Clay Farm Medical Centre.
- ▶ We noted that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This has been updated in the final accounts.
- ▶ Given the size of the Authority's investment property portfolio, we include a paragraph in the audit report to emphasise the revised disclosure on the material uncertainty.





Areas of Audit Focus



Other Land and Buildings valuations

Other Land and Buildings (OLB) represents a significant balance in the Council's accounts (£145m at 31 March 2020) and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet.

As the Council's OLB are significant, and the outputs from its valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated 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.

We have:

- ▶ Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considered whether valuations are carried out with sufficient frequency to ensure that carrying values are not materially different from market value.
- ▶ Considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Considered appropriateness of changes to useful economic lives as a result of the most recent valuation;
- ▶ Tested accounting entries have been correctly processed in the financial statements; and
- ▶ Considered the impact of any material uncertainty reported by the Council's valuers on our audit report.

Findings and conclusions

We note that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This has been updated in the final accounts.

We have no other matters to report to date.



Areas of Audit Focus



Council House valuations

Council dwellings represent a significant balance in the Council's accounts (£612m at 31 March 2019) and are subject to valuation changes, impairment reviews and depreciation charges. In 2018/19 we identified issues in how the Council's valuer applied indexation to some beacon valuations. As the value of council houses are significant, and the outputs from the its valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the associated accounting entries incorrectly posted.

We have:

- ▶ Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; and
- ▶ Tested a sample of beacon valuations to comparable sales to ensure that the approach is reasonable;
- ▶ Considered specifically the use of indices to derive the 31 March valuation; and
- ▶ Consider the impact of any material uncertainty reported by the Council's valuers on our audit report.

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Findings and conclusions

Again we note that the draft accounts did not disclose the material valuation uncertainty reported by the Authority's valuer in their valuation report. This has been updated in the final accounts.

We have no other matters to report to date.



Areas of Audit Focus



Pension Liability Valuation

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 Local Government Pension Scheme administered by Cambridgeshire County Council.

The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. At 31 March 2019 this totalled £138 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 therefore 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.

For 2019/20 there may be an impact of Covid-19 on pension asset values as at 31 March 2020.

We have:

- ▶ Liaised with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Cambridge City Council;
- ▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) 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 considered relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Findings and conclusions

- ▶ The Authority re-engaged its actuary to update pension asset values and the estimated impacts of the McCloud and Guaranteed Minimum Pension (GMP) rulings on the pension liability. We expect the pension liability in the final accounts to decrease by approximately £484,000 as a result of this amendment.
- ▶ The Authority has chosen not to amend the defined benefit pension liability for the impact of the Goodwin ruling. We estimate that this would increase the liability by approximately £206,000. This is shown as an uncorrected audit difference in Section 4.

We have no other matters to report to date.



Areas of Audit Focus



Presentation and disclosure of accounting items

The Council's draft 2018/19 statements contained numerous errors and several supporting working papers were insufficient as a result of weaknesses in the capacity and capability in the finance team.

Since January 2020, the finance team has been strengthened and the Council has put in place a plan to prepare its 2019/20 statements by the end of June. However, there remains an inherent risk that the accounts may contain errors.

We have been in discussions with the new members of the finance team throughout the closure of the 2018/19 audit. As a result of our experience in 2018/19, in order to identify any significant issues at an early stage, we:

- Undertook an early detailed review of the account to assess the overall quality of accounts presented for audit;
- Provided officers with a list of audit working paper requirements before we commence the detailed work on the final accounts;
- Reviewed the adequacy of the working papers provided before we commence detailed audit work

Findings and conclusions

We commenced the final accounts phase of the audit in the last week of October.

The quality of the working papers that have been prepared by the Council have been of a high quality and officers have responded in a timely manner to follow up queries. This represents rapid and substantial progress from the prior year.

We have no matters of concern to report to the Committee in this regard.



Areas of Audit Focus



Group Accounts

The Council has been preparing group accounts for several years. For 2019/20 we understand that Cambridge Live will no longer be a separate entity requiring consolidation.

The Council will need to undertake its annual assessment of the group boundary to determine the procedures it needs to undertake to consolidate the relevant component entities.

We have yet to engage with the auditors of the significant components to understand and evaluate any risks they have recognised on the 2019/20 audits and what impact that has on our consideration of the group accounts. There may be new risks for 2019/20 relating to the impact of Covid-19.

We:

- Reviewed the Council's assessment of its group boundary;

Determined we would be able to obtain sufficient assurance of the group consolidation without the need to liaise with component auditors;

Evaluated any risks at component level on the group accounts; and

Audited the consolidation process and group accounts.

Findings and conclusions

We have no matters to report to date.



Areas of Audit Focus



Going concern disclosure

Covid-19 created a number of financial pressures throughout Local Government. For the Council its other sources of income such as investment income and car parking are being adversely impacted. There have been a number of media stories in both the national press and trade publications raising the possibilities of an increase in Chief Financial Officers using their s114 powers. CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 sets out that organisations that can only be discontinued under statutory prescription shall prepare their accounts on a going concern basis.

However, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom, still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. We are obliged to report on such matters within the section of our audit report 'Conclusions relating to Going Concern'. To do this, the auditor must review management's assessment of the going concern basis applying IAS1 Presentation of Financial Statements. The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

Findings and conclusions

We received the Authority's assessment and considered the robustness of the assessment in light of:

- Current and developing environment;
- Liquidity (operational and funding);
- Mitigating factors;
- Management information and forecasting; and
- Sensitivities and stress testing.

We were satisfied with the Authority's assessment and associated going concern disclosure note.

We have concluded that there is nothing of such significance in the Authority's disclosure that we need to add an emphasis of matter paragraph to our opinion.



03 Audit Report



Audit Report

Our opinion on the financial statements	
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE CITY COUNCIL Opinion We have audited the financial statements of Cambridge City Council for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the: ▶ Authority and Group Movement in Reserves Statement, ▶ Authority and Group Comprehensive Income and Expenditure Statement, ▶ Authority and Group Balance Sheet, ▶ Authority and Group Cash Flow Statement ▶ Notes 1 to 41 to the main financial statements; and notes 1 to 8 of the Group Financial Statements ▶ Housing Revenue Account; Statement of Movement on the Housing Revenue Account and notes 1 to 10 to the Housing Revenue Account; ▶ Collection Fund Statement and related notes 1 to 7 ▶ Statement of Accounting Policies The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. In our opinion the financial statements: ▶ give a true and fair view of the financial position of Cambridge City Council as at 31 March 2020 and of its expenditure and income for the year then ended; and	▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20. Basis for opinion We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Emphasis of matter - Property, Plant and Equipment and Investment Property valuation We draw attention to note 3 Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty, note 15 Property - Revaluation, and note 20 Fair Value Measurement of Investment Properties in the financial statements, which describe the valuation uncertainty the Authority is facing as a result of Covid-19 in relation to property valuations. Our opinion is not modified in respect of this matter.



Audit Report

Our opinion on the financial statements

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- ▶ the Head of Finance and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- ▶ the Head of Finance and Section 151 Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the Statement of Accounts set out on pages iii to xxviii, other than the financial statements and our auditor's report thereon. The Head of Finance and Section 151 Officer is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

Arrangements to secure economy, efficiency and effectiveness in the use of resources

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the Comptroller and Auditor General (C&AG) in April 2020, we are satisfied that, in all significant respects, Cambridge City Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- ▶ in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- ▶ we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report

Our opinion on the financial statements

Responsibility of the Head of Finance and Section 151 Officer

As explained more fully in the Statement of the Responsibilities set out on page xiii, the Head of Finance and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Head of Finance and Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether Cambridge City Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Cambridge City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Cambridge City Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.



Audit Report

Our opinion on the financial statements

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Certificate

We certify that we have completed the audit of the accounts of Cambridge City Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of Cambridge City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
Date



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

We highlight in this section any misstatements greater than our performance materiality, £1,419,000, which have been corrected by management that were identified during the course of our audit. At the time of writing the report we have not identified any such misstatements.

We have identified and agreed a few disclosure changes as a result of our work. However, we do not consider these amendments to be sufficiently significant to warrant further reporting at this stage. We will revisit this assessment should the volume of audit differences increase from the remainder of our work and update the Committee accordingly.

Audit Differences

Summary of unadjusted differences

In addition we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Civic Affairs Committee and provided within the Letter of Representation:

Page 26	Uncorrected misstatements Council and Group 31 March 2019	Effect on the current period:	Balance Sheet (Decrease)/Increase			
		Comprehensive income and expenditure statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
		£'000	£'000	£'000	£'000	£'000
	Impact of Goodwin on defined benefit pension liability	206			(206)	
	Investment Properties not valued in year	606		(606)		
	Clay Farm Medical Centre valuation	(265)		265		
	Total uncorrected audit differences	547	-	(341)	(206)	-

Management have determined not to amend the statements for this audit difference as it is immaterial.

Uncorrected misstatements in the statement of cash flows

We have no additional matters to report.

Uncorrected disclosure misstatements

We have identified no audit differences to date in respect of required disclosures which management have determined not to amend.



05 Value for Money



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 (VFM) conclusion.

For 2019/20 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 (NAO). 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.

Impact of covid-19 on our VFM assessment

On 16 April 2020 the NAO published an update to auditor guidance in relation to the 2019/20 VFM assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 VFM assessment auditors should consider local authorities responses to Covid-19 only as far as it relates to the 2019-20 financial year and only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

We have identified no such evidence for the Authority and therefore identified no significant VFM risk associated to Covid-19.

Overall conclusion

We did not identify any significant risks around these criteria. We therefore expect having no matters to report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



06 Other reporting issues

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Our review of the financial information in the Statement of Accounts 2019/20 and published with the financial statements is ongoing. We have not identified any inconsistencies to date. We will verbally update the Committee should any matters arise from our review which we wish to report.

We reviewed the latest version of the Annual Governance Statement and identified some factual inaccuracies. We expect management to amend the Annual Governance Statement in this regard and therefore have no matters we wish to bring to the Committee's attention.

Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office. The Authority is below the threshold for requiring audit procedures on its WGA submission.

We have no issues to raise.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014.

We have had no reason to exercise these duties.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We considered whether circumstances arising from Covid-19 resulted in a change to the overall control environment of effectiveness of internal controls, for example due to significant staff absence or limitations as a result of working remotely. We identified no issues which we wish to bring to your attention.

We include the table below to update the Committee on the matters we reported on conclusion of the 2018/19 audit.

2018/19 finding	2019/20 finding
The fixed asset register was not kept up to date and did not reconcile to the general ledger	The fixed asset register has been kept up to date and a reconciliation to the general ledger was provided prior to the start of the audit.
The financial model used by officers to produce the draft financial statements did not contain adequate internal consistency checks.	Our review of the draft financial statements did not identify any fundamental issues with internal consistency.
The Council's review of the published draft financial statements presented for audit did not identify material inconsistencies within the statements	Our review of the draft financial statements did not identify any fundamental issues.



08 Data Analytics



Use of Data Analytics in the Audit

► Data analytics – Journal Entry Analysis and Payroll Analysis

Analytics Driven Audit

Data analytics

We used our data analysers to enable us to capture entire populations of your financial data. These analysers:

- Help identify specific exceptions and anomalies which can then be the focus of our substantive audit tests; and
- Give greater likelihood of identifying errors than traditional, random sampling techniques.

In 2019/20, our use of these analysers in the Authority's audit included testing journal entries and employee expenses, to identify and focus our testing on those entries we deem to have the highest inherent risk to the audit.

We capture the data through our formal data requests and the data transfer takes place on a secured EY website. These are in line with our EY data protection policies which are designed to protect the confidentiality, integrity and availability of business and personal information.

Journal Entry Analysis

We obtain downloads of all financial ledger transactions posted in the year. We perform completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then review and sort transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Payroll Analysis

We also use our analysers in our payroll testing. We obtain all payroll transactions posted in the year from the payroll system and perform completeness analysis over the data, including reconciling the total amount to the General Ledger trial balance. We then analyse the data against a number of specifically designed procedures. These include analysis of payroll costs by month to identify any variances from established expectations, as well as more detailed transactional interrogation.

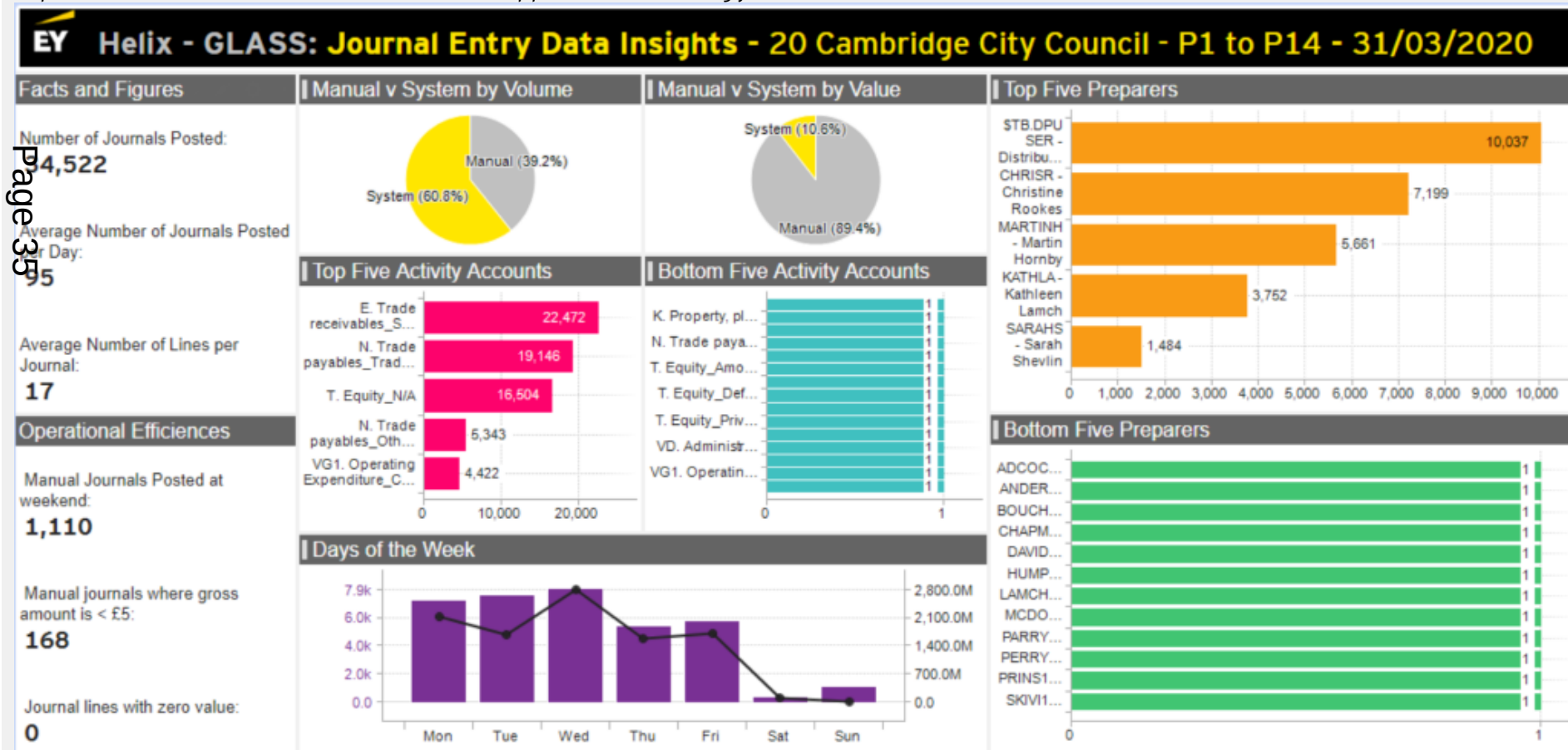


Use of Data Analytics in the Audit

► Data analytics – Journal Entry Analysis and Payroll Analysis

Journal Entry Data Insights

In line with ISA 240 we are required to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the statement of accounts. The graphic outlined below summarises the journal population for 2019/20. We review journals by certain risk based criteria to focus on higher risk transactions, such as journals posted manually by management, those posted around the year-end, those with unusual debit and credit relationships, and those posted by individuals we would not expect to be entering transactions. The purpose of this approach is to provide a more effective and risk focused approach to auditing journal entries.





09

Independence

Independence

Confirmation

We confirm there are no changes in our assessment of independence since our confirmation in our Outline Audit Plan dated 24 June 2020. We complied with the APB Ethical Standards. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Civic Affairs committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Civic Affairs Committee on 25 November 2020.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, senior management and its affiliates, including all services provided by us and our network to your Authority, senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

We have included the fees paid by the Authority in engaging us as a reporting accountant on DWP's the housing benefits assurance programme. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

In our Outline Audit Plan and subsequent reporting to the Civic Affairs Committee, we have communicated our proposal to increase the scale fee for 2019/20 to £84,044. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals. The table below does not reflect those proposals.

All fees exclude VAT	Final fee 2019/20	Planned fee 2019/20 (Note 5)	Scale fee 2019/20	Final Fee 2018/19
	£	£	£	£
Code work - scale fee	40,024	40,024	40,024	40,024
Additional code work:				
Impact of 50% performance materiality (Note 1)	TBC	8,000-15,000	N/A	N/A
• Capital transactions	-	-	-	10,500
• Group accounts	10,500	7,500-10,500	-	10,500
• Additional audit overruns and delays	TBC	-	-	64,892
• Going concern disclosure (Note 2)	TBC	TBC	-	3,331
• Asset valuations impacted by Covid-19 (Note 3)	TBC	5,000-10,000	-	-
• EY consultations on auditor report (Note 4)	TBC	-	-	-
Total audit	TBC	TBC	40,024	129,247
Housing Benefit Agreed Upon Procedures	TBC	12,568	N/A	20,750
Total other non-audit services	TBC	12,568	N/A	20,750
Total fees	TBC	TBC	40,024	149,997

Notes: These items are outside of the PSAA scale fee and will be subject to agreement with the Head of Finance and then PSAA.

- 1. We reduced performance materiality as a result of the extensive findings in last years report. This necessitates additional fee due to increased sample sizes.*
- 2. We have carried out additional work to review, assess and challenge the Authority's going concern assessment and associated disclosure.*
- 3. We have carried out additional work in response to the material uncertainty reported by the Authority's valuer on investment property valuations, including engaging our own expert. This has led to an emphasis of matter paragraph in the audit report.*
- 4. To ensure that we are giving the right assurance to the Authority, EY have instigated a consultation process involving the Firm's Professional Practice Directorate.*
- 5. We do not currently expect significant overruns in 2019/20.*

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 15 March 2020. 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 15 March 2020 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.

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 2020: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf



10 Appendices

Appendix A

Required communications with the Civic Affairs Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Civic Affairs 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.	Outline Audit Plan - June 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Outline Audit Plan - June 2020
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 - November 2020 Final Audit Results Report - December 2020

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		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	No conditions or events were identified, either individually or together to raise any doubt about Cambridge City Council's ability to continue for the 12 months from the date of our report
Misstatements	▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management	Audit Results Report - November 2020 Final Audit Results Report - December 2020
Subsequent events	▶ Enquiry of the Civic Affairs committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.	Audit Results Report - December 2020 Final Audit Results Report - December 2020
Fraud	▶ Enquiries of the Civic Affairs Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: - Management; - Employees who have significant roles in internal control; or - Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Civic Affairs Committee responsibility.	Audit Results Report - November 2020 Final Audit Results Report - December 2020

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		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	Significant matters arising during the audit in connection with the Authority'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 Authority	Audit Results Report - November 2020 Final Audit Results Report - December 2020
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 Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place. For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019: ▶ Relationships between EY, the company 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	Outline Audit Plan - June 2020 and Audit Results Report - November 2020 Final Audit Results Report - December 2020

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	▶ 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 Civic Affairs committee should also be provided an opportunity to discuss matters affecting auditor independence	
External confirmations	▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures.	We have received all requested confirmations
Consideration of laws and regulations	▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the Civic Affairs committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Civic Affairs committee may be aware of.	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	▶ Significant deficiencies in internal controls identified during the audit.	Audit Results Report - November 2020 Final Audit Results Report - December 2020

Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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.	Outline Audit Plan - June 2020 and Audit Results Report - November 2020 Final Audit Results Report - December 2020
Written representations we are requesting from management and/or those charged with governance	▶ Written representations we are requesting from management and/or those charged with governance	Audit Results Report - November 2020 Final Audit Results Report - December 2020
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - November 2020 Final Audit Results Report - December 2020
Auditors report	▶ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - November 2020 Final Audit Results Report - December 2020
Fee Reporting	▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work	Outline Audit Plan - June 2020 and Audit Results Report - November 2020 Final Audit Results Report - December 2020

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

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ED None

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