

# Cambridge City Council

## Audit Completion Report for Those Charged with Governance

Year ended 31 March 2024

Report issued - 1 May 2025





Civic Affairs Committee  
Cambridge City Council  
The Guildhall  
Peas Hill  
Cambridge  
CB2 3QJ

1 May 2025

Dear Civic Affairs Committee Members

**Cambridge City Council – Audit Completion Report for Those Charged With Governance**

We are pleased to attach our Audit Completion Report, summarising the status of our audit. We will update the Civic Affairs Committee at its meeting scheduled for 12 May 2025 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Cambridge City Council accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Civic Affairs Committee, as the (Council's) body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by Management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 21 November 2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit.

We have not been able to commence any work to rebuild assurance ahead of the 2023/24 backstop date, as the Council did not publish its draft financial statements until 28 February 2025, we therefore did not undertake our planned procedures on the 2023/24 financial statements and have not been able to perform any audit procedures ahead of the legislative backstop date of 28 February 2025. We are therefore unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements and will be issuing a disclaimed 2023/24 audit opinion.

We draw the attention of Civic Affairs Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly set out what is expected of audited bodies in preparing their financial statements (see Appendix G).

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

Yours faithfully

A handwritten signature in blue ink that reads "MARK HODGSON". The signature is written in a cursive, slightly slanted style.

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

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>). 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 July 2021)" 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 Civic Affairs Committee and Management of Cambridge City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Civic Affairs Committee and Management of Cambridge City 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 Civic Affairs Committee and Management of Cambridge City 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 Executive Summary



# Executive Summary – Context for the audit

## Context for the audit - Ministry of Housing, Communities and Local Government (MHCLG) and Financial Reporting Council (FRC) measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- ▶ Lack of capacity within the local authority financial accounting profession
- ▶ Increased complexity of reporting requirements within the sector
- ▶ Lack of capacity within audit firms with public sector experience
- ▶ Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly Department for Levelling-up, Housing and Communities) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). The approach to addressing the backlog consists of three phases:

- ▶ Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- ▶ Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2023/24 financial statements is 28 February 2025.
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 21 November 2024 Audit Completion Report to the Civic Affairs Committee we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit.

EY's Head of UK Government and Public Sector Audit wrote to the Section 151 officer at the Council on 21 August 2024 to set out that we would be prioritising those 2023/24 audits that we considered met the following criteria:

- ▶ draft unaudited financial statements were published by 29 October 2024;
- ▶ there was evidence that finance teams could effectively and efficiently support the audit process; and
- ▶ have high-quality audit evidence and supporting information that is delivered in accordance with our agreed timetable and in advance of the commencement of the audit.

We concluded that the Council had not met these requirements as the draft financial statements were not published until the 28 February 2025. We therefore did not undertake our planned procedures on the 2023/24 financial statements and have not been able to start rebuilding assurance ahead of the planned backstop date of 28 February 2025.



# Executive Summary – Report structure and work completed

## Report structure and work completed

This report covers the work we have completed to meet the requirements of the International Standards on Auditing (UK&I), (ISAs) and the Local Audit Reset and Recovery Implementation Guidance (LARRIGs) along with the National Audit Office Value for Money Code (NAO VFM Code). It has been split into the following sections.

Section 1 – Executive Summary – this section setting out the national and local context and the structure of our report.

Section 2 – Work Plan – We have completed the following planning tasks:

- ▶ Required independence procedures.
- ▶ Set a level of materiality.
- ▶ Issued letters of inquiry to Management, Those Charged with Governance, the Head of Internal Audit and the Monitoring Officer.
- ▶ Updated our understanding of the business, including through review of responses to inquiry letters, minute review and in discussion in our internal planning meeting,
- ▶ Identified significant, inherent and other areas of higher risk or focus.
- ▶ Considered any other matters that may require reporting to regulators or which may result in a modification to the audit report e.g. non-compliance with laws and regulations, objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 3 – Results and findings – Work completed to issue the disclaimer, findings and results:

- ▶ Review of the financial statements.
- ▶ Consideration of any matters that came to light during our planning and review procedures in relation to laws and regulations, fraud, related parties, litigation and claims, significant changes to contracts and systems, service organisations, which we report as appropriate.
- ▶ Reporting on any other matters that may require the use of the auditor's powers, formal reporting or a modification to the auditor's report e.g. non-compliance with laws and regulations (NOCLAR), objections, significant weaknesses in arrangements for value for money, any matters that may result in the use of the auditor's powers.

Section 4 – Audit Report

Section 5 – Value for Money reporting

- ▶ The value for money report covering the year to 31 March 2024.

Section 6 – Appendices





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## Work Plan





# Work Plan – Audit Scope

## Audit scope

This Audit Completion Report covers the work that we performed in relation to:

- ▶ Our audit opinion on whether the financial statements of the Council give a true and fair view of the financial position as at 31 March 2024 and of the income and expenditure for the year then ended; and
- ▶ Our commentary on your arrangements to secure value for money in your use of resources for the relevant period. We include further details on VFM in Section 5.

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.

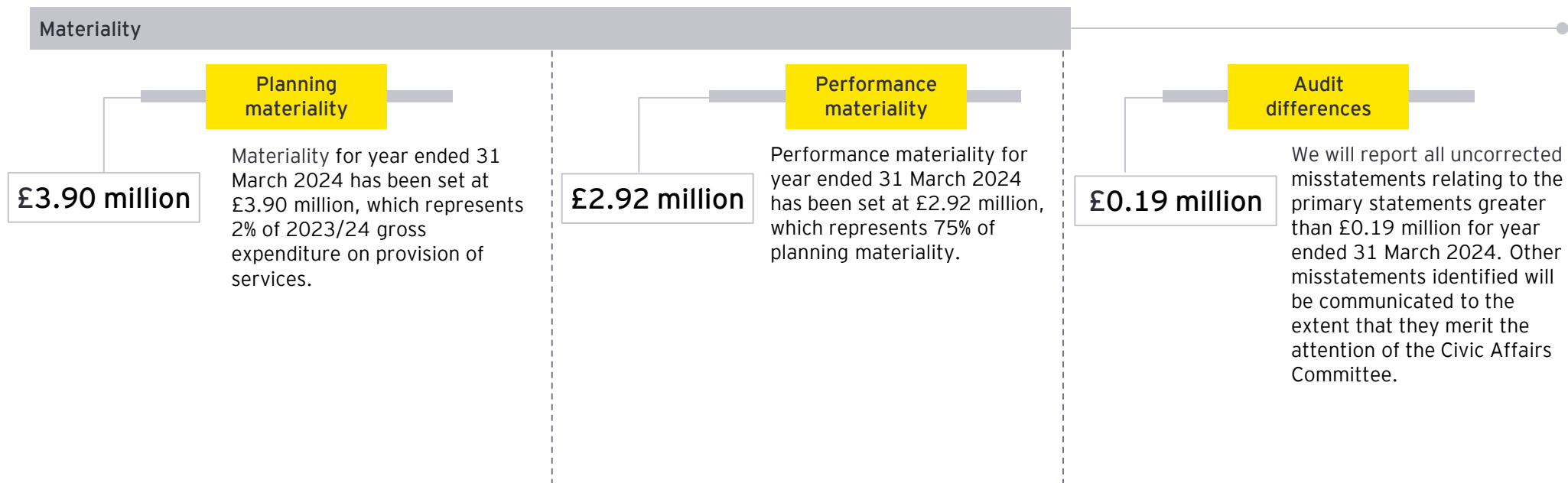
Given that SI 2024/907 imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

This decision is in line with ISA 200: Failure to Achieve an Objective 24.

If an objective in a relevant ISA (UK) cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with the ISAs (UK), to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ISA (UK) 230 (Revised June 2016).<sup>4</sup> (Ref: Para. A77&A78)

Taking the above into account, for the year ended 31 March 2024 we have determined that we cannot meet the objectives of the ISAs(UK) and we will be issuing a disclaimed audit report.

# Work Plan - Materiality



In order to ascertain the significance of issues in the draft financial statements we have set materiality based on the 2023/24 audit year. We have considered updating this materiality for any key changes or known factors from that year. We determined that our audit procedures would be performed using a materiality of £3.90 million. This level of materiality remains appropriate for the actual results for the financial year.

These materiality levels have been set based on the main Council financial statements - we have not considered group materiality. These levels are being used to assess our response to any issues identified in the Council's financial statements.

# Work Plan – Significant, inherent and other risk areas

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report and links to the Audit Plan we issued to the Council on the 11 April 2024. It seeks to provide the Civic Affairs Committee with an overview of our initial risk identification for the audit and any changes in risks identified in the 2023/24 year.

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Misstatement due to fraud or error	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Fraud Risk	No change in risk or focus	<p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.</p> <p>Linking to our fraud risk identified above, we have determined that a way in which management could override controls is through the inappropriate capitalisation of revenue expenditure to understate revenue expenditure reported in the financial statements, given the extent of the Council's capital programme and Revenue Expenditure Funded from Capital Under Statute.</p>
Investment Property Valuations	Significant risk	No change in risk or focus	The Council's investment property is a material balance (£162 million at 31 March 2023) disclosed on the Council's balance sheet. There is a significant level of judgement around assumptions within valuations, especially where these assumptions rely on market data or income-based measures, given difficulties in estimating future income.
Accounting for Net Pension Assets	Significant risk	No change in risk or focus	<p>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.</p> <p>Under IAS 19, there is a limit on the size of the net pension asset that can be recognised on the balance sheet. This is referred to as the asset ceiling. As a result of the complexities involved in determining the asset ceiling, we have identified pension fund assets as a significant risk.</p> <p>Accounting for the scheme liabilities involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.</p>



# Work Plan – Significant, inherent and other risk areas (cont'd)

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

## Audit risks and areas of focus

Risk/area of focus	Risk identified	Change from PY	Details
Bad debt provision and recoverability of receivables	Inherent risk	No change in risk or focus	The provision for bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation at year end and assess the appropriateness of the estimation technique. Therefore, we have raised an inherent risk for this in our audit strategy.
Group Accounting	Inherent risk	No change in risk or focus	The Council prepares consolidated Group statement of accounts. The Council will need to undertake its annual assessment of the group structure to determine the procedures required to consolidate the relevant component entities. We will consider the need to engage with the auditors of the significant components to understand and evaluate any risks they have recognised on the 2023/24 audits and what impact this has on our risk procedures in relation to the group accounts.
Provision for HRA Liabilities	Inherent risk	<b>New risk in 2023/24</b>	In 2023, the Council identified a possible breach of regulations relating to rental charges on housing stock which could potentially lead to refunds being made to those who had previously been overcharged. The computations in determining the liability for excess charges will involve assumptions and judgments, as well as considerations of completeness, hence this has been classified as an inherent risk.
Valuation of Land and Buildings	Inherent risk	No change in risk or focus	Other Land and Buildings (OLB) constitutes a significant balance in the Council's accounts (£150 million at 31 March 2023). These assets are subject to valuation changes, impairment reviews and depreciation charges. Significant judgemental inputs and estimation techniques are required to calculate the year-end balances. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.
Council dwellings valuation	Inherent risk	No change in risk or focus	Council dwellings represent a significant balance in the Council's accounts (£784 million at 31 March 2023) and are subject to valuation changes, impairment reviews and depreciation charges. As the value of council houses are significant, and the outputs from the valuer are subject to estimation, there is a higher inherent risk that balances may be under/overstated or the associated accounting entries incorrectly posted.

# Work Plan - Independence

The FRC Ethical Standard 2019 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 December 2019, 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

- ▶ The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between 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

The IESBA Code requires EY to provide an independence assessment of any proposed non-audit service (NAS) to the PIE audit client and will need to obtain and document pre-concurrence from the Audit Committee/those charged with governance for the provision of all NAS prior to the commencement of the service (i.e., similar to obtaining a "pre-approval" to provide the service).

- ▶ All proposed NAS for PIE audit clients will be subject to a determination of whether the service might create a self-review threat (SRT), with no allowance for services related to amounts that are immaterial to the audited financial statements.

### Final stage

- ▶ 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/additional 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;
- ▶ Details of any non-audit/additional services to a UK PIE audit client where there are differences of professional opinion concerning the engagement between the Ethics Partner and Engagement Partner and where the final conclusion differs from the professional opinion of the Ethics Partner
- ▶ 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 all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence; 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 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.

# Work Plan – Independence (cont'd)

## 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 your authority. Examples include where we have an investment in your authority; 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 those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2019 (FRC ES), and we will comply with the policies that you have approved.

None of the services are prohibited under the FRC's ES and the services have been approved in accordance with your policy on pre-approval. In addition, when the ratio of non-audit fees to audit fees exceeds 1:1, we are required to discuss this with our Ethics Partner, as set out by the FRC ES, and if necessary agree additional safeguards or not accept the non-audit engagement. We will also discuss this with you.

At the time of writing, there are no non-audit fees that require additional safeguards.

## Self review threats

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

## Management threats

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

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

## Other threats

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

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

## EY Transparency Report 2024

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 period ended 30 June 2024 and can be found here: [EY UK 2024 Transparency Report | EY - UK](#).





## 03 Results and findings



# Results and findings

## Status of the audit

Our audit work in respect of the Council opinion is substantially complete. We just need to complete our final closing procedures as follows:

- ▶ Completion of subsequent events procedures;
- ▶ Receipt of a signed management representation letter.

Given that the audit process is still ongoing, we will continue to consider existing and new information which could influence our final audit opinion.

## Value for Money

Our value for money (VFM) work is complete and reported in Section 05 of this report. We identified significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we have identified significant weaknesses upon which we are reporting within our Audit Report. See Section 5 of the report for further details.

## Audit differences

We performed our work on the initial draft 2023/24 financial statements published for inspection. We identified differences which included:

- ▶ 5 instances of opening balance differences from the 2022/23 financial statements
- ▶ 1 instance of reclassification error between short-term debtors and short-term creditors
- ▶ 1 instance of casting difference in the financial statements
- ▶ 1 instance of internal cross-referencing inconsistencies in the financial statements

The Council should ensure that in approving the financial statements, all prior year comparatives agree to the final set of prior year financial statements, or explanations for prior year adjustments have been set out by the Section 151 Officer.

We are aware that Management has made a number of amendments to the draft financial statements published on the 28 February 2025. We have not performed any procedures over these changes and the Civic Affairs Committee should ensure that they understand the rationale of all the changes prior to their approval.

The Council should also ensure that the financial statements are compliant with the reporting requirements of CIPFA's Code of practice on Local Authority accounting for the respective year.



# Results and findings

## Other Reporting Issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

### 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.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission following the completion of the financial statements audit. We expect a delay in the audit certificate in respect of this work as NAO reserve the right to ask for further assurances. Until we have confirmation from the NAO that no further work is required, we will be unable to issue the audit certificate

### Non-Compliance with Laws and Regulations (NOCLAR)

During the course of the audit, we were made aware of an instance of non-compliance with laws and regulations in relation to rent setting on the Council's housing stock. This has required us to complete extended procedures in order to assess the risk to the financial statements. That work is ongoing at the time of preparing this report. If non-compliance with laws and regulations has occurred and could have a material impact on the financial statements, we may, in the ordinary course of an audit, modify our audit opinion to refer to those matters. We will then determine whether we need to consider exercising any other power or duty.

Due to the imposed backstop date, we have been unable to perform sufficient further audit work to determine the impact on the financial statements - so will set that out within the Audit Report.

### Objections to the financial statements

We did not receive any questions or objections to the Council's financial statements from any member of the public following the inspection period.

## 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 Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We have considered whether statutory recommendations are required under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014, in respect of the late publication of the draft financial statements, as set out elsewhere in this report, primarily on pages 27-29. We do understand the reasons behind the delayed publication of the financial statements, which Management have shared, as required, with the Minister at MHCLG, given the 28 February backstop date was breached. On balance, we are therefore not minded to issue statutory recommendations at this time. However, should the Council miss the publication date for the 2024/25 financial statements or not be able to support the audit, we would revisit our position at that point in time.

We did not identify any issues which required us to issue a report in the public interest.





# Results and findings

## Areas of audit focus

Based on the late publication of the Council's draft financial statements, we concluded we would disclaim the audit and therefore have not completed detailed audit testing on these areas but instead have reported any matters that came to light from the work we did complete, where relevant to do so.

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised

There are no matters, other than those reported by Management or disclosed in this report, which we believe should be brought to the attention of the Civic Affairs Committee or Management.

## Control observations

During the audit, we did not identify any significant deficiencies in internal control.

## Independence

Further to our review of independence in Section 2 of this report we have not identified any issues to bring to your attention.



# Results and findings

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority's financial reporting process. They include the following:

- ▶ Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- ▶ Any significant difficulties encountered during the audit;
- ▶ Any significant matters arising from the audit that were discussed with management;
- ▶ Written representations we have requested;
- ▶ Expected modifications to the audit report;
- ▶ Any other matters significant to overseeing the financial reporting process;
- ▶ Findings and issues around the opening balance on initial audits (if applicable);
- ▶ Related parties;
- ▶ External confirmations;
- ▶ Going concern;
- ▶ Consideration of laws and regulations; and
- ▶ Group audits

We have no other matters to report.



04

## Audit Report

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# Audit Report

## Expected modification to the audit report

As reported in our Audit Completion Report (dated 21 November 2024), we issued a disclaimed audit report on the Council's financial statements for 2022/23 under the arrangements to reset and recover local government audit.

As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements.

We have not been able to commence any work to rebuild assurance ahead of the 2023/24 backstop date, as the Council were unable to publish the draft financial statements in sufficient time to support the audit and provide audit evidence in line with agreed deadlines. We have therefore, not been able to obtain sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement.

Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

The form and content of the Audit Report will be shared with the Section 151 officer to enable you to formally authorise the 2023/24 financial statements for issue.



## 05 Value for Money



# VFM - Executive Summary

## Purpose

Auditors are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's opinion on the financial statements. In addition, auditor's provide an annual commentary on arrangements published as part of the Auditor's Annual Report. In doing so, we comply with the requirements of the 2024 Code of Audit Practice (the Code) and Auditor Guidance Note 3 (AGN 03).

The purpose of this commentary is to explain the work we have undertaken during the period 01 April 2023 to 31 March 2024 and highlight any significant weaknesses identified along with recommendations for improvement. As we have previously reported significant weaknesses in arrangements to you, this report also includes our views as to the status of the recommendations made and whether they have been satisfactorily implemented. The commentary covers our findings for audit year 2023/24.

The report sets out the following areas which have been assessed up to the point of issuing this report:

- Any identified risks of significant weakness, having regard to the three specified reporting criteria;
- An explanation of the planned responsive audit procedures to the significant risks identified; and
- Findings to date from our planned procedures.
- Summary of arrangements over the period covered by this report (Appendix E).



# VFM - Executive Summary (continued)

## Risks of Significant Weakness

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- our cumulative audit knowledge and experience as your auditor;
- reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- our review of Council committee reports;
- meetings with key Finance Officers;
- information from external sources; and
- evaluation of associated documentation through our regular engagement with Council Management and the finance team.

We completed our risk assessment procedures and as a result, we identified significant risks related to Governance. We set out our planned response to address this risk in the table below.

Description of risk identified	Work planned to address the risk of significant weakness
<p><b>Governance criteria - late publication of the 2023/24 draft financial statements</b></p> <p>The Council did not publish its draft financial statements for 2023/24 by the target date outlined in the Accounts and Audit Regulations 2015 (31 May 2024). The unaudited statements for 2023/24 were published on 28 February 2025.</p> <p>The issue above is evidence of a potential weaknesses in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management and financial information - Governance - How the Council ensures that it makes informed decisions and properly manages its risks.</p>	<ul style="list-style-type: none"><li>• Assess the Council's delivery against the Audit and Accounts Regulations for the publication of the 2023/24 draft financial statements</li></ul>
<p><b>Governance criteria - failure to deliver outcomes of Rent Standards and breach of the Welfare Reform and Work Act 2016 (the Act)</b></p> <p>In December 2023, the Council has self-referred to the Regulator of Social Housing (RSH) identifying issues in rent setting. Following this, the RSH has published a regulatory judgement concluding that there have been serious failings in how the Council delivered the outcomes of the Rent Standard and therefore have no assurance that the Council was previously compliant with the Act.</p>	<ul style="list-style-type: none"><li>• Review the Regulatory Judgement issued by the RSH and assess the pervasiveness of the findings.</li><li>• Review the steps taken by Management to identify impacted tenants and to ensure repayment is made.</li></ul> <p>Our work will focus on the arrangements established and progress made during the year to address the findings.</p>

# VFM - Executive Summary (continued)

## Reporting

Our final commentary for 2023/24 is set out over pages 26 to 30. The commentary on these pages summarises our understanding of the arrangements at the Council based on our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2023/24. We include within the VFM commentary below the associated recommendations we have agreed with the Council.

In accordance with the NAO's 2024 Code, we are required to report a commentary against the three specified reporting criteria. The table below sets out the three reporting criteria, whether we identified a risk of significant weakness as part of our planning procedures, and whether, at the time of this report, we have concluded that there is a significant weakness in the body's arrangements.

Reporting Criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risk identified	No significant weakness identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	Two significant risks of weaknesses identified: 1. Council's arrangements to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015  2. Council's failure to deliver outcomes of Rent Standards and breach of the Act	Two significant weaknesses identified.
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	No significant risk identified	No significant weakness identified

# Value for Money Commentary

## Financial Sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services

### No significant weakness identified

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2024. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

During 2023/24, the Council continued to manage the impact on finances of a number of issues such as general inflation, cost of living crisis, and uncertainties in relation to the amount of funding to be received in the future.

The final outturn on the General Fund for the year was an underspend of £6 million. This is predominantly related to costs that were budgeted for but which ultimately were not incurred. The net underspend spreads across a number of individual services and is due to varying reasons, such as increase in interest earned as a result of sustained higher interest rates and higher than anticipated cash balances to invest, support services costs which have not been fully allocated, and staff vacancies arising from recruitment difficulties.

In 2023/24, the Council have continued to revisit and monitor financial plans to ensure they have sufficient resources to deliver services. The Council recognises the challenges ahead in meeting their identified base savings requirements of £11.51 million over the 5 year period to 2029/30 and produce relevant models for assessing the gaps as part of their latest Medium Term Financial Strategy. Where possible, the Council seeks to maximise savings which do not impact upon its service users, for example through making Council structures and processes more efficient, challenging existing budget underspends, and reviewing long-term capital plans. The Council sets out a plan to address this starting with delivery of £6 million of recurring savings over the next two years. These savings are to be delivered through both the Our Cambridge transformation programme and other initiatives.

At the 31 March 2024, the Council held a General Fund Reserve balance of £40.91 million and had further Earmarked General Fund Reserves of £28.92 million. The Council plans to meet some of the identified budget gap using the Council's General Fund reserves. This provides the Council with strong level of resources, in the short to medium term, if future saving requirements are not identified or achieved in the Medium-Term Financial Strategy, allowing the Council to continue to deliver services. However, without achievement of the identified level of savings in each of the financial years, the financial sustainability of the Council weakens.

The Council should continue its scenario assessment of the savings requirement and continue to identify relevant schemes to achieve the annual savings requirements to minimise the use of reserves where possible.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**

# Value for Money Commentary (continued)

## Governance: How the Council ensures that it makes informed decisions and properly manages its risks

### Significant weaknesses identified

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2024. Our risk assessment identified two risks of significant weakness in arrangements in respect of governance.

#### Financial reporting and monitoring

The Council have continued to manage governance considerations in response to the present challenges such as the cost-of-living crisis, including partnering and delivery of services with other local authorities. The Council produces the Budget Setting Report in February prior to the start of the financial year, with the Medium-Term Financial Strategy updated during the year. Both documents were taken to the Strategy and Resources Scrutiny Committee before final approval at Full Council, which ensures that all Members are kept well informed of the process.

The Annual Governance Statement sets out the core governance arrangements for the year, including an Action Plan, which demonstrates how the Council's Code of Governance reflects the seven principles of good governance. The Head of Internal Audit concluded that for the 2023/24 financial year, 'Reasonable Assurance' may be awarded over the adequacy and effectiveness of the Council's overall internal control environment.

The Council did not publish its 2023/24 draft financial statements by the target date outlined in the Accounts and Audit Regulations 2015 (being the 31 May 2024). The unaudited statements were published on 28 February 2025. The Council did publish a statutory notice on its website in May 2024 as required by the A&A Regulations, setting out the reasons for not publishing the draft financial statements by the 31 May 2024. The reasons set out in the notice for the delay in publication were:

- (i) a sector-wide skills shortage, which has hampered the Council's ability to recruit appropriately qualified staff to cover the absence of key individuals in the Finance team;
- (ii) the knock-on impact of delays to the audit of the 2022/23 Statement of Accounts, which has required additional quality assurance work to be carried out prior to publication.

The issue above is evidence of weakness in proper arrangements for supporting its statutory reporting requirements and effective processes and systems for accurate and timely management and financial information.

In relation to the sub-criteria for reporting this would align to: **Governance - 'How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.'**



# Value for Money Commentary (continued)

## Governance: How the Council ensures that it makes informed decisions and properly manages its risks (cont'd)

### Significant weaknesses identified

#### Ensuring effective internal control process and compliance to regulatory requirements

In light of the increased oversight by Regulator of Social Housing (RSH) whereby inspections are extended to include Council's housing provision, the Council has reviewed its housing regulated activities and identified two areas where they believed that they potentially breached laws and regulations relating to rental charges on its housing stock.

These two areas are as follows:

- Affordable Rents - the Council failed to reduce affordable rents by 1% as required by the Government from 2016 to 2020 in line with the Welfare Reform and Work Act 2016
- Social Rents - the Council incorrectly de-pooled service charges for Gas Maintenance and Electrical and Mechanical Maintenance from the housing rent element

The Council sought legal advice (including a second opinion from Counsel) to assess implications of non-compliance to the identified areas. Following confirmation of the breach, the Council self-referred itself to RSH in December 2023 citing issues relating to its historic rent setting to its housing tenants. RSH commenced responsive engagement with the Council which focused on understanding the nature of the errors made in setting the rent and the actions the Council is taking to address the issue. In July 2024, RSH published a regulatory judgement concluding that there have been 'serious failings' in how the Council has delivered the outcomes of the Rent Standards and that they do not have assurance that the Council was compliant with the Welfare Reform and Work Act 2016 (the Act).

The Council included a provision of £4.37 million in the 2023/24 draft financial statements to account for the estimated rent overpayments that were refundable to tenants. A process to enable tenants to claim back an overpayment was put in place.

Therefore, in respect of 2023/24, there was evidence of a significant weakness in arrangements that:

- Could reasonably lead to significant impact on the quality and effectiveness of the service, and the body's reputation; and
- Exposes the Council to financial losses as a result of overcharging of rent and service charges, the need to repay and compensate tenants for the overcharging, along with the costs associated with investigating the issue and quantifying the sums due for repayment, as well as remedial costs to ensure Council's compliance to relevant regulations.

This indicates weakness in proper arrangements to ensure compliance with laws and regulations - specifically in relation to Housing services. In relation to the sub-criteria for reporting this would align to: **Governance - 'How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards are met.'**

# Value for Money Commentary (continued)

Governance: How the Council ensures that it makes informed decisions and properly manages its risks (cont'd)

## Significant weaknesses identified

**Conclusion:** Based on the work performed, significant weaknesses were identified regarding the Council's arrangements in 2023/24 to enable it to make informed decisions and properly manages its risks. We will be reporting by exception in relation to:

- 1) The delay in publication of the Council's 2023/24 draft financial statements;
- 2) The failure to deliver outcomes of Rent Standard and breach of the Act

**Recommendation:** We recommend that the Council continues to re-assess roles, responsibilities and resource requirement for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet the requirements for publication of financial statements as set out by the Audit and Accounts Regulations.

**Recommendation:** We recommend that Council continues to work with the Regulator of Social Housing to deliver the improvement plan to ensure that sufficient change and improvements are being made.

**Note:** these recommendations are not made under Section 24 Schedule 7(2) of the Local Audit and Accountability Act 2014

# Value for Money Commentary (continued)

**Improving economy, efficiency and effectiveness: How the Council uses information about its costs and performance to improve the way it manages and delivers its services**

**No significant weakness identified**

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2024. In 2023/24, we did not identify a risk of significant weakness in arrangements in place to ensure economy, efficiency and effectiveness.

The Council launched the 'Our Cambridge' transformation program in January 2022, which aims to deliver a more efficient approach to customer focused service delivery. The programme has already achieved a number of key successes, including:

- Senior Management review: the successful transition to a flatter management structure, saving £300,000 per year, and delivering a structure that better empowers the middle leadership cohort.
- City Services Group design programme (phase 1): delivered £200,000 of ongoing savings by implementing a flatter structure and making better use of digital technology.
- Partnerships by default: secured £700,000 in external funding, which has been used to support projects which enable community resilience and empowerment.

The 'Corporate Plan' for 2022 to 2027, approved in February 2022, sets four key priorities in respect of climate, poverty, housing, and equality. Performance reporting is maintained against these key criteria, with regular reporting on performance and finances taken to the relevant Scrutiny committees throughout the year to continuously monitor performance. The Council also produced a separate Annual Report which shows progress against the Corporate Plan and publishes an accompanying series of Key Performance Indicators linked to this. This performance information is available to the public and allows for key information to be considered as part of decision making on service delivery.

The Council ensures that it is represented on partnership bodies by relevant senior managers or members, as required. Regular reports are brought to the relevant Scrutiny Committee for review. The council has a procurement team which provides advice and support to officers undertaking procurement activities. The team also maintain procurement guidance and templates, contract register and a separate procurement system

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2023/24 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**





## 06 Appendices



# Appendix A – Management representation letter

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

### Ernst & Young

This letter of representations is provided in connection with your audit of the consolidated and parent financial statements of [name of entity] ("the group and Council") for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Group and Council financial position of Borough Council of King's Lynn and West Norfolk as of 31 March 2024 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and Council in accordance with [the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 20xx/xx, that are free from material misstatement, whether due to fraud or error.

# Appendix A – Management representation letter (cont'd)

## Management representation letter

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## Management Rep Letter

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

[When the comparative figures have been restated]

5. The comparative amounts have been restated to reflect the below matter(s) and appropriate note disclosure of this (these) restatement(s) has (have) also been included in the current year's consolidated and parent Authority financial statements. [Add a paragraph providing a brief description of each matter giving rise to a restatement and the amount(s) concerned.] There have been no significant errors or misstatements, or changes in accounting policies, other than the matters described above, that would require a restatement of the comparative amounts in the current year's consolidated and parent Authority financial statements. Other differences in the amounts shown as comparative amounts from the amounts in the consolidated and parent Authority financial statements for the year ended [date] are solely the result of reclassifications for comparative purposes.
6. [When there are no unadjusted audit differences in either the current year or in the prior year or there are no unadjusted audit differences in the current year]. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.
7. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange [other than...].

## B. Non-compliance with laws and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group and Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial improprieties;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Group and Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group and Council's activities, its ability to continue to operate, or to avoid material penalties;

# Appendix A – Management representation letter (cont'd)

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Group and Council and committees [add the full title of the relevant committees] (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the [period] to the most recent meeting on the following date: [list date].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council 's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with [applicable financial reporting framework].
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

# Appendix A – Management representation letter (cont'd)

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

8. From [the date of our last management representation letter or the beginning of the current period for initial audits] through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount
9. [When management is aware of unauthorized access to information technology systems that has a material effect on the financial statements.] We have disclosed to you and provided you full access to information and any internal investigations relating to, unauthorized access to our information technology systems that has a material effect on the financial statements, including disclosures.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.

4. The ..... claim by [name of claimant] have been settled for the total sum of XXX which has been properly accrued in the financial statements. No other claims in connection with litigation have been or are expected to be received.

### E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council 's assets, nor has any asset been pledged as collateral, other than those that are disclosed in Note [X] to the financial statements. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the financial statements.
3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in Note [X] to the financial statements, we have no other line of credit arrangements.

### F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the [describe assertion] and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists



# Appendix A – Management representation letter (cont'd)

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

### G. Estimates

1. When we have identified a higher risk estimate, we include the following representation(s):
2. We confirm that the significant judgments made in making the [insert name of the accounting estimate] have taken into account all relevant information [and the effects of the COVID-19 pandemic on XXX] of which we are aware.
3. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the [insert name of the accounting estimate].
4. We confirm that the significant assumptions used in making the [insert name of the accounting estimate] appropriately reflect our intent and ability to carry out [describe the specific courses of action] on behalf of the entity.
5. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty [and the effects of the COVID-19 pandemic on XXX], are complete and are reasonable in the context of [the applicable financial reporting framework].
6. We confirm that appropriate specialized skills or expertise has been applied in making the [insert name of the accounting estimate].
7. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements [, including due to the COVID-19 pandemic].

### H. Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

### I. Reserves

1. We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

### J. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as follows:

1. Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities, [continue listing as appropriate]) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
2. Matters referred to in the letters dated [date] issued to you by the Group and Council 's Monitoring Officer and the Group and Council 's legal advisor.
3. Matters referred to in the letter of comments received from the [name of regulator] regarding.....

# Appendix A – Management representation letter (cont'd)

## Management representation letter

This is the draft management letter template which Management will tailor and send back signed and dated prior to the opinion being issued.

## Management Rep Letter

### K. Going Concern

1. Note [X] to the financial statements discloses all the matters of which we are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### L. Subsequent Events

1. Other than..... described in Note [X] to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### M. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises [describe the other information applicable to the entity].
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 20xx/xx is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 20xx/xx and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

### N. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the financial statements.

Yours faithfully,

\_\_\_\_\_  
(Chief Financial Officer)

\_\_\_\_\_  
(Chair of the Civic Affairs Committee)

## Appendix B – Fees

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

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

The original fees for these years were 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;
- ▶ The Council has an effective control environment; and
- ▶ The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.UK/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full in Appendix D.

Due to the reset, the above clearly will not be achieved and we will be liaising with PSAA Ltd to discuss and agree fees.

	2023/24	2022/23
	£'s	£'s
Scale Fee - Code Work	174,191	61,962
Determined Scale Fee Variation	Note 1	Note 1
<b>Total audit</b>	<b>Note 1</b>	<b>Note 1</b>
<b>Total other non-audit services</b>	<b>-</b>	<b>-</b>
<b>Total fees</b>	<b>TBC</b>	<b>TBC</b>

*All fees exclude VAT*

Note 1 - As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2023/24 and 2022/23 audits.

In doing so, PSAA Ltd will apply the principles that where auditors have worked in good faith to meet the requirements of the Code of Audit Practice in place at the time the work was conducted (and have reported on work that is no longer required), then they are due the appropriate fee for the work done, including where their procedures were necessary to conclude the audit by the legislatively imposed backstop date by way of a modified or disclaimed opinion and the body is due to pay the applicable fee.



# Appendix C – Required communications with the Audit Committee

We have detailed the communications that we must provide to the audit committee.

Our Reporting to you		
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit 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	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▶ The planned scope and timing of the audit</li> <li>▶ Any limitations on the planned work to be undertaken</li> <li>▶ The planned use of internal audit</li> <li>▶ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team</p>	This Audit Completion Report for Those Charged with Governance
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	This Audit Completion Report for Those Charged with Governance

# Appendix C – Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	This Audit Completion Report for Those Charged with Governance
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	This Audit Completion Report for Those Charged with Governance
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements</li> </ul> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility</li> </ul>	This Audit Completion Report for Those Charged with Governance

# Appendix C – Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	This Audit Completion Report for Those Charged with Governance
Independence	<ul style="list-style-type: none"> <li>▶ Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence</li> <li>▶ Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> </ul> </li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> <li>▶ Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</li> </ul>	This Audit Completion Report for Those Charged with Governance



# Appendix C – Required communications with the Audit Committee (cont'd)

## Our Reporting to you

Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	This Audit Completion Report for Those Charged with Governance
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ 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</li> <li>▶ Enquiry of the audit 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 committee may be aware of</li> </ul>	This Audit Completion Report for Those Charged with Governance
Internal controls	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit</li> </ul>	This Audit Completion Report for Those Charged with Governance
Group audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ 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</li> <li>▶ 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</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ 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</li> </ul>	This Audit Completion Report for Those Charged with Governance

# Appendix C – Required communications with the Audit Committee (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Representations	Written representations we are requesting from management and/or those charged with governance	This Audit Completion Report for Those Charged with Governance
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	This Audit Completion Report for Those Charged with Governance
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Audit Completion Report for Those Charged with Governance
Auditors report	► Any circumstances identified that affect the form and content of our auditor's report	This Audit Completion Report for Those Charged with Governance
Value for Money	Value for Money commentary.	This Audit Completion Report for Those Charged with Governance

# Appendix D - Non-Compliance with Laws and Regulations (NOCLAR)

## Non-Compliance with Laws and Regulations includes:

Any act or suspected act of omission or commission (intentional or otherwise) by the entity (including any third parties under the control of the entity such as subsidiaries, those charged with governance or management or an employee acting on behalf of the company), either intentional or unintentional, which are contrary to the prevailing laws or regulations

### Management Responsibilities:

"It is the responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations, including compliance with the provisions of laws and regulations that determine the reported amounts and disclosures in an entity's financial statements."

ISA 250A, para 3

"The directors' report must contain a statement to the effect that... so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information."

ISA 250A, para 3

"Management is responsible for communicating to us on a timely basis, to the extent that management or those charged with governance are aware, all instances of identified or suspected non-compliance with laws and regulations ..."

Audit Engagement Letter

Management's responsibilities are also set out in the International Ethics Standard Board of Accountants' International Code of Ethics (IESBA Code) Para 360.08

### Auditor Responsibilities

[The International Ethics Standard Board of Accountants' International Code of Ethics](#) (IESBA Code) section 360 sets out the scope and procedures in relation to responding to actual or suspected non-compliance with laws and regulations.

Professional accountancy organisations who are members of the International Federation of Accountants (IFAC), such as the Institute of Chartered Accountants in England and Wales (ICAEW) are required to adopt the IESBA Code of Ethics.

We as your auditor are required to comply with the Code by virtue of our registration with ICAEW.

"If the auditor becomes aware of information concerning an instance of non-compliance or suspected non-compliance with laws and regulations, the auditor shall obtain:

An understanding of the nature of the act and the circumstances in which it has occurred; and Further information to evaluate the possible effect on the financial statements

The auditor shall evaluate the implications of the identified or suspected non-compliance in relation to other aspects of the audit, including the auditor's risk assessment and the reliability of written representations, and take appropriate action."

ISA 250A, paras 19 and 22

### Examples of Non-Compliance with Laws and Regulations (NOCLAR)

#### Matter

- ▶ Suspected or known fraud or bribery
- ▶ Health and Safety incident
- ▶ Payment of an unlawful dividend
- ▶ Loss of personal data
- ▶ Allegation of discrimination in dismissal
- ▶ HMRC or other regulatory investigation
- ▶ Deliberate journal mis-posting or allegations of financial impropriety
- ▶ Transacting business with sanctioned individuals

#### Implication

- ▶ Potential fraud/breach of anti-bribery legislation
- ▶ Potential breach of section 2 of the Health and Safety at Work Act 1974
- ▶ Potential breach of Companies Act 2006
- ▶ Potential GDPR breach
- ▶ Potential non-compliance with employment laws
- ▶ Suspicion of non-compliance with laws/regulations
- ▶ Potential fraud / breach of Companies Act 2006
- ▶ Potential breach of sanctions regulations



# Appendix D - Non-Compliance with Laws and Regulations (NOCLAR) (cont'd)

## What are the implications of NOCLAR matters arising?

Depending on the nature and significance of the NOCLAR matter the following steps are likely to be required, involving additional input from both management and audit.

This can have an impact on overall achievability of audit timeline and fees.

Across our portfolio of audits we have seen a steady increase in NOCLAR matters that need to be addressed as part of the audit over the past 3 years



### Management response:

Timely communication of the matter to auditors (within a couple of days)

Determine who will carry out any investigation into the matter - in-house or external specialists or mix of both

Scope the investigation, in discussion with the auditors

Evaluate findings and agree next steps

Determine effect on financial statements including disclosures

Prepare a paper, summarising the outcome of the investigation and management's conclusions

Communicate the outcome to Those Charged With Governance (TCWG) and to us as your auditors. Report to regulators where required.

### Key Reminders:

- ▶ Make sure that all areas of the business are aware of what constitutes actual or potential non-compliance and associated requirements
- ▶ Communicate with us as your auditors on a timely basis - do not wait for scheduled audit catch-ups
- ▶ Engage external specialists where needed
- ▶ Ensure that your investigation assesses any wider potential impacts arising from the matter, not just the matter itself.
- ▶ Plan upfront and consider any impact on overall accounts preparation and audit timeline - discuss the implications with us as your auditor

### Audit response:

Initial assessment of the NOCLAR matter and its potential impact

Initial consultation with risk team to determine responsive procedures and the involvement of specialists

Understand and agree scope of management's investigation with support from specialists as needed

Evaluate findings and undertake appropriate audit procedures

Determine audit related impact including accounting and disclosure and audit opinion implications

Document and consult on the outcome of our procedures

Communicate the outcome with management, TCWG and where necessary other auditors within the group or regulators

# Appendix E- Summary of arrangements

## Financial Sustainability

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	<p>The Council produce the Budget Setting Report (BSR) in February prior to the start of the financial year. Medium-term planning (or a three- to five-year planning system) involve a planning cycle in which managers develop their own plan considered, specific budget approval for all expenditure. As each year passes, another future year will be added to the Medium-Term Financial Strategy (MTFS). This ensures that the Council is always preparing for events in advance. Senior Leadership and the Executive are involved throughout the Budget setting process, ensuring that priorities are considered and relevant financial pressures are taken into account. It is presented to the Strategy and Resources Scrutiny Committee before being taken to the Full Council for approval each February. The Council prepares a capital strategy alongside the revenue budget for the same time period, with the revenue implications of the capital strategy included within the revenue budget. The Council takes into account all the expected financial pressures based on the available information.</p>
How the body plans to bridge its funding gaps and identifies achievable savings	<p>The five-year funding gap is reassessed each year through the MTFS, subject to uncertainties such as the local government finance settlement, political and economic challenges. Sensitivities are considered in this process. In previous years the council has undertaken a series of service reviews to achieve the necessary savings and provide the necessary headroom to fund its priorities. The Council considers a number of scenarios to assist with financial planning. The Council approved the commission of the Our Cambridge Transformation and Recovery Programme within MTFS. It is a long-term programme of transformation, incorporating savings and income generation, which will require an on-going focus on delivery.</p> <p>At the 31 March 2024, the Council held a General Fund Reserve balance of £40.91 million and had further Earmarked General Fund Reserves of £28.92 million. The Council plans to meet some of the identified budget gap using the Council's General Fund reserves. This provides the Council with strong level of resources, in the short to medium term, if future saving requirements are not identified or achieved in the Medium-Term Financial Strategy, allowing the Council to continue to deliver services. However, without achievement of the identified level of savings in each of the financial years, the financial sustainability of the Council becomes more fragile.</p>
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The budget setting process allows for the consideration of budget changes service by service, based on how the changes support the council's priorities and impact service delivery. Each budget proposal is supported by narrative which explains the context of the proposal and its impact. Capital proposals are supported by a summary business case. The latest MTFS identified a five-year net new savings requirement of £11.5 million. The 2024/25 BSR includes measures which, if approved, will reduce this requirement by around half (£5.7 million). The savings arise from a combination of efficiencies, changes to services, increases to fees and charges, and a review of the council's 10-year capital forecasts. The savings requirement has also been impacted by changes to assumptions around local government funding and future business rates. The Council's Corporate Plan 2022-2027, approved in February 2022, sets out four key priorities to address these challenges and deliver the council's vision of 'One Cambridge, Fair for All'. It describes what success will look like and includes performance indicators to measure progress.</p>

# Appendix E - Summary of arrangements

## Financial Sustainability (continued)

We set out below the arrangements for the financial sustainability criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system	The Council have a number of joint arrangements in place with other local councils to achieve effectiveness and efficiency of service delivery. Finances are planned through the Medium-Term Financial Strategy and budget setting processes. The Council's Corporate Plan is presented and approved alongside the budget, the Treasury Management Strategy and the Capital Strategy in February each year. This sets out the wider objectives of the Council in respect of service delivery.
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>Budget holders and Heads of Service are responsible for delivering services within allocated budgets, and Heads of Service review financial and performance monitoring reports. Throughout the year, the Senior Leadership Team receive financial reports which identify and explain significant forecast outturn variances and summarise the impact on the overall financial position. Where concerns are identified these are actioned to ensure that the final outturn is consistent with the financial sustainability plans set out in the MTFS. The MTFS sets out risks and uncertainties that could impact the Council's financial position.</p> <p>Every year the MTFS is updated to incorporate the new challenges and pressures. Additional sensitivity analysis provided in the budget setting report to assess the impact of changes under various scenarios (e.g. Council tax, Developer contributions, Housing benefits) and to set out a guide to the effect of changes to the major cost elements and funding streams. Budget Setting Report includes "Performance against savings target" details with the reasons to explain the changes.</p>



# Appendix E - Summary of arrangements

## Governance

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	<p>The Council maintains risk registers covering corporate, service, shared service and project risks. These are reviewed by Senior Management, the Shared Services Board and programme and project boards as appropriate. The Chief Financial Officer is responsible for the development and maintenance of an anti-fraud and anti-corruption policy. Internal Audit undertakes a programme of annual risk-based reviews and provides assurance to the Civic Affairs Committee. The Civic Affairs Committee also receives an Annual Report on the anti-fraud work of Internal Audit and the fraud team within the Revenues and Benefits Service.</p>
How the body approaches and carries out its annual budget setting process	<p>The Council produce the Budget Setting Report in February prior to the start of the financial year. The Medium-Term Financial Strategy is then updated during the year. Senior Leadership and the Executive are involved throughout the Budget setting process, ensuring that priorities are considered and relevant financial pressures taken into account. The Medium-Term Financial Strategy and Budget are taken to Strategy and Resources Scrutiny Committee before approval at Full Council.</p> <p>The Leader will set a timetable for strategy proposals, including consultation plans, with input on methods from Scrutiny Committees. Scrutiny Committees review reports outlining strategies and consultation before executive decision-making. Executives consider any committee recommendations, then submit final proposals to the Council via the Chief Executive. The Executive discusses the Medium-Term Financial Strategy (MTFS) and strategic budget, followed by scrutiny and public consultation. The Strategy and Resources Scrutiny Committee reviews the draft budget, providing feedback to the Executive and Council. The final budget, incorporating public and committee input and the Council's Section 151 Officer's advice, is approved by the Council with potential amendments.</p> <p>Capital programme controls include full council approval for capital expenditure, Section 151 Officer's sanction on capital schemes, and Capital Programme Board approval before budget approval processes. Council members can speak at these meetings.</p>

# Appendix E - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed	<p>The Council operates a modern, cloud-based financial management system. This enables budget holders to review their budgets on screen and regularly update their forecast spend. Budget holders are supported and challenged in this by Service Accountants. Internal Audit review aspects of the system of financial control on a rolling basis and report their findings to the Civic Affairs Committee as part of their annual Internal Audit reporting programme.</p> <p>The Council's Section 151 Officer is responsible for maintaining a continuous review of the financial regulations and submitting any additions or changes necessary to the full council for approval and is also responsible for reporting, where appropriate, breaches of the financial regulations to the council and/or to the executive. The monitoring officer is also responsible for reporting any actual or potential breaches of the law or maladministration to the full council and/or to the executive, and for ensuring that procedures for recording and reporting key decisions are operating effectively.</p> <p>In the 2023/24 financial year, the Council was unable to publish its draft financial statements by the target date outlined in the Accounts and Audit Regulations 2015 (being the 31 May 2024). The unaudited statements were published 28 February 2025 due to issues noted within the Statutory notice published on Council's website. (i) a sector-wide skills shortage, which has hampered the Council's ability to recruit appropriately qualified staff to cover the absence of key individuals in the Finance team (ii) the knock-on impact of delays to the audit of the 2022/23 financial statements, which has required additional quality assurance work to be carried out prior to publication.</p> <p>Given the delay to the publication of the draft financial statements in 2023/24, we have determined that there was a <b>significant weakness</b> in the governance criteria and the Council's arrangements in place to address the issues arising.</p>
How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee	<p>The Council adopts a decision-making process based on a committee system. Council meetings are open to the public and Councillors decide overall policies and set the budget each year.</p> <p>Decision-making processes and delegations are set out within the Constitution and Financial Regulations for all Committees, as well as decision making that is delegated to Council Officers. Where formal decisions are required they are pre-scrutinised by the appropriate scrutiny committee in advance of presentation to Full Council. This ensures that the necessary information is provided and that recommendations can be challenged before decisions are made.</p>

# Appendix E - Summary of arrangements

## Governance (continued)

We set out below the arrangements for the governance criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests)	<p>The Council maintains appropriate Registers of Gifts and Hospitality, and guidance is provided on the Council's intranet. Any matters, for example from whistle-blowing processes or complaints, are investigated in accordance with agreed processes and/or referred to Internal Audit or the Monitoring Officer, as appropriate. Councillors are required to complete and update the Council's Registers of Interest which are available on the Council's public website.</p> <p>Councillors must adhere to a Code of Conduct that outlines acceptable behaviours and Council dealings. They are required to declare their employment, financial interests, and maintain confidentiality, among other ethical rules. The Code mandates registering interests, owning land, affiliating with organizations, and reporting any gifts or hospitality. These disclosures are accessible on each Councillor's page under "Members Interests" and "Gifts and Hospitality." All related regulations are embedded in the Council's Constitution.</p> <p>In December 2023, the Council has self-referred to the Regulator of Social Housing (RSH) identifying issues in rent setting. Following this, the RSH has published a regulatory judgement in July 2024 concluding that there have been serious failings in how the Council delivered the outcomes of the Rent Standard and therefore have no assurance that the Council was previously compliant with the Welfare Reform and Work Act 2016. The Council included a provision of £4.37 million in the 2023/24 draft financial statements to account for the estimated rent overpayments refundable to tenants.</p> <p>Therefore, in respect of 2023/24, there was evidence of a significant weakness in arrangements that:</p> <ul style="list-style-type: none"><li>• Could reasonably lead to significant impact on the quality and effectiveness of the service, and the body's reputation; and</li><li>• Exposes the Council to financial losses as a result of overcharging of rent and service charges, the need to repay and compensate tenants for the overcharging, along with the costs associated with investigating the issue and quantifying the sums due for repayment, as well as further remedial costs to ensure Council's compliance to relevant regulations.</li></ul> <p>This indicates <b>significant weakness</b> in proper arrangements due to non-compliance with laws and regulations - specifically in relation to housing services.</p>

# Appendix E - Summary of arrangements

## Improving economy, efficiency and effectiveness

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2023/24.

Reporting criteria considerations	Arrangements in place
How financial and performance information has been used to assess performance to identify areas for improvement	The Council's Corporate Plan 2022-2027, approved in February 2022, sets out four key priorities to address these challenges and deliver the Council's vision of 'One Cambridge, Fair for All'. It describes what success will look like and includes performance indicators to measure progress. Regular reporting of performance and financial is undertaken. As part of this, the Council consider the delivery of services and the Council priorities and previous performance. The Council, Executive & Scrutiny Committees receive a variety of performance based reports throughout the year to continuously monitor performance. The Annual Report sets out the performance against the Council's priorities and Annual Governance Statement set out the review of performance for the year.
How the body evaluates the services it provides to assess performance and identify areas for improvement	The Corporate Plan sets out key performance indicators for the Council's objectives, and provision of services are assessed against these objectives. The Annual Report sets out the performance against the Council's priorities and Annual Governance Statement set out the review of performance for the year. The nature of monitoring therefore is dependent on the nature of the service provided and the key performance indicators monitored. The Narrative Report sets out a review of achievements against the corporate plan.



# Appendix E - Summary of arrangements

## Improving economy, efficiency and effectiveness (continued)

We set out below the arrangements for improving economy, efficiency and effectiveness criteria covering the year 2022/23.

Reporting criteria considerations	Arrangements in place
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>The Council ensures that it is represented on partnership bodies by relevant senior managers or members, as required. Regular reports are brought to the relevant Scrutiny Committee for review, for example on shared services and work with the Combined Authority. Other key partnerships include the Greater Cambridge Partnership, where the Council have a nominated member who sits on the Executive Board for key decision making at the partnership.</p> <p>The Council's Section 151 Officer oversees effective controls to prevent resource waste, maintains a contract register, performs risk assessments before agreements, ensures proper accounting for partnerships, and considers governance and legal issues in external contracts. Directors/Assistant Directors must secure approvals prior to finalizing negotiations with external parties.</p>
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>The Council has a procurement team which provides advice and support to officers undertaking procurement activities. The team also maintain procurement guidance and templates, the contract register and a separate procurement system. Internal Audit also review procurements as part of their Internal Audit plan. In accordance with the Constitution, significant procurements must be approved by the Executive Councillor following scrutiny at the relevant committee. The Monitoring Officer has overall responsibility for ensuring the Council complies with relevant laws and regulations.</p> <p>Each Director and Head of Service is responsible for ensuring that his/her department complies with Contract Procedure Rules, the Financial Regulations and all applicable legislation. They must ensure that procurement requirements are appropriately planned, reported, monitored and awarded. They may delegate the practical elements of the processes to competent personnel within their departments, who are then equally responsible for ensuring these Rules are adhered to.</p>

# Appendix F – Summary of recommendations

## Recommendations

The table below sets out the recommendations arising from the value for money work in the year covered in this report (2023/24).

All recommendations have been agreed by Management.

Issue	Recommendation	Management response
<b>Governance: How the Council ensures that it makes informed decisions and properly manages its risks.</b>	<b>Recommendation:</b> We recommend that the Council continues to re-assess roles, responsibilities and resource requirement for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and the requirements of the Audit and Accounts Regulations.	
	<b>Recommendation:</b> We recommend that Council continues to work with the Regulator of Social Housing to deliver the improvement plan to ensure that sufficient change and improvements are being made.	



# Appendix G – PSAA Statement of Responsibilities

As set out on the next page our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. In particular the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

## ***Preparation of the statement of accounts***

*26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.*

*27. In preparing their statement of accounts, audited bodies are expected to:*

- prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;*
- ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.*
- assign responsibilities clearly to staff with the appropriate expertise and experience;*
- provide necessary resources to enable delivery of the plan;*
- maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;*
- ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;*
- ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and*
- during the course of the audit provide responses to auditor queries on a timely basis.*

*28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable and the start date of the audit will be delayed.*

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