



Cambridge City Council

**Auditor's Annual Report
Year ended 31 March 2021**

27 October 2021



EY

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working world



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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/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Civic Affairs Committee and management of Cambridge City Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Civic Affairs Committee and management of Cambridge City Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Civic Affairs Committee and management of Cambridge City Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

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

Section 1

Executive Summary



Executive Summary: Key conclusions from our 2020/21 audit

Area of work	Conclusion
Opinion on the Council's:	
Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our Audit Report on 30 September 2021.
Going concern	We have concluded that the Head of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of other information published with the financial statements	Financial information in the financial statements was consistent with the audited accounts.

Area of work	
Reports by exception:	
Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements. We have included our VFM commentary in Section 04.
Consistency of the annual governance statement	We were satisfied that the annual governance statement was consistent with our understanding of the Council.
Public interest report and other auditor powers	We had no reason to use our auditor powers.

Executive Summary: Key conclusions from our 2020/21 audit

As a result of the work we carried out we have also:

Outcomes	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	We issued our Audit Results Report on the 13 September to the Civic Affairs Committee.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2020 Code of Audit Practice.	We have not yet issued our certificate for 2020/21 as we have not yet performed the procedures required by the National Audit Office on the Whole of Government Accounts submission. The guidance for 2020/21 is delayed and has not yet been issued

Fees

We carried out our audit of the Council's financial statements in line with the "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA. As outlined in the Audit Results Report we were required to carry out additional audit procedures to address audit risks in relation to accounting for Covid-19 related Government Grant income, Going Concern, the valuation of Investment Properties and the new NAO Code for VFM. As a result, we will agree an associated additional fee with the Head of Finance. We include details of the audit fees in Appendix 1.

We would like to take this opportunity to thank the Council staff for their assistance during the course of our work.

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

Section 2

Purpose and responsibilities



Purpose and responsibilities

This report summarises our audit work on the 2020/21 financial statements.

Purpose

The purpose of the Auditor's Annual Report is to bring together all of the auditor's work over the year. A core element of the report is the commentary on VFM arrangements, which aims to draw to the attention of the Council or the wider public relevant issues, recommendations arising from the audit and follow-up of recommendations issued previously, along with the auditor's view as to whether they have been implemented satisfactorily.

Responsibilities of the appointed auditor

We have undertaken our 2020/21 audit work in accordance with the Audit Plan that we issued on 3 May 2021. We have complied with the NAO's 2020 Code of Audit Practice, International Standards on Auditing (UK), and other guidance issued by the NAO.

As auditors we are responsible for:

Expressing an opinion on:

- The 2020/21 financial statements;
- Conclusions relating to going concern; and
- The consistency of other information published with the financial statements, including the annual report.

Reporting by exception:

- If the governance statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources; and
- Any significant matters that are in the public interest.

Responsibilities of the Council

The Council is responsible for preparing and publishing its financial statements, annual report and governance statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Section 3

Financial Statement Audit



Financial Statement Audit

We have issued an unqualified audit opinion on the Council's 2020/21 financial statements.

Key issues

The Statement of Accounts is an important tool for the Council's to show how it has used public money and how it can demonstrate its financial management and financial health.

On 30 September 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Civic Affairs Committee on the 22 September 2021. We outline below the key issues identified as part of our audit, reported against the significant risks and other areas of audit focus we included in our Audit Plan.

Significant risk	Conclusion
Misstatements due to fraud or error - management override of controls An ever present risk that management is in a unique position to commit 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.	<p>We have not identified any material weakness in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.</p> <p>We have not identified any inappropriate journal entries or other adjustments to the financial statements.</p>
Inappropriate capitalisation of expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS) 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 identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the General Fund.	<p>Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value.</p> <p>Our sample testing did not identify any revenue items that were incorrectly classified.</p> <p>Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.</p>

Continued over.

Financial Statement Audit (continued)

Significant Risk	Conclusion
<p>Inappropriate claims under the Local Government income compensation scheme</p> <p>In response to the Covid-19 pandemic, MHCLG introduced the local government income compensation scheme for lost sales, fees and charges as a result of COVID-19. We have identified an opportunity and incentive to overstate claims through this grant, to increase income received against any ongoing losses.</p>	<p>Our review of claims through the Local Government income compensation scheme did not identify any inappropriate claims under the scheme.</p>
<p>Accounting for Covid-19 related grant funding</p> <p>In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these.</p> <p>Given the volume of these grants, and the new conditions for the Council to understand the accounting impact of, there is a significant risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.</p>	<p>Our sample testing of Covid-19 related grant funding did not identify any grants that were incorrectly classified as specific or non-specific in nature, or any grants where the incorrect accounting treatment was applied.</p>
<p>Valuation of Investment Properties</p> <p>The Council's investment property portfolio is a material balance disclosed on the balance sheet. In addition, the Council holds other assets valued using market information. In light of the ongoing pandemic, individual asset markets may react differently and considerations must be given to ensure sufficient and appropriate market data is used for valuations during the 2020-21 period.</p>	<p>Our work and the work of our specialists concluded that Investment Property valuations were materially correct.</p>

Continued over.

Financial Statement Audit (continued)

In addition to the significant risks identified, we also concluded on the following areas of audit focus or inherent risk.

Other area of audit focus	Conclusion
<p>National Non-Domestic Rates Appeals Provision</p> <p>The calculation of the NNDR Appeals Provision is estimate based. Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils were forecasting net additions to appeal provisions totalling £927 million this financial year, and £1.2 billion next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based.</p>	<p>Our work did not identify any issues with the assumptions used by Council's specialist in the calculation of the NNDR appeals provision.</p> <p>Where the Council had made local adjustments to reflect on local knowledge and developing appeals, these were also found to be reasonable.</p>
<p>Recoverability of Debtors</p> <p>As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 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.</p>	<p>Our work did not identify any issues with the reasonableness, accuracy or sufficiency of the provision for the recoverability of receivables made.</p> <p>Our sample testing of trade receivables also did not identify any issues around the recoverability of Debtors held on the Balance Sheet at year end.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Pension Valuations and Disclosures The Authority makes extensive disclosures within its financial statements regarding its membership of Pension Scheme administered by Cambridgeshire County Council. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the County Council. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. We undertake procedures on the use of management experts and the assumptions underlying fair value estimates. For 2020/21, there may be an impact of Covid-19 on pension asset values as at 31 March 2021.</p>	<p>The Cambridgeshire Pension Fund auditor highlighted a material movement in the valuation of Investment Assets of the Pension Fund, in their assurance letter to us. As a result, the Council received an updated actuarial (IAS19) report from the Actuary, which determined that the liability in the draft accounts was overstated by £3.464 million. The audited statements were updated for the revised figures.</p>
<p>Valuation of Other Land & Buildings Other land and buildings (OLB) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.</p>	<p>Our work did not identify any issues with the valuation of Other Land & Buildings.</p>
<p>Council House Valuations Council dwellings represent a significant balance in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. As the value of council houses are significant, and the outputs from the its valuer are subject to estimation, there is a higher inherent risk balances may be under/overstated or the associated accounting entries incorrectly posted.</p>	<p>Our work did not identify any issues with the valuation of Council Dwellings.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Group Accounting The Council undertakes its annual assessment of the group boundary to determine the procedures it needs to undertake to consolidate the relevant component entities. Given complexity of the group structure, an inherent risk has been raised.</p>	<p>Our work did not identify any issues with the consolidation for the Council's Group Accounts.</p>
<p>Accounting for Collection Fund disclosures During 2020/21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income. There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief for the financial year. There is therefore an inherent risk of incorrect accounting based on the significant level of change in the year.</p>	<p>Our work did not identify any issues with the accounting for Collection Fund disclosures.</p>
<p>Going concern disclosures The Council is required to carry out an assessment of its ability to continue as a going concern for the foreseeable future, being at least 12 months after the date of the approval of the financial statements. There is a risk that the Council's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period</p>	<p>We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. Management have used the basis of their assessment to produce the disclosures included within the draft financial statements. We are satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the date of authorisation of the financial statements.</p>

Continued over.

Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p>Auditing Accounting Estimates ISA 540 (Revised) - Auditing Accounting Estimates and Related Disclosures applies to audits of all accounting estimates in financial statements for periods beginning on or after December 15, 2019. This revised ISA responds to changes in financial reporting standards and a more complex business environment which together have increased the importance of accounting estimates to the users of financial statements and introduced new challenges for preparers and auditors. The revised ISA requires auditors to consider inherent risks associated with the production of accounting estimates.</p>	<p>We did not identify any issues in respect of estimates included within the financial statements.</p>

Financial Statement Audit (continued)

Audit differences

Management corrected, within the authorised financial statements, audit differences in relation to:

- ▶ the incorrect grossing up of Income & Expenditure for recharges within the Council - £6.451 million. There was no net impact on the surplus/deficit on the provision of services.
- ▶ the incorrect netting down of Income & Expenditure for activity in relation to shared waste services - £0.519 million. There was no net impact on the surplus/deficit on the provision of services.
- ▶ Updated market information in respect of Cambridgeshire Pension Fund assets, through receipt of a revised actuarial report. This has reduced the Council's share of the Pension Fund Liability by £3.464 million.

We identified a small number of misstatements in disclosures which management corrected.

There were no misstatements identified for which management did not adjust the accounts.

Our application of materiality

When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole.

Item	Thresholds applied
Planning materiality	We determined planning materiality to be £2.820 million as 2% of gross revenue expenditure reported in the accounts. We consider gross revenue expenditure to be one of the principal considerations for stakeholders in assessing the financial performance of the Council
Reporting threshold	We agreed with the Civic Affairs Committee that we would report all audit differences in excess of £0.141 million.

We also identified the following areas where misstatement at a level lower than our overall materiality level might influence the reader. For these areas we developed an audit strategy specific to these areas. The areas identified and audit strategy applied include:

- ▶ Remuneration disclosures: We audited all disclosures and undertook procedures to confirm material completeness.
- ▶ Related party transactions. We audited all disclosures and undertook procedures to confirm material completeness.

Section 4

Value for Money



Value for Money (VFM)

We did not identify any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

Scope and risks

We have complied with the NAO's 2020 Code and the NAO's Auditor Guidance Note in respect of VFM. We presented our VFM risk assessment to the Civic Affairs Committee on the 14 July 2021 which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with the Head of Finance and her team and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Council's VFM arrangements for 2020/21.

We had no matters to report by exception in the audit report.

Reporting

We completed our planned VFM arrangements work in September 2021 and did not identify any significant weaknesses in the Council's VFM arrangements. As a result, we had no matters to report by exception in the audit report on the financial statements.

Our VFM commentary highlights relevant issues for the Council and the wider public.

VFM Commentary

In accordance with the NAO's 2020 Code, we are required to report a commentary against three specified 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.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

Introduction and context

The 2020 Code confirms that the focus of our work should be on the arrangements that the audited body is expected to have in place, based on the relevant governance framework for the type of public sector body being audited, together with any other relevant guidance or requirements. Audited bodies are required to maintain a system of internal control that secures value for money from the funds available to them whilst supporting the achievement of their policies, aims and objectives. They are required to comment on the operation of their governance framework during the reporting period, including arrangements for securing value for money from their use of resources, in a governance statement.

We have previously reported the VFM work we have undertaken during the year including our risk assessment. The commentary below aims to provide a clear narrative that explains our judgements in relation to our findings and any associated local context.

For 2020/21, the significant impact that the Covid-19 pandemic has had on the Council has shaped decisions made, how services have been delivered and financial plans have necessarily had to be reconsidered and revised.

We have reflected these national and local contexts in our VFM commentary.

Financial sustainability

1. How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them

The Council produce the Budget Setting Report in February prior to the start of the financial year. The Medium Term Financial is then updated during the year. Senior Leadership and the Executive are involved throughout the Budget setting process, ensuring that priorities are considered and relevant financial pressures taken into account. The Medium Term Financial Strategy and Budget are taken to Strategy and Resources Scrutiny Committee before approval at Full Council.

2. How the body plans to bridge its funding gaps and identifies achievable savings

The five-year funding gap is re-assessed each year through the Medium Term Financial Strategy, subject to uncertainties such as the Local Government finance settlement, with sensitivity analysis performed as part of this process. In previous years the Council has undertaken a series of service reviews to achieve the required level of savings and provide the necessary headroom to fund its priorities. Due to the potential for further significant savings to be required in response to the as yet unknown timing and impacts of the Fair Funding Review and the Review of Business Rates, the Council has embarked on a Transformation and Recovery Programme aimed at re-designing services, whilst also acknowledging the impacts of Covid-19 on service user requirements.

The Medium Term Financial Strategy considers a worst case scenario for savings requirements. Based on the latest updates to the Medium Term Financial Strategy in October 2020, the Council was looking to utilise £2.1 million of reserves in 2020/21 to achieve a balanced budget. The final outturn position was the utilisation of £0.7 million of the General Fund reserves.

Financial sustainability (continued)

3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The budget setting process allows for the consideration of budget changes service by service, based on how the changes support the Council's priorities and impact service delivery. Each budget proposal is supported by narrative which explains the context of the proposal and its impact. Capital proposals are supported by a summary business case. The Council have identified additional pressures in 2020/21 in respect of Covid-19, which amounted to £10 million in the Medium Term Financial Strategy. Whilst additional spending and further lost income has been incurred since, amounting to £20.1 million, this has been partially offset by £11.6 million of additional government grant funding, leaving a residual gap of £8.5 million. The Council have taken mitigating actions to reduce the pressure, including the delay of capital projects. The Council are conscious that there will be an element of unavoidable spending and build headroom in the savings requirements to take account of this fact.

The Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system

The Council have a number of joint arrangements in place with other local councils to achieve effectiveness and efficiency of service delivery. Finances are planned through the Medium Term Financial Strategy and budget setting processes. The Council's Corporate Plan is presented and approved alongside the budget, the Treasury Management Strategy and the Capital Strategy in February each year. This sets out the wider objectives of the Council in respect of service delivery.

5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Budget holders and Heads of Service are responsible for delivering services within allocated budgets, and Heads of Service review financial and performance monitoring reports. Throughout the year, the Senior Leadership Team receive financial reports which identify and explain significant forecast outturn variances and summarise the impact on the overall financial position. Where concerns are identified these are actioned to ensure that the final outturn is consistent with the financial sustainability plans set out in the Medium Term Financial Plan (October 2020). The Medium Term Financial Plan sets out risks and uncertainties that could impact the Council's financial position.

Governance

1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council maintains risk registers covering corporate, service, shared service and project risks. These are reviewed by Senior Management, the Shared Services Board and programme and project boards as appropriate. Internal Audit undertakes a programme of annual risk-based reviews and provides assurance to the Civic Affairs Committee. The Civic Affairs Committee also receives an Annual Report on the anti-fraud work of Internal Audit and the fraud team within the Revenues and Benefits Service.

2. How the body approaches and carries out its annual budget setting process

The Council produce the Budget Setting Report in February prior to the start of the financial year. The Medium Term Financial Strategy is then updated during the year. Senior Leadership and the Executive are involved throughout the Budget setting process, ensuring that priorities are considered and relevant financial pressures taken into account. The Medium Term Financial Strategy and Budget are taken to Strategy and Resources Scrutiny Committee before approval at Full Council.

3. How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed.

The Council operates a modern, cloud-based financial management system. This enables budget holders to review their budgets on screen and regularly update their forecast spend. Budget holders are supported and challenged in this by Service Accountants. Internal Audit review aspects of the system of financial control on a rolling basis and report their findings to the Civic Affairs Committee as part of their annual Internal Audit reporting programme.

4. How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee.

Decision making processes and delegations are set out within the Council's Constitution and Financial Regulations for all Committees, together with the decision making processes that are delegated to Council Officers. Where formal decisions are required they are pre-scrutinised by the appropriate Scrutiny Committee in advance of presentation to Full Council. This ensures that the necessary information is provided and that recommendations can be challenged before decisions are made.

The Council has had the arrangements we would expect to see to enable to make informed decisions and properly manage its risks.

Governance (continued)

5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).

The Council maintains appropriate Registers of Gifts and Hospitality, and guidance is provided on the Council's intranet. Any matters, for example from whistle-blowing processes or complaints, are investigated in accordance with agreed processes and/or referred to Internal Audit or the Monitoring Officer, as appropriate. Councillors are required to complete and update the Council's Registers of Interest which are available on the Council's public website.

Improving economy, efficiency and effectiveness

1. How financial and performance information has been used to assess performance to identify areas for improvement.

Regular reporting of performance and financial information is undertaken. As part of this, the Council consider the delivery of services and the Council priorities and previous performance. The Council, Executive & Scrutiny Committees receive a variety of performance and financial based reports throughout the year to continuously monitor performance. The Annual Report and Annual Governance Statement set out the review of performance for the year.

2. How the body evaluates the services it provides to assess performance and identify areas for improvement

The Corporate Plan sets out key performance indicators for the Council's objectives, and provision of services are assessed against these objectives. The nature of monitoring therefore is dependent on the nature of the service provided and the key performance indicators monitored. The Narrative Report sets out a review of achievements against the Corporate Plan.

3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

The Council ensures that it is represented on partnership bodies by relevant senior managers or members, as required. Regular reports are brought to the relevant Scrutiny Committee for review, for example on shared services and work with the Combined Authority. Other key partnerships include the Greater Cambridge Partnership, where the Council have a nominated member who sits on the Executive Board for key decision making at the partnership.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

The Council has had the arrangements we would expect to see to enable it to use information about its costs and performance to improve the way it manages and delivers services.

Improving economy, efficiency and effectiveness (continued)

4. How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.

The Council has a procurement team which provides advice and support to officers undertaking procurement activities. The team also maintain procurement guidance and templates, the contract register and a separate procurement system. Internal Audit also review procurement as part of their Internal Audit programme of work. In accordance with the Constitution, significant procurements must be approved by the Executive Councillor following scrutiny at the relevant committee. The Monitoring Officer has overall responsibility for ensuring the Council complies with relevant laws and regulations.

Recommendations

Recommendations

As a result of the VFM procedures we have not made any recommendations.

The Council faces further challenge and change beyond 2021 which will form part of our 2021/22 VFM arrangements work.

Forward look

Looking forward to 2021 and beyond, the Council continues to face significant financial pressures over the medium term, which we would expect to see continually updated and reflected within the Medium Term Financial Plan.



Section 5

Other Reporting Issues

Other Reporting Issues

Governance Statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with relevant guidance.

We completed this work and identified that the conclusion of the Annual Governance Statement required additional narrative to specifically set out whether any significant governance issues had been identified. The Council amended the Annual Governance Statement to include this.

Whole of Government Accounts

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts consolidation pack submission. The guidance for 20/21 is yet to be issued. We will liaise with the Council to complete this work as required.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

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

Other powers and duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Control Themes and Observations

As part of our work, 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 identified during our audit.

We have adopted a fully substantive approach and have therefore not tested the operation of controls.

Our audit did not identify any controls issues to bring to the attention of the Civic Affairs Committee.

Appendix A

Audit Fees



Audit Fees

Our fee for 2020/21 is in line with the audit fee reported in our Audit Results Report presented to the Civic Affairs Committee on 22 September 2021.

Description	Final Fee 2020/21 £'s	Scale Fee 2020/21 £'s	Final Fee 2019/20 £'s
Initial Scale Fee – Code work	40,024	40,024	40,024
Fee Variation	TBC (Note 2)	-	36,851 (Note 1)
Revised Scale Fee	TBC	40,024	76,875
Agreed Upon Procedures - Housing Benefit Subsidy (Certification Assurance Work)	TBC	-	13,800

Note 1 – PSAA Ltd determined the Fee Variation on 22 October 2021.

Note 2 – For 2020/21, we have re-assessed the scale fee again to take into account the same recurring risk factors as in 2019/20, which includes procedures performed to address the risk profile of the Council and additional work to address increase in Regulatory standards and the financial reporting impact of Covid-19, as we set out in our Audit Results Report. The additional fee for 2020/21 is yet to be fully discussed with management and thus remains subject to determination by PSAA Ltd.

We confirm we have not undertaken any non-audit work.

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