

# Cambridge City Council

Audit Results Report

Year ended 31 March 2025

**11 February 2026**



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

11 February 2026

Dear Civic Affairs and Audit Committee

### 2024/25 Audit Results Report

We attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Civic Affairs and Audit Committee. We will update the Civic Affairs and Audit Committee at its meeting scheduled for 23 February 2026 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 2024/25 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 (the Council's) accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the Management team for supporting this process.

The Civic Affairs and Audit 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 consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Civic Affairs and 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. We draw Civic Affairs and Audit Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

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

We welcome the opportunity to discuss the contents of this report with you at the Civic Affairs and Audit Committee meeting on 23 February 2026.

The [2025 Transparency Report](#) for EY UK provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 30 June 2025.

Yours faithfully

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 and Audit 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 and Audit 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 and Audit 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 - Measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of the 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;
- a lack of auditors and audit firms with public sector experience; and
- increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG has worked collaboratively with the FRC and other system partners, to develop and implement measures to clear the backlog. 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. This has now been delivered.
- 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 2024/25 financial statements is 27 February 2026. This process of rebuilding assurance will take several years to achieve. The NAO, supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ authority to authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach. In 2024/25 we have continued to audit the closing balance sheet and in-year transactions, which allows the build back of assurances over a large number of balances within the financial statements where audit procedures can be completed for successive years.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 01 May 2025 Audit Completion Report we issued a disclaimer of opinion on the Council's 2022/23 and 2023/24 financial statements under these arrangements to reset and recover local government audit. In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taken together with the requirement to conclude our work by the 2024/25 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 misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.

Appendix A sets out the current position of Cambridge City Council in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

# Executive Summary – Context for the audit

## Scope update

In our Audit Plan issued on 28 April 2025 to the Civic Affairs and Audit Committee, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- **Changes in materiality:** We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure on services, we have updated our overall materiality assessment to £3.64 million (Audit Plan – £3.90 million). This results in updated performance materiality, at 50% of overall materiality, of £1.82 million, and an updated threshold for reporting misstatements of £0.182 million.
- **Change in risk assessment:** In our Audit Plan, we initially identified the implementation of IFRS 16 Leases as an area of focus, as we did not expect IFRS 16 to have a material impact on the financial statements based on Management's initial assessment. However, following our review of the draft financial statements, we have assessed that the impact is material, and therefore we have elevated the risk to inherent risk.

## Value for Money

In our Audit Plan dated 28 April 2025, we reported that we had completed our Value For Money (VFM) risk assessment and we had identified risks of significant weakness in respect of the following:

- The Council's ability to prepare and publish draft financial statements in line with the deadlines set by the 2015 Accounts and Audit Regulations (for 2024/25 this deadline being the 30 June 2025).
- The Council's failure to deliver outcomes of Rent Standards and breach of the Welfare Reform and Work Act 2016 (the Act).

Having updated and completed the planned procedures for VFM, we have concluded that neither of the above risks of weakness are a significant weakness in the Council's arrangements.

We identified an additional risk of significant weakness in relation to the capacity and capabilities within the finance team to support the delivery of the 2024/25 audit. We have concluded that this risk does represent a significant weakness in the Council's underlying arrangements. See Section 03 of the report for further details.

## Audit differences

We highlight the following misstatements greater than £0.182 million which have been corrected by Management that were identified during the course of our audit:

### Factual misstatement

- **Balance Sheet – Property, Plant, and Equipment (PPE):** Land values of a number of assets revalued in 2024/25 were not updated in the Fixed Asset Register (FAR). This resulted to an understatement of PPE balance by £10.61 million.
- **Balance Sheet – Property, Plant, and Equipment (PPE):** Our review of the FAR identified that the land values for two assets which are not owned by Council were incorrectly recognised as PPE as at 31 March 2025. Therefore, PPE balance was overstated by £6.78 million.
- **Balance Sheet – Investment Property:** Our review identified fair value of one asset revalued in 2024/25 was not updated in the Fixed Asset Register. This resulted to an understatement of IP balance by £0.395 million.

# Executive Summary (cont'd)

## Audit differences (cont'd)

**Balance Sheet – Investment Property:** Our review of the valuation of one investment property identified that the Valuer used an incorrect combined income figure in their calculation, resulting in an overstatement of the asset's value by £0.190 million.

For further information on these audit differences please see Section 05 of this report.

## Status of the audit

Our work in respect of the Council's financial statements audit is near completion.

The audit commenced on the 10 November 2025. There were areas of the audit that we were unable to conclude as working papers and requested evidence were not provided in line with the agreed audit timetable and were generally not to the expected standard to support an audit. We have communicated these areas throughout the report and in our summary of assurances Appendix B.

The following items relating to the completion of our audit procedures were outstanding at the date of this report.

Closing procedures:

- Final Manager and Engagement Partner reviews.
- Subsequent events review;
- Agreement of the final set of financial statements;
- Receipt of signed Management Representation letter;

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the financial statements which could influence our final audit opinion.

# Executive Summary (cont'd)

## 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.

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts, as the Council falls below the £2 billion threshold for full audit procedures. We therefore have no matters to report as a result of this work.

We were made aware, during our 2024/24 audit, 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 both the financial statements and our Value for Money responsibilities.

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.

We have performed sufficient further audit procedures to determine the impact on the financial statements. We have no matters to report as a result of this work and are not modifying our audit opinion in relation to this issue.



# Executive Summary (cont'd)

## Areas of audit focus

In our Audit Plan, we identified a number of key areas of focus for our audit of the financial report of the Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Risk	Status of our work
Misstatement due to fraud or error	We have been unable to complete our planned procedures in relation to testing of journal entries as Management was unable to provide evidence to support any of the selected sampled journal transactions. See page 13 for further detail.
Misstatements due to fraud or error - Inappropriate capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS)	We have completed our testing of REFCUS transactions and have no matters to report.  We have not completed our testing of Property, Plant, and Equipment (PPE) additions as the Council was unable to provide corroborating evidence to support 20% of the sampled transactions. See page 14 for further detail.
Investment Property Valuations	Our work identified discrepancies between the rent data provided by the Council and the information used by the valuer in their valuation calculations. For three samples, the Council was unable to provide lease agreements to corroborate the rent data used. We have raised recommendations on this matter in Section 06.  In addition, our review identified that the fair value of one asset revalued in 2024/25 was not updated in the Fixed Asset Register. This resulted to an understatement of IP balance by £0.395 million  EY Real Estate's review of the valuation of one Investment Property identified that the Valuer used an incorrect combined income figure in their calculation, resulting in an overstatement of the asset's value by £0.190 million.  We have been unable to complete our planned procedures for testing of Investment Property valuations as the Council have not provided corroborating evidence and responded to our queries to support the sampled assets within the agreed timeframe. As a result, we have been unable to conclude our work and have partial assurance on this area.
Pension Valuation	We have completed our work on this area and have no matters to report.
IFRS 16 Implementation of Leases	We have completed our work on this area and have identified a number of disclosure misstatements which Management agreed to amend in the updated financial statements.
Bad debt provision and recoverability of receivables	We have been unable to complete our planned procedures in relation to this area as the Council was not able to provide working papers to support the calculation of Bad Debt Provision by the agreed deadline. See page 18 for further detail.
Group Accounting	We have completed our work on this area and have no matters to report.

# Executive Summary (cont'd)

## Areas of audit focus

Risk	Status of our work
Provision for Housing Revenue (HRA) Liabilities	We have completed our work on this area and have no matters to report.
Council Dwellings Valuation	We have completed our work on this area and have no matters to report.
Valuation of Land and Buildings	<p>We have completed our work on this area and have identified two misstatements to report:</p> <ul style="list-style-type: none"><li>Land values of a number of assets revalued in 2024/25 were not updated in the Fixed Asset Register (FAR). This resulted to an understatement of Property, Plant &amp; Equipment (PPE) balance by £10.61 million.</li><li>Our review of the FAR identified that the land values for two assets, which are not owned by Council were incorrectly recognised as PPE as at 31 March 2025. Therefore, the PPE balance was overstated by £6.78 million.</li></ul>

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 and Audit Committee.

## Control observations

We have adopted a fully substantive audit approach, so have not tested the operation of controls at the Council.

However, we have identified a number of control findings which we would like to bring to your attention, please see Section 06 of this report for further information.

## Independence

Please refer to Section 08 for our update on Independence.

# Executive Summary (cont'd)

## Factors impacting the execution of the audit

Management, and the Civic Affairs and Audit Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and Management's responsiveness to issues identified during the audit. The table below sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

Area	Status			Explanation
	R	A	G	
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 June 2025 deadline set out in the Accounts and Audit Regulations.
Quality and completeness of the draft financial statements	Effective			There were few non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements that should have been detected through internal quality review prior to publication.
Delivery of working papers in accordance with agreed client assistance schedule	Ineffective			Working papers and supporting evidence were not provided in line with the agreed timetable.
Quality of working papers and supporting evidence	Ineffective			Working papers and supporting evidence were generally not to the required standard to support the audit. See Section 6 - Assessment of Control Environment for further details.
Timeliness and quality of evidence supporting key accounting estimates	Ineffective			There have been significant delays in receiving the required supporting working papers for the audit from the Council. The documentation was not provided within the agreed timetable.  The absence of timely, supporting working papers, has impacted our ability to perform all of our planned audit procedures. As reported in Appendix B, key audit procedures in a number of areas are incomplete because essential evidence was not made available for review. The timely provision of working papers is a critical component of an effective audit process, ensuring that planned work can be completed efficiently and that any emerging issues can be addressed promptly.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			The primary finance team member responsible for the financial statements has not been available to support the audit process due to long term leave. In addition, we have experienced delays in obtaining responses and evidence from other members of the finance team. As a result, certain areas have been significantly delayed. We expect to raise a scale fee variation in respect of this. See Section 08 for further details.
Volume and value of identified misstatements	Requires improvement			We have identified a number of material misstatements as a result of our work which have been corrected by Management. See Section 05 for details of corrected misstatements. We also consider this further in our VFM reporting. See Section 03.
Volume of misstatements in disclosure	Effective			A limited number of misstatements in disclosure were detected in our work.

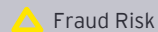


## 02 Areas of Audit Focus

# Areas of Audit Focus

## Significant Risk

### Presumptive risk of management override of controls



#### What is the risk, and the key judgements and estimates?

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

As identified in ISA (UK) 240, Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement.

#### Our planned response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- ▶ Identified fraud risks during the planning stages of the audit.
- ▶ Inquired of Management regarding fraud risks and the controls implemented to address them.
- ▶ Gained an understanding of the oversight exercised by Those Charged with Governance over management's fraud-related processes.
- ▶ Discussed fraud risks with Those Charged with Governance, including risks specific to the entity's business sector and operating environment.
- ▶ Considered whether related party relationships and transactions presented fraud risk factors that could lead to material misstatement.
- ▶ Assessed the effectiveness of management's controls designed to mitigate fraud risks.
- ▶ Determined an appropriate audit strategy to respond to the identified fraud risks.
- ▶ Performed mandatory procedures regardless of identified fraud risks, including testing journal entries and other adjustments made during financial statement preparation.
- ▶ Undertook procedures to identify significant unusual transactions.
- ▶ Considered the presence of management bias in key accounting estimates and judgments.

#### What else did we do?

Evaluated whether additional audit procedures were necessary beyond those listed above and concluded that procedures under 'Inappropriate capitalisation of revenue expenditure' were required (see following page).


#### What are our conclusions

We selected a specific set of journals for testing this risk, however, the Council were unable to provide the required sample evidence and respond to our queries within the agreed timeframe. As such we have been unable to complete our planned procedures in this area and are unable to obtain assurance at 31 March 2025.

# Areas of Audit Focus (cont'd)

## Significant Risk

Inappropriate capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS)

 Fraud Risk

### What is the risk?

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.

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) additions and/or REFCUS in the financial statements.

### Our planned response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- ▶ Tested Property, Plant and Equipment (PPE) additions to ensure that the expenditure incurred and capitalised was clearly capital in nature.
- ▶ Assessed whether the capitalised spend clearly enhanced or extended the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ Considered whether any development or other related costs that have been capitalised were reasonable to capitalise, i.e., the costs incurred were directly attributable to bringing the asset into operational use.
- ▶ Tested REFCUS expenditure to ensure that it was appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- ▶ Identified and understood the basis for significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

### What are our conclusions

We have completed our REFCUS testing and did not identify any issues.

We have been unable to complete our testing of Property, Plant & Equipment additions as the Council has not provided corroborating evidence or respond to our queries to support the sampled transactions (for 20% of our sample items) within the agreed timeframe.

As a result, we have been unable to conclude our work and have no assurance on this area.

# Areas of Audit Focus (cont'd)

## Significant Risk

### Investment Property Valuations

#### What is the risk?

The Council's Investment Property portfolio is a material balance (£171 million at 31 March 2025) disclosed on the Council's Balance Sheet.

Individual asset markets may react differently to ongoing uncertainties and considerations must be given to ensure sufficient and appropriate market data is used for valuations in 2024/25. 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.

#### Our planned response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- ▶ Considered the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample test key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Review assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated;
- ▶ Test accounting entries have been correctly processed in the financial statements;
- ▶ Review financial statement disclosures to ensure that adequate disclosures have been made in relation to estimation uncertainty.

#### What are our conclusions

Our work identified discrepancies between the rent data provided by the Council and the information used by the valuer in their valuation calculations. For three samples, the Council was unable to provide lease agreements to corroborate the rent data used. We have raised recommendations on this matter in Section 06.

In addition, our review identified the fair value of one asset revalued in 2024/25 was not updated in the Fixed Asset Register. This resulted to an understatement of Investment Property balance by £0.395 million.

For one of the sampled assets (Market Square) selected for valuation testing, EY Real Estates identified that the Valuer had used an incorrect combined income figure in their calculation. This resulted in overstatement of the asset's value by £0.190 million which would fall outside a reasonable range. The Valuer has confirmed that the income figure used was incorrect. EY Real Estates have recalculated the asset valuation using the correct income and concluded that the updated valuation now falls within their expected value range.

We have been unable to complete our planned procedures for testing of Investment Property valuations as the Council have not provided corroborating evidence and responded to our queries to support the sampled assets within the agreed timeframe. As a result, we have been unable to conclude our work and have partial assurance on this area.

# Areas of Audit Focus (cont'd)

## Significant Risk

### Pension Valuations

#### What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's Pension Fund net asset is a material estimated balance and the Code requires that this amount be disclosed on the Council's balance sheet. 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.

Accounting for this scheme 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.

#### Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- ▶ Liaise with the auditors of Cambridgeshire County Council Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.
- ▶ Assess the work of the pension fund actuary including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors and considering any relevant reviews by the EY actuarial team.
- ▶ Evaluate the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model.
- ▶ Review and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS 19.
- ▶ Assess whether any pension asset has been recognised in accordance with IAS 19 and IFRIC 14 and our understanding of the Local Government Pension Scheme.
- ▶ Engage EY specialist to assess the Council's asset ceiling calculations.

#### What are our conclusions

We have completed our work on this area.

We received the Pension Fund auditor assurances on 3 December 2025. The auditor noted immaterial timing differences in the investment valuations and immaterial variances relating to the Council's contributions and benefits paid. These did not have a material impact on the Council, and we confirmed that the Council had correctly recorded the amounts in its accounting records.

Overall, the Pension Liability estimate remains reasonable.



# Areas of Audit Focus (cont'd)

## Risk of Material Misstatement (Inherent Risk)

### IFRS 16 Implementation of Leases

#### What is the risk?

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/25 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.

IFRS 16 eliminates the operating/finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is lessee, these will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g., RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

In our Audit Plan, we have indicated this as an area of focus as our initial planning procedures indicate that the impact of IFRS 16 to the financial statements is not material. Upon review of the draft financial statements, we have identified that the impact is material and therefore elevated our risk assessment to inherent risk.

#### Our response to the key areas of challenge and professional judgement

In response to this risk, we planned to undertake the following procedures:

- ▶ Gain an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- ▶ Review the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- ▶ Review Management policies, including whether to use a portfolio approach, low value threshold, and asset classes where Management is adopting as the practical expedient to non-lease components.
- ▶ Gain assurance over the right of use asset included in the 2024/25 financial statements; and
- ▶ Sample test leases to ensure that transition arrangements have been correctly applied.
- ▶ We will consider the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.

#### What are our conclusions

We have completed our work in this area and have identified a number of disclosure misstatements which Management agreed to amend in the financial statements.

Further, we have identified that for one assumption, used by the Council's valuer in the valuation of Right of Use Assets (for net income generated by car parks), that it was based on forecasted figures instead of historical actual data. The valuer noted that they relied solely on the information provided by the Council. We have been unable to obtain a clear explanation from either the Council or the valuer regarding the accuracy or basis of the net income figures supplied for the valuation. However, this did not result to a material error. We have raised a recommendation in Section 06.

# Areas of Audit Focus (cont'd)

## Risk of Material Misstatement (Inherent Risk)

### Bad debt provision and recoverability of receivables

#### What is the risk?

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 this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.

#### Our response to the key areas of challenge and professional judgement

In order to address this risk we undertook the following audit procedures:

- ▶ Reviewed the calculation of the bad debt provision for reasonableness and accuracy; and
- ▶ Considered the recoverability of debts in testing a sample of trade receivables;

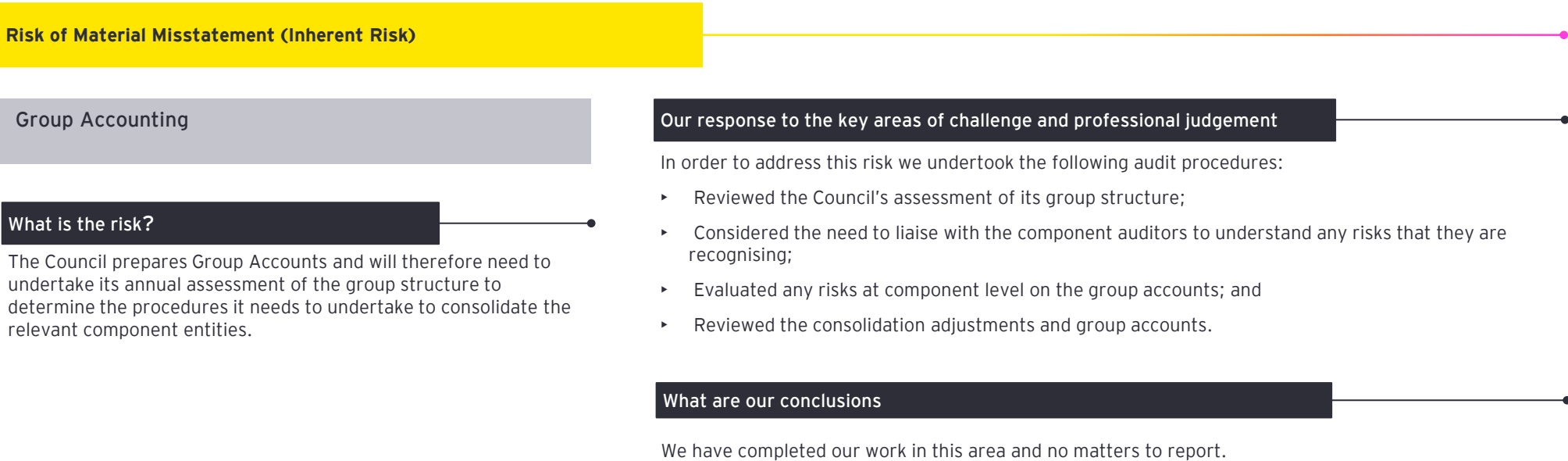
#### What are our conclusions

We have been unable to complete our planned procedures on this area as the Council was not able to provide a supporting working paper to support the calculation of the Bad Debt Provision within the agreed timeframe.

In addition, the Council was not able to provide a detailed Debtors listing against which we could assess this provision.

As a result, we have been unable to conclude our work and have no assurance on this area.

# Areas of Audit Focus (cont'd)



# Areas of Audit Focus (cont'd)

## Risk of Material Misstatement (Inherent Risk)

### Provision for Housing Revenue (HRA) Liabilities

#### What is the risk?

The Council identified a historic breach of regulations relating to rental charges on housing stock. This involves misinterpretations in how rent has been calculated and charged, which has led to the overcharge of rent to some tenants.

Consequently, the Council will need to refund overpayments of rent to current and previous tenants. The refund will involve computations which include assumptions and judgments. Therefore, we have raised this as an inherent risk.

There are also completeness considerations attached given the length of time that the cases span over and the availability of Council records to identify all overpayment instances.

#### Our response to the key areas of challenge and professional judgement

In order to address this risk we undertook the following audit procedures:

- ▶ Considered and reviewed the computation performed by the Council;
- ▶ Assessed the completeness of information available to the Council to make a reliable estimate; and
- ▶ Challenged the judgements and assumptions made by the Council in doing the computation.

#### What are our conclusions

We have completed our work in this area and no matters to report.

# Areas of Audit Focus (cont'd)

## Risk of Material Misstatement (Inherent Risk)

### Council Dwellings Valuation (HRA)

#### What is the risk?

Council dwellings represent a significant balance in the Council's accounts (£831.33 million at 31 March 2025) and are subject to valuation changes, impairment reviews and depreciation charges.

As the value of council dwellings are significant, and the outputs from the its valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the related accounting entries incorrectly posted.

#### Our response to the key areas of challenge and professional judgement

In order to address this risk we undertook the following audit procedures:

- ▶ Considered the work performed by the Council's valuers (Wilkes Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

#### What are our conclusions

We have completed our work in this area and no matters to report.

# Areas of Audit Focus (cont'd)

## Risk of Material Misstatement (Inherent Risk)

### Valuation of Land and Buildings

#### What is the risk?

Other Land and Buildings (OLB) represents a significant balance in the Council's accounts (£112.32 million at 31 March 2025) and is subject to valuation changes, impairment reviews and depreciation charges. Material judgemental inputs and estimation techniques are required to calculate the year-end balances held in the balance sheet. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of experts and assumptions underlying fair value estimates.

#### Our response to the key areas of challenge and professional judgement

In order to address this risk we undertook the following audit procedures:

- ▶ Sampled test key asset information used by the valuer in performing their valuation;
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code. We will consider if there are any specific changes to assets that have occurred and that these have been communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.
- ▶ Engaged EY Real Estate as our internal specialist to review one asset sample of the valuation, assumption and conclusion reached by the external valuers.

#### What are our conclusions

We have completed our work on this area and have two matters to report. Our testing of the valuation of assets identified the following misstatements:

- Land values for a number of assets revalued in 2024/25 was not updated in the Fixed Asset Register (FAR). This resulted to an understatement of Property, Plant & Equipment balance by £10.61 million.
- Our review of the FAR identified that the land values for Grafton East Car Park and Grafton West Car Park, which are not owned by Council, were incorrectly recognised as PPE as at 31 March 2025. Therefore, PPE balance was overstated by £6.78 million.

EY Real Estates did not identify any issues with the valuation of the sampled asset.



# 03 Value for Money

# Value for Money

## The Authority's responsibility for Value for Money (VFM)

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

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Authority tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment and status of our work

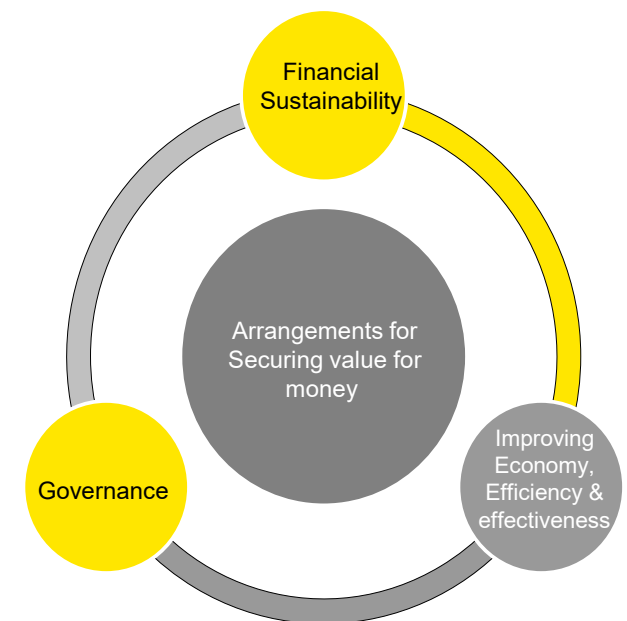
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our Value for Money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council arrangements against three reporting criteria:

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

We have completed our detailed risk assessment VFM work and identified three risks of significant weakness as documented on the next page.





# Corporate Governance (cont'd)

## Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?
The Council's ability to prepare and publish draft financial statements in line with the deadlines set by the 2015 Accounts and Audit Regulations (for 2024/25 this deadline is 30 June 2025)	<b>Governance:</b> How the body ensures effective processes and systems are in place to support its statutory financial reporting requirements.  This risk did not result in a significant VFM weakness.
The Council's failure to deliver outcomes of Rent Standards and breach of the Welfare Reform and Work Act 2016 (the Act)	<b>Governance:</b> How the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards are met.  This risk did not result in a significant VFM weakness.
Capacity and capability of the Finance Team to support the audit process	<b>Governance:</b> How the body ensures effective processes and systems are in place to support its statutory financial reporting requirements.  We will be reporting a significant weakness in respect of this risk in our audit report, a draft of which is included within Section 04.

We will issue our VFM narrative commentary, including the findings in relation to the risks of significant weakness, in our final 2024/25 Auditor's Annual Report which we expect to issue in March 2026.



# 04 Audit Report

# Audit Report

## Draft audit report

## Our draft opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGE CITY COUNCIL

#### Disclaimer of Opinion

We were engaged to audit the financial statements of Cambridge City Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2025. The financial statements comprise the:

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related notes 1 to 33 to the Council's financial statements and the related notes 1 to 6 to the Group financial statements including material accounting policy information,
- Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, and the related notes 1 to 5,
- Collection Fund and the related notes 1 to 3.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) ("the Regulations") which came into force on 30 September 2024 required the accountability statements for the year ended 31 March 2025 to be approved not later than 27 February 2026 ('the backstop date').

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

Due to the disclaimers of opinion on the financial statements in the prior years, delays in receiving associated audit evidence and inability to support the audit in advance of the backstop date, we have not been able to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2025.

Therefore, we are disclaiming our opinion on the financial statements.

The audits of the financial statements for the years ended 31 March 2023 and 31 March 2024 for Cambridge City Council were not completed for the reasons set out in our disclaimers of opinion on those financial statements dated 9 December 2024 and 14 May 2025, respectively.

# Audit Report

## Draft audit report

## Our draft opinion on the financial statements

### Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Group and the Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception

### Report on the Group and the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources

We report to you, if we are not satisfied that the Group and the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in relation to the specified reporting criteria of the Group and the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2025.

### Significant weaknesses in arrangements

#### In relation to governance

#### Our judgement on the nature of the weaknesses identified

The Council lacked the necessary expertise and capacity within its Finance Team to appropriately support the external audit process, specifically in its ability to produce supporting working papers and evidence required for the audit.

#### The evidence on which our view is based:

Working papers and supporting evidence were not provided in line with the agreed timetable and did not meet the expected quality requirements.

#### The impact on the Council:

Failure to improve the Council's processes to produce good quality financial information will impact its ability to meet statutory financial reporting deadlines and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

# Audit Report

## Draft audit report

### Our draft opinion on the financial statements

#### The action the body needs to take to address the weakness:

The Council should strengthen its approach to preparing financial statements and supporting the audit process. The Finance Team must:

- Ensure a thorough understanding of the Local Government accounting framework and the CIPFA Code of Practice;
- Deepen its knowledge of the Council's financial operations to support accurate reporting;
- Maintain sufficient capacity of skilled professionals with appropriate training to produce high-quality audit-ready working papers; and
- Provide timely and effective support throughout the audit cycle.

The issue above is evidence of weaknesses in proper arrangements for governance, including ensuring the Council has effective processes and systems in place to support its statutory financial reporting requirements.

#### **Responsibility of the Chief Finance Officer**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on pages 19, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, includes the Group and the Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### **Auditor's responsibilities for the audit of the financial statements**

Our responsibility is to conduct an audit of the Group and the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The description of the auditor's responsibilities is included directly within the audit report as it is not appropriate to include it within an appendix or to refer to the description on the FRC's website. The description of the responsibilities itself is shortened significantly.

# Audit Report

## Draft audit report

## Our draft opinion on the financial statements

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Cambridge City Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Cambridge City Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

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

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### Certificate

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office, as group auditor, has confirmed that no further assurances will be required from us as component auditor of the Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of Cambridge City Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Council and the Group and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

.....

Date: 24 February 2026

**Mark Hodgson (Key Audit Partner)**  
Ernst & Young LLP (Local Auditor)  
Cambridge



# 05 Audit Differences

# Audit Differences

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

## Summary of adjusted differences

We highlight the following misstatements greater than £0.182 million which have been corrected by Management that were identified during the course of our audit:

### Factual Misstatements

- **Balance Sheet - Property, Plant, and Equipment:** Land values of a number of assets revalued in 2024/25 was not updated in the Fixed Asset Register (FAR). This resulted to an understatement of PPE balance by £10.61 million.
- **Balance Sheet - Property, Plant, and Equipment:** Our review of the FAR identified the land values for two assets not owned by Council were incorrectly recognised as PPE as at 31 March 2025. Therefore, PPE balance was overstated by £6.78 million.
- **Balance Sheet - Investment Property:** Our review identified fair value of one asset revalued in 2024/25 was not updated in the Fixed Asset Register. This resulted to an understatement of IP balance by £0.395 million.
- **Balance Sheet - Investment Property:** Our review of the valuation of one investment property identified that the Valuer used an incorrect combined income figure in their calculation, resulting in an overstatement of the asset's value by £0.190 million.
- 

### Disclosure differences

A limited number of other disclosure and presentational items have been highlights to Management for amendment. We do not deem these to merit inclusion in this report.

### Uncorrected differences

There were no uncorrected misstatements.





# Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control (including group-wide or at components).

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

## Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
<b>Delays in receiving key working papers</b> There were delays in receiving key working papers and responses to queries throughout the audit, many of which were not provided in line with the agreed timescales. In several cases, the working papers provided were incomplete, required further clarification, or did not meet the format and evidential standards necessary to enable us to perform our planned procedures efficiently. These delays created substantial disruption to the audit timetable, increased the amount of rework required, and limited our ability to progress audit testing in accordance with the project plan. The cumulative impact of these issues has materially affected our ability to obtain audit evidence on a timely basis and complete the audit as scheduled.	High			We recommend that the Council strengthens its year-end closedown and audit preparation processes to ensure that all required working papers are prepared to the expected standard and provided in line with the agreed timescales. Management should implement clear internal ownership for each working paper, introduce quality checks prior to submission, and embed realistic internal deadlines to ensure that documentation is complete, accurate, and ready for audit review. Improving the timeliness and quality of working papers will support a more efficient audit, reduce the need for repeated requests and rework, and help ensure the audit can progress in accordance with the planned timetable.	Response from Management - TBC
<b>Property, Plant &amp; Equipment (PPE) valuation agreement to Fixed Asset Register (FAR)</b> Agreement of the PPE valuation schedules to the FAR identified several instances where assets land values had not been updated in FAR which resulted to asset valuation of £nil as at 31 March 2025. The carrying values of these assets was recorded as downward revaluation movement. This resulted in a material misstatement as reported in Section 05.	High			A comprehensive review of the Council's fixed-asset accounting routines should be undertaken to ensure that appropriate rigour is consistently applied and that the accounting treatment for all asset transactions is accurate and compliant.	Response from Management - TBC

# Assessment of Control Environment

## Summary of control observations and recommendations (cont'd)

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
<b>Debtors and Creditors listing</b> The Council's 31 March 2025 debtors listing (amounting to £17.22 million) and creditors listing (amounting to £43.28 million) contained opening balances, which Management were unable to cleanse for audit purposes. As a result, we were unable to complete our planned procedures for these areas.	High			We recommend that the Council performs a review of all creditor and debtor balances to ensure that opening balances are understood and cleansed so that the balance only contains year-end amounts.	Response from Management - TBC
<b>Agreement of Fixed Asset Register (FAR) to Property, Plant and Equipment (PPE) Note within the financial statements</b> We obtained the FAR for PPE and reconciled the closing balances to the financial statements. However, we have not been able to agree the in-year movements in any of the asset categories to the figures reported in the PPE note within the financial statements. The Council have not responded to our queries in relation to the variances identified and therefore we have not been able to conclude our work on this area.	Medium			We recommend that the Council have robust review process in place to ensure that all in-year movements are fully reconciled to the figures reported in the financial statements.	Response from Management - TBC
<b>Bank reconciliation</b> Our review of the Council's bank reconciliation identified a reconciling item, amounting to £2.8 million, which the Council was unable to provide any evidence and explanation to support it. We cannot therefore conclude on its appropriateness as a reconciling item in the bank reconciliation.  The issue has arisen due to the individual responsible for preparing bank reconciliation as part of the year-end closing process has since left the Council, resulting in difficulties in obtaining the necessary documentation and clarification.	Medium			We recommend that the Council ensure that all key reconciliations have proper documentation and corroborating evidence to support the process. This should be kept centrally and remain accessible regardless of staff turnover.	Response from Management - TBC

# Assessment of Control Environment

## Summary of control observations and recommendations (cont'd)

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
<b>Valuation of Investment Properties and Right of Use Assets</b> We have been unable to obtain a clear explanation or corroborating evidence from either the Council or the Valuer regarding certain assumptions used in the valuation of Investment Properties and Right of Use Assets. In addition, we identified discrepancies between the rent data provided by the Council and the information used by the Valuer in their valuation calculations.	Medium			We recommend that the Council and the property valuer work together to address the findings from our audit. The Council should ensure that valuation assumptions are supported by accurate and verifiable data. A clear process should be in place to review and validate information provided and used by the Valuer.	Response from Management - TBC

Grading	Definition
High	Matters and/or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
Moderate	Matters and/or issues considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
Low	A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.



## Other Reporting Issues

# Other Reporting Issues

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

We must give an opinion on the consistency of the financial and non-financial information in the Cambridge City Council financial statements 2024/25 with the audited financial statements

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

Financial information in the Cambridge City Council financial statements 2024/25 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report.

## Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

The Council falls below the £2 billion threshold for audit procedures within the NAO group instructions. We will confirm this position within the Assurance Statement to the NAO at the point of issuing our Audit Report. However, we cannot issue our Audit Certificate until the NAO has confirmed no further procedure are required.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) 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 are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State.

We have given serious consideration to the need to issue Statutory Recommendations under Schedule 7, given our assessment of the Council's financial reporting (Page 10) and the significant weakness we are reporting for the capacity and capability of the Finance Team to support the audit process under our Value for Money responsibilities (Page 24).

However, if we are not satisfied with the pace and substance of improvements in addressing our Recommendation 1 (Page 31) as part of the 2025/26 audit, we would be minded to issue Statutory Recommendations at that point, given the inability to support the audit process.

We have concluded that we will not issue Statutory Recommendations under Schedule 7 at this point, or that we need to issue a report in the public interest.



# 08 Independence

# Independence

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

## Relationships

There are no relationships from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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



# Independence

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.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

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

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	2024/25	2023/24
	£'s	£'s
Scale Fee - Code Work	200,163	174,191
Proposed scale fee variation	Note 2	Note 1
<b>Determined Scale Fee</b>	<b>TBC</b>	<b>174,191</b>

*All fees exclude VAT*

(1) PSAA Ltd has used its fee variation process to determine the final fee the Council had to pay for the 2023/24 audit. These have now been determined and concluded and are less than the initial published scale fee, due to the Government's Reset agenda and disclaimed audit opinions.

(2) The revision to ISA (UK) 315 will impact on our scope and approach and require us to enhance the audit risk assessment process, better focus responses to identified risks and evaluate the impact of IT on key processes supporting the production of the financial statements. We expect to charge addition fee for this. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:

- Reduced materiality level
- New accounting standards, for example full adoption or additional disclosures in respect of IFRS 16
- Audit adjustments, including disclosure amendments
- Control observations and recommendations
- Value For Money risks of significant weakness
- Overall audit evidence provided did not meet the requirements expected. The quality of working papers and evidence has not allowed us to conclude on significant number of areas.

The 2024/25 work is now substantially complete. We will consider the additional hours required to perform the procedures set out above and other areas of the audit which have required additional audit resource to complete the audit. We will share with Management our assessment of this before submitting to PSAA Ltd for determination.

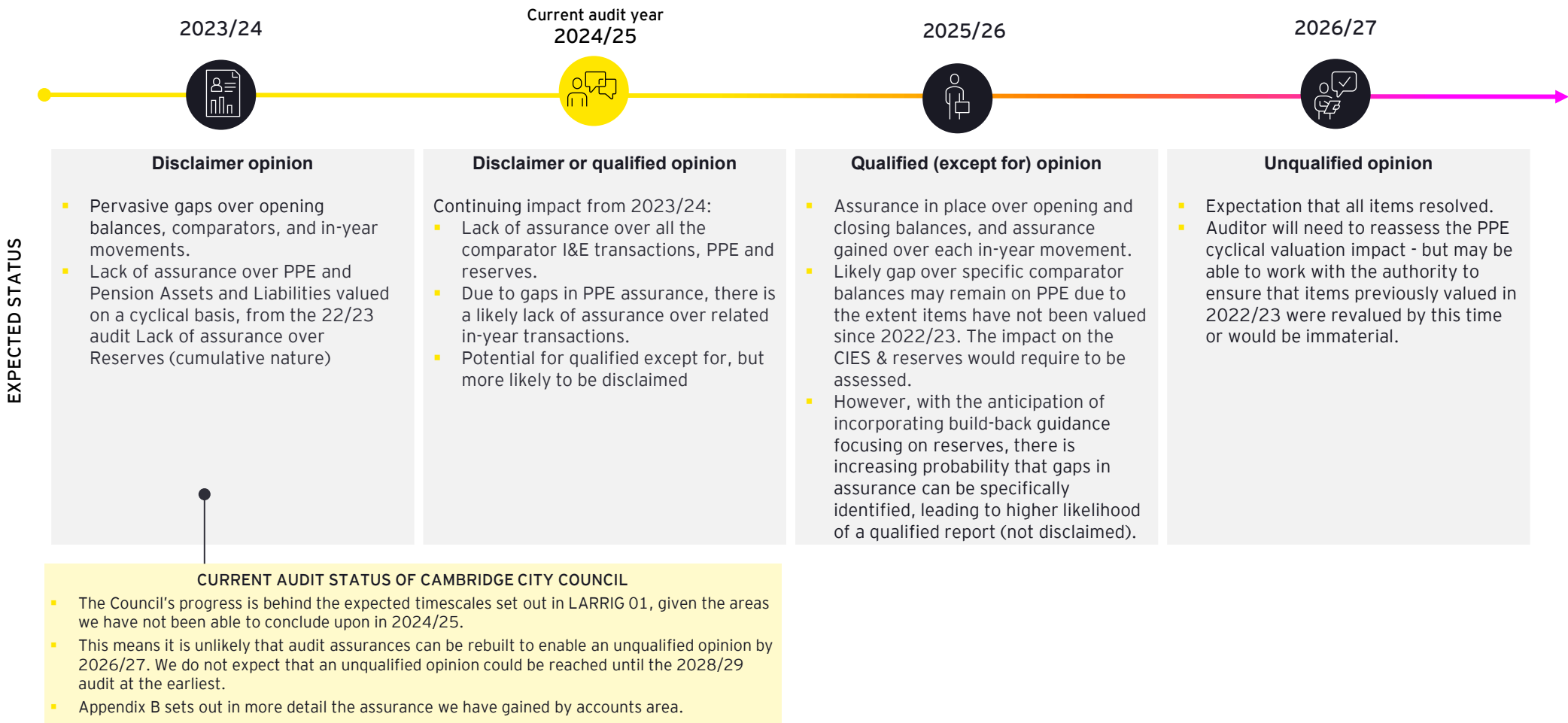


# 09 Appendices

# Appendix A – Progress to full assurance

## Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO’s Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council’s actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.



# Appendix B – Updated summary of assurances

## Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Short-term Debtors	None	None	We were unable to complete our planned audit procedures in this area and have obtained no assurance over the closing balance at 31 March 2025. This is due to the Council's 31 March 2025 balance of Short-term debtors amounting to £17.22 million contained opening balances which the Council was unable to cleanse for audit purposes. We have reported this in Section 06. The Council was unable to provide the requested working papers and evidence within the agreed timeframe.
Borrowings/Leases (short term & long term)	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash and Cash Equivalents	None	Partial	We have not completed our planned audit procedures in this area and have obtained partial assurance over the closing balance at 31 March 2025. The Council was unable to provide evidence and explanation for a reconciling item amounting to £2.8 million to support its appropriate accounting treatment. We have reported this in Section 06.
Short-term Creditors (including Receipts in advance)	None	None	We were unable to complete our planned audit procedures in this area and have obtained no assurance over the closing balance at 31 March 2025. This is due to the Council's 31 March 2025 balance of Short-term creditors amounting to £43.28 million contained opening balances which the Council was unable to cleanse for audit purposes. We have reported this in Section 06. The Council was unable to provide the requested working papers and evidence within the agreed timeframe.
Investments (Short term and long term)	None	Substantial	We have completed our planned audit procedures in this area and have obtained substantial assurance over the closing balance at 31 March 2025.
Leases (IFRS 16)	N/A	Substantial	We have completed our planned audit procedures in this area and have obtained substantial assurance over the closing balance at 31 March 2025.
Long Term Debtors	None	Substantial	We have completed our planned audit procedures in this area and have obtained substantial assurance over the closing balance at 31 March 2025.

# Appendix B – Updated summary of assurances

## Summary of Assurances (continued)

Account area`	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Investment Property (including CIES transactions)	None	Partial	We were unable to complete our planned audit procedures in this area and have obtained partial assurance over the closing balance at 31 March 2025. The Council or the Valuer were unable to provide explanation or corroborating evidence from regarding certain assumptions used in asset valuation calculation. We have reported this in Section 06.
Pension Scheme Valuation (including CIES transactions)	None	Partial	We have completed our planned audit procedures in this area and have obtained partial assurance over the closing balance at 31 March 2025. This is because we have not performed audit procedures in relation to the 2022/23 Pension Fund triennial review.
Property, Plant and Equipment (including CIES transactions)	None	Partial	We have not completed our planned audit procedures in this area and have obtained limited assurance over the closing balance at 31 March 2025. This is due to the variances noted from our reconciliation of figures within the FAR to the PPE notes to the financial statements. We have reported this in Section 06. The Council was unable to provide the requested working papers and evidence within the agreed timeframe.  We were able to complete our work on PPE valuations as at 31 March 2025 and have obtained assurance on this area.
Provision for HRA Liabilities	None	Substantial	We have completed our planned audit procedures in this area and have obtained substantial assurance over the closing balance at 31 March 2025.
Provisions (including NDR appeals held in the collection fund)	None	None	We were unable to complete our planned audit procedures in this area and have obtained no assurance over the closing balance as at 31 March 2025. The Council was unable to provide the requested working papers and evidence within the agreed timeframe.
REFCUS	None	Substantial	We have completed our planned audit procedures in this area and have obtained substantial assurance over the 2024/25 transactions.
Collection fund - Expenditure and other disclosures	None	None	We were unable to complete any of our planned audit procedures in this area and have no assurance over 2024/25 transactions and closing balance as at 31 March 2025. The Council was unable to provide the requested working papers and evidence within the agreed timeframe.
Collection Fund - Income	None	None	We were unable to complete any of our planned audit procedures in this area and have no assurance over 2024/25 transactions and closing balance as at 31 March 2025. The Council was unable to provide the requested working papers and evidence within the agreed timeframe.
Group Statements and Notes	None	Partial	We have completed all planned procedures for 2024/25 however, as we do not have assurance over the opening balance sheet balances at 1 April 2024, we do not have assurance over the in-year movements or prior year comparatives for the Group Accounts.

# Appendix B – Updated summary of assurances

## Summary of Assurances (continued)

Account area`	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
HRA - Expenditure	None	None	We were unable to complete any of our planned audit procedures in this area and have no assurance over 2024/25 transactions and closing balance as at 31 March 2025. The Council was unable to provide the requested working papers and evidence within the agreed timeframe.
HRA - Income	None	None	We were unable to complete any of our planned audit procedures in this area and have no assurance over 2024/25 transactions and closing balance as at 31 March 2025. The Council was unable to provide the requested working papers and evidence within the agreed timeframe.
Net cost of services - Employee costs	None	Substantial	We have completed our planned audit procedures in this area and have obtained substantial assurance over the 2024/25 transactions.
Net cost of services - Housing services expenditure	None	None	We were unable to complete our planned audit procedures in this area and have no assurance over 2024/25 transactions. The Council was unable to provide the requested working papers and evidence within the agreed timeframe.
Net cost of services - Other expenditure	None	None	We were unable to complete our planned audit procedures in this area and have limited assurance over 2024/25 transactions. The Council was unable to provide the requested evidence for 15 sampled transactions within the agreed timeframe.
Net cost of services - Other income	None	None	We were unable to complete our planned audit procedures in this area and have limited assurance over 2024/25 transactions. The Council was unable to provide the requested evidence for 17 sampled transactions within the agreed timeframe.
Net cost of services - Grant Income	None	None	We were unable to complete our planned audit procedures in this area and have limited assurance over 2024/25 transactions. The Council was unable to provide the requested evidence for 8 sampled transactions within the agreed timeframe.
Taxation and non-specific grant income	None	Partial	We were unable to complete our planned audit procedures in this area and have limited assurance over 2024/25 transactions. We gained assurance over £12 million of the £41 million balance, as the Council was unable to provide the requested evidence for 5 sampled transactions within the agreed timeframe.
Finance & Investment income and expenditure	None	None	We were unable to complete our planned audit procedures in this area and have no assurance over 2024/25 transactions. The Council was unable to provide the requested working papers and evidence within the agreed timeframe.

# Appendix B – Updated summary of assurances

## Summary of Assurances (continued)

Account area`	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Reserves - Usable and Unusable Reserves (including Movement in Reserves Statement)	None	None	We were unable to complete all our planned audit procedures in this area and have limited assurance over the 2024/25 transactions and the 31 March 2025 balance. This is due to the Council being unable to provide the requested working papers within the agreed timeframe. Until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the Useable and Unusable Reserves of the Council reported in the financial statements.
Cash flow Statement	None	Partial	We have completed all planned procedures for 2024/25 however, as we do not have assurance over the opening balance sheet balances at 1 April 2024, we do not have assurance over the in-year movements or prior year comparatives for the Cash flow Statement.
Officers Remuneration and Exit Packages	None	Partial	We were unable to complete all our planned audit procedures in this area and have partial assurance over the 2024/25 transactions and the 31 March 2025 balance. This is due to the Council being unable to provide the requested evidence within the agreed timeframe, relating Pension strain for one employee in the Officer Remuneration table and 4 in the Exit package note.
All other disclosures	None	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the 2024/25 transactions and 31 March 2025 closing balances. However, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinion in 2022/23 and 2023/24, we are unable to obtain assurance over the disclosures reported in the Council's financial statements. We have provided more information on our proposed approach for rebuilding of assurance in Appendix A.

# Appendix C – Required communications with those charged with governance

## Required communications with those charged with governance

There are certain communications that we must provide to those charged with governance. We have detailed these here together with a reference of when and where they were covered:

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the 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>	Audit Plan - April 2025 - Civic Affairs and Audit Committee
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>	Audit Results Report - February 2026 - Civic Affairs and Audit Committee



# Appendix C – Required communications with those charged with governance (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 related to going concern</li> <li>▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▪ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Results Report - February 2026 - Civic Affairs and Audit Committee
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>	Audit Results Report - February 2026 - Civic Affairs and Audit Committee
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>▪ Management;</li> <li>▪ Employees who have significant roles in internal control; or</li> <li>▪ 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>	Audit Results Report - February 2026 - Civic Affairs and Audit Committee

# Appendix C – Required communications with those charged with governance (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>	Audit Results Report - February 2026 - Civic Affairs and Audit Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <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> <li>▪ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	Audit Results Report - February 2026 - Civic Affairs and Audit Committee
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>	Audit Results Report - February 2026 - Civic Affairs and Audit Committee
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>	Audit Results Report - February 2026 - Civic Affairs and Audit Committee

# Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - February 2026 - Civic Affairs and Audit Committee
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>	Audit Results Report - February 2026 - Civic Affairs and Audit Committee
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - February 2026 - Civic Affairs and Audit Committee
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - February 2026 - Civic Affairs and Audit Committee

# Appendix D – Regulatory update

## The English Devolution and Community Empowerment Bill – Audit Measures

### Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) is intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of “strategic authorities” (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 is intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

The draft legislation can be found in full at [English Devolution and Community Empowerment Bill](#).

### Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate ‘lead individuals’ and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Audit Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

# Appendix E – DRAFT Management representation letter

## Draft Management representation letter

[To be prepared on the entity's letterhead]

[Date]

Mark Hodgson  
Ernst & Young  
One Cambridge Square  
Cambridge  
CB4 0AE

This letter of representations is provided in connection with your audit of the consolidated and parent Authority financial statements of Cambridge City Council ("the Group and Council") for the year ended 31 March 2025. 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 consolidated and parent Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Group and Council financial position of Cambridge City Council as of 31 March 2025 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We understand that the purpose of your audit of our consolidated and parent Authority 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, for the Group and the parent Council, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and parent Council financial statements. We believe the consolidated and parent Council 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 parent Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 for the Group and for the Authority that are free from material misstatement, whether due to fraud or error.
5. We confirm the Group and Council does not have securities (debt or equity) listed on a recognised exchange.

# Appendix E – DRAFT Management representation letter (continued)

## Draft Management representation letter (continued)

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

1. We acknowledge that we are responsible to determine that the Group and Council's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or 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 consolidated and parent Council financial statements may be materially misstated as a result of fraud.
4. We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:
  - Involving financial improprieties
  - Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Council financial statements
  - Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Council financial statements, but compliance with which may be fundamental to the operations of the Group and Council's business, its ability to continue in business, or to avoid material penalties
  - Involving management, or employees who have significant roles in internal control, or others
  - 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. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect on the consolidated and parent Council financial statements.
3. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Council financial statements.
4. We have made available to you all minutes of the Group, Council, Cabinet and Audit Committee through the year through to the date of this letter.
5. 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 year end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Council financial statements.
6. 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 the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

# Appendix E – DRAFT Management representation letter (continued)

## Draft Management representation letter (continued)

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 consolidated and parent Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorised access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent Council 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.

### 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 consolidated and parent Council 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 consolidated and parent Council financial statements all guarantees that we have given to third parties.
4. No other claims in connection with litigation have been or are expected to be received.

### E. Going Concern

1. Note 33 to the consolidated and parent Council 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.

### F. Subsequent Events

1. Other than described in Note 6 to the consolidated and parent Council financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Council financial statements or notes thereto.

### G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Council, subsidiary undertakings and associated undertakings.

### H. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the Annual Governance Statement for 2024/25 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2024/25 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

# Appendix E – DRAFT Management representation letter (continued)

## Draft Management representation letter (continued)

3. We confirm that the content contained within the other information is consistent with the financial statements.

### I. 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 and reflected in the consolidated and parent financial statements.

### J. Ownership of Assets

1. Except for assets recognised as right-of use assets in accordance with IFRS 16 Leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral, other than those that are disclosed the financial statements. All assets to which the Council has satisfactory title appear in the Balance Sheet.
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.

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

1. We agree with the findings of the specialists that we engaged to evaluate the value of the Council and Group's share of the pension fund assets and liabilities and the value of subsidiary company buildings 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.

### L. Estimates

1. We confirm that the significant judgments made in making the fair value of PPE, Investment Properties, provisions, and pension fund asset and liabilities have taken into account all relevant of which we are aware.
2. 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 above accounting estimates.
3. We confirm that the significant assumptions used in making the above accounting estimates appropriately reflect our intent and ability to carry out our statutory services on behalf of the entity.
4. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
5. We confirm that appropriate specialised skills or expertise has been applied in making the above accounting estimates.
6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements.



# Appendix E – DRAFT Management representation letter (continued)

## Draft Management representation letter (continued)

M. 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.

N. Reserves

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

O. Contingent Liabilities

1. 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).

2. 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:

- Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) 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.

Yours faithfully,

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

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

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