

REPORT TITLE: External Audit Plan 2024/25

To:

Civic Affairs Committee (12/05/2025)

Report by:

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Wards affected:

All

1. Recommendations

1.1 It is recommended that the Civic Affairs Committee:

1. Notes the contents of the EY Audit Plan 2024/25.

2. Purpose and reason for the report

2.1 In accordance with International Standards on Auditing (ISAs), external auditors are required to present an Audit Plan annually to 'those charged with governance', which for this council is the Civic Affairs Committee.

2.2 The Audit Plan sets out the scope and timeline of the audit, the audit risks identified, and key information about auditor independence and audit fees.

3. Background and key issues

3.1 The council's external auditors, EY, are required to review and report on the council's Statement of Accounts in accordance with the National Audit Office Code of Audit Practice. They are also required to consider whether the council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness in its use of resources, and comment on those arrangements (the 'value for money' or 'VFM' commentary).

- 3.2 The attached Audit Plan details the approach that EY will use in relation to the 2024/25 audit. It specifies the work they will undertake, when they anticipate completing this work and how they will report their findings. It also details EY's assessment of the key risks in respect of both the Statement of Accounts and VFM commentary.
- 3.3 Over the past few years, a significant backlog of outstanding audits has developed across the local government sector. Last year, the government set out a 'reset and recovery' approach to addressing this issue. This included setting a series of statutory 'backstop dates', by which audited accounts must be published. Where it has not been possible for auditors to gain sufficient assurance over a council's Statement of Accounts in advance of the backstop date, there is an expectation that a 'disclaimed' audit opinion will be issued. This essentially means that auditors have been unable to carry out sufficient work to reach a conclusion as to whether the accounts show a true and fair view.
- 3.4 The council's 2022/23 Statement of Accounts was published in June 2023. EY did not have sufficient resource to audit these accounts, and a disclaimed opinion was issued in December 2024, ahead of the backstop date. Across England, over 200 councils received disclaimed opinions in relation to 2022/23, which serves to highlight the extent of the issues throughout the sector.
- 3.5 For 2023/24, there were significant delays in publishing the draft Statement of Accounts due mainly to resource constraints within the council's Finance team. Draft accounts were published in February 2025, and a disclaimed opinion will again be issued. Further details on the 2023/24 Statement of Accounts are set out in a separate report to the May 2025 meeting of the Civic Affairs Committee.
- 3.6 The disclaimed audit opinions for 2022/23 and 2023/24 will have a significant impact on the audits of future years. Usually, auditors gain assurance over the opening balances in the accounts from work performed in previous years – however since there is no assurance over the 2023/24 closing balances this will not be possible for 2024/25. Consequently, a process of 'rebuilding assurance' is required, which is expected to take place over several years.

- 3.7 As such, whilst EY are planning a full scope audit in 2024/25, alongside some degree of rebuilding assurance activity, they do not expect to obtain sufficient evidence to have reasonable assurance over all closing balances. They therefore anticipate issuing a disclaimed opinion again in 2024/25.
- 3.8 Guidance published by the National Audit Office anticipates the 'rebuilding assurance' period for a typical council to last for four years. If this can be achieved, this would mean a return to an unqualified audit opinion in 2027/28.

4. Statement of Accounts audit

- 4.1 Section 2 of the Audit Plan sets out the key risks identified by EY in respect of the Statement of Accounts audit, and the actions they will take to response to these. There are no changes to the fraud risks, significant risks or inherent risks since the previous year's Audit Plan.
- 4.2 There is one new area of audit focus identified in relation to the implementation of a new accounting standard for leases (IFRS 16). This is not currently anticipated to have a material impact on the council's accounts.
- 4.3 EY have set a planning materiality level of £3.90 million, representing 2% of 2023/24 gross expenditure on the provision of services. Misstatements about this level (individually or cumulatively) will be deemed to be 'material' to the Statement of Accounts. The 'audit differences' threshold above which all uncorrected misstatements will be reported to the Civic Affairs Committee has been set at £195,000.
- 4.4 EY also set a 'performance materiality' level which reflects their view of the risk that the accounts may be materially misstated. In the 2023/24 Audit Plan, performance materiality was set at 75% reflecting a low risk of material misstatement, although ultimately no detailed audit work was completed due to the late publication of the draft accounts. For 2024/25, performance materiality will be reduced to 50%, reflecting a higher inherent risk of material misstatement following disclaimed audit opinions in the previous two years.

4. VFM commentary

- 4.1 Under the Code of Audit Practice, auditors are required to publish a commentary on the council's arrangements to secure value for money under the following three criteria:
- Financial sustainability
 - Governance
 - Improving economy, efficiency and effectiveness
- 4.2 EY have completed their initial VFM planning, and have identified the following two risks of weakness in respect of the council's VFM arrangements:
- The council's ability to prepare and publish draft financial statements in line with the statutory deadline of 30 June 2025
 - Historic rent regulation breaches as reflected in the regulatory judgement against the council published by the Regulator of Social Housing.
- Further details are set out in section 3 of the Audit Plan.

5. Corporate plan

- 5.1 In addition to being a statutory requirement, the production and audit of accurate and timely accounts, and external review of the council's VFM arrangements, support strong financial governance in delivery of all strands of the council's Corporate Plan:
- [Corporate plan 2022-27: our priorities for Cambridge - Cambridge City Council](#)

6. Anticipated outcomes, benefits or impact

- 6.1 The Audit Plan will set the scope for the forthcoming external audit of the council's 2024/25 Statement of Accounts and VFM arrangements. Direct communication between the external auditor and the Civic Affairs Committee, such as this Audit Plan, forms an important aspect of the council's governance framework, as set out in more detail at Appendix D to the Audit Plan.

7. Implications

7.1 **Relevant risks**

The auditors have identified a number of risks to the council's Statement of Accounts (as set out at section 2 of the Audit Plan), and value for money arrangements (as set out at section 3 of the Audit Plan).

Financial Implications

- 8.2 An update on the audit fee for 2024/25 and 2023/24 is set out at Appendix B to the Audit Plan. The scale fee for 2024/25 is £200,163, but this is subject to variation – for example it does not currently take into account the impact of IFRS 16.

Legal Implications

- 8.3 The council is required to publish a Statement of Accounts and have this audited under the Accounts and Audit Regulations 2015.

Equalities and socio-economic Implications

- 8.4 None identified.

Net Zero Carbon, Climate Change and Environmental implications

- 8.5 None identified.

Procurement Implications

- 8.6 None identified – the council's auditors are appointed independently by Public Sector Audit Appointments Ltd (PSAA) in accordance with the Local Audit and Accountability Act 2014.

Community Safety Implications

- 8.7 None identified.

9. Appendices

9.1 EY Audit Plan 2024/25

To inspect the background papers or if you have a query on the report please contact Jody Etherington, Chief Finance Officer, tel: 01223 458130, email: jody.etherington@cambridge.gov.uk