

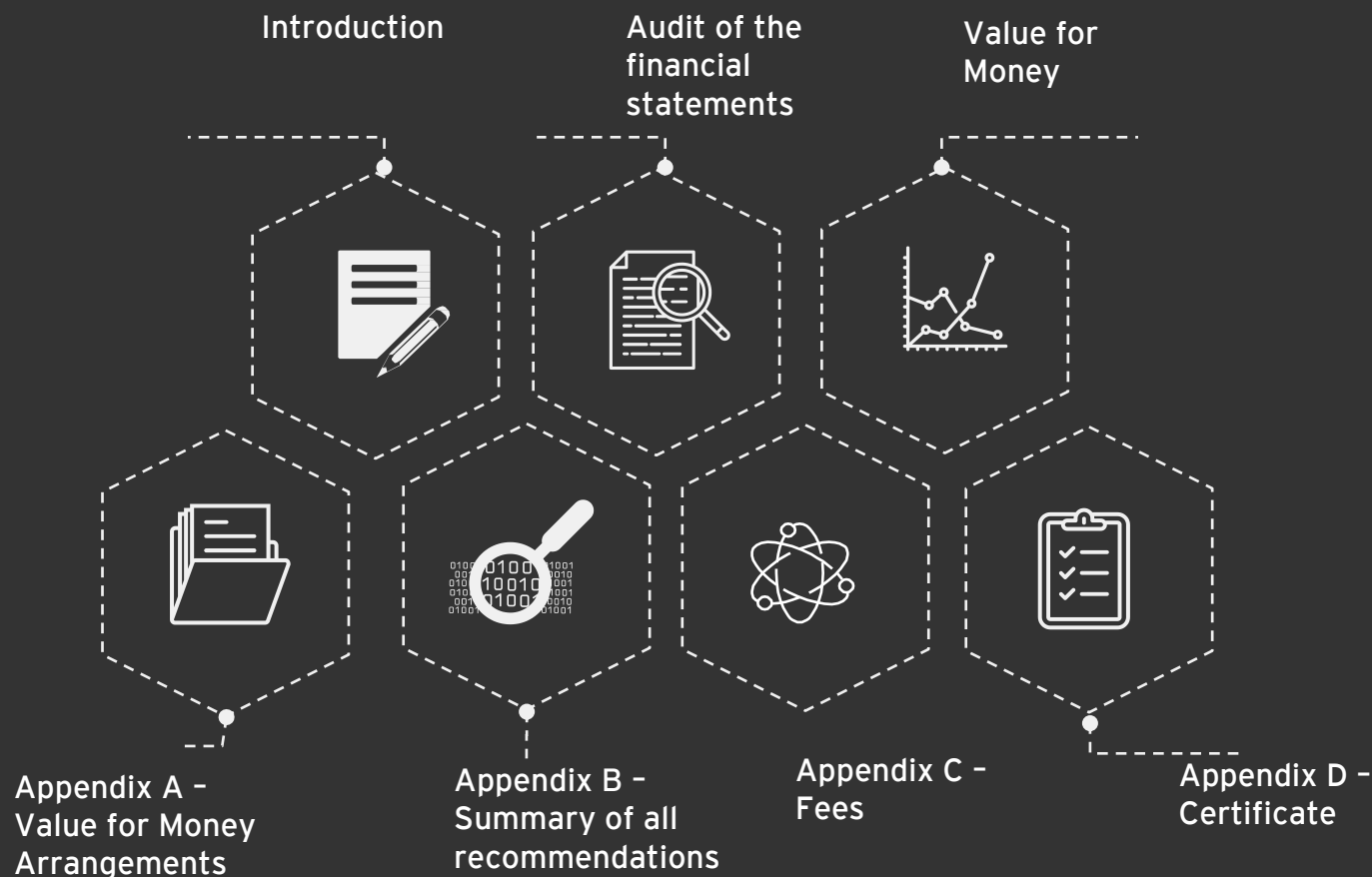


# **Cambridgeshire County Council Auditor's Annual Report**

Year ended 31 March 2021

22 April 2024

# Contents



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.psa.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 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 Audit and Accounts Committee and management of Cambridgeshire County Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to Audit and Accounts Committee and management of Cambridgeshire County 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 Audit and Accounts Committee and management of Cambridgeshire County 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.



# Introduction

## **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 value for money (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 15 July 2021. We have complied with the National Audit Office's (NAO) 2020 Code of Audit Practice, other guidance issued by the NAO and International Standards on Auditing (UK).

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 narrative statement.

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, narrative statement and Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.



## Introduction (continued)

### 2020/21 Conclusions

<b>Financial statements</b>	Qualified – 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, except in respect of Infrastructure Assets, as set out in our Basis for qualified opinion within our auditor’s report. We issued our auditor’s report on 29 July 2022.
<b>Going concern</b>	We have concluded that the Chief Finance Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
<b>Consistency of the other information published with the financial statement</b>	Financial information in the narrative statement and published with the financial statements was consistent with the audited accounts.
<b>Consistency of the Pension Fund annual report and other information published with the financial statements</b>	Financial information in the Pension Fund Annual report and published with the financial statements was consistent with the audited accounts.
<b>Value for money (VFM)</b>	We had no matters to report by exception on the Council’s VFM arrangements. We have included our VFM commentary in Section 03.
<b>Consistency of the Annual Governance Statement</b>	We were satisfied that the Annual Governance Statement was consistent with our understanding of the Council.
<b>Public interest report and other auditor powers</b>	We had no reason to use our auditor powers.
<b>Whole of government accounts</b>	We have performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission.
<b>Certificate</b>	We issued our certificate on 22 April 2024.



# Audit of the financial statements

## Key findings

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

On 29 July 2022, we issued a modified 'except for' qualification on the Council's financial statements. We reported our initial findings to the 7 March 2021 Audit and Accounts Committee meeting in our Provisional Audit Results Report, and reported our updated findings to the 25 February 2022 Audit and Accounts Committee in our Audit Results Report Addendum. 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. We reported two areas for improvement in the control environment in the Audit Results Report, namely the timeliness of provision of payroll information, and the lack of policy in place for estimated useful lives in relation to assets valued under Depreciated Replacement Cost (DRC).

Significant risk	Conclusion
<b>Misstatements due to fraud or error</b>	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.
<b>Misstatements due to fraud or error - inappropriate capitalisation of revenue expenditure</b>	Our work did not identify any material weaknesses in the design operation of controls or evidence of material misstatements, whether due to fraud or error, related to the inappropriate capitalisation of revenue expenditure. Our work did not identify any instances of inappropriate judgements being applied. Our work did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.
<b>Misstatements due to fraud or error - accounting adjustments made in the 'Movement in Reserves Statement'</b>	Our work did not identify any issues with respect to adjustments made in the 'Movement in Reserves Statement'. Our work did not identify any instances of inappropriate judgements being applied. Specifically, our work on the application of the Minimum Revenue Provision policy did not identify any matters to bring to your attention.
<b>Accounting for Grants and Covid-19 related Government grants - Excluding the 'City Deal'</b>	Our sample testing of government grants and Covid-19 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. We identified one grant that had been included incorrectly in the accounts of £1.18 million. Management decided to adjust for this audit difference. Following appropriate audit challenge, our work did not identify any grants where Cambridgeshire County Council's assessment of their role as 'agent' or 'principal' was not supported. Management have agreed to include additional narrative within the critical judgements note (Note 3), regarding their assessment of the agent and principal for Covid-19 grants.
<b>Accounting for Grants and Covid-19 related Government grants - City Deal</b>	After significant consideration of the Council's rationale for the accounting treatment of the City Deal funding within the draft financial statements and review of the supporting working papers, together with internal consultation with our Financial Reporting Group about the basis of the grant funding and the primacy of IAS 20 - Accounting for Government Grants, over the CIPFA Code of Practice, we have concluded that the grant should be accounted for as 5 individual grants, received on an annual basis, over the 5 year life of the City Deal funding agreement. The Statement of Accounts authorised for issue were adjusted on this basis.



## Audit of the financial statements (continued)

Significant risk	Conclusion
<b>Valuation of Property, Plant &amp; Equipment and Investment Properties</b>	<p>We did not identify any issues with the Council's valuer, the scoping of their work, professional capabilities or results of their valuation procedures.</p> <p>Our testing of assets not subject to valuation in 2020/21 did not identify any material differences. Our testing confirmed that assets had been valued within the appropriate timeframe and those valued in the year had been performed correctly.</p> <p>No issues were identified with the useful economic lives of assets or the accounting entries disclosed in the financial statements and supporting notes.</p> <p>We have identified a net £2.169 million difference between the valuer's report and the Statement of Accounts across a limited number of assets. We understand that this was due to the timing of when certain asset valuations were received by the Council. The Council's accounts are overstated by this amount. Management have chosen not to adjust for this difference.</p> <p>We have completed our sample testing of key asset information used in the valuations, specifically that used in calculating the obsolescence factor in assets valued under Depreciated Replacement Cost (DRC).</p> <p>We identified one asset, Shire Hall Car Park, that had been revalued separately. However, as in the previous year, the valuation of the Shire Hall building used a comparable market rate that would include car parking within the valuation and as such the value of the car park was double counted and the Shire Hall building valuation was overstated. Management have agreed to adjust the valuation of the asset.</p> <p>We did not identify any further matters to bring to your attention.</p>
<b>Derecognition of Infrastructure assets upon subsequent expenditure / replacement</b>	<p>In 2017/18 the Council made a Prior Year Adjustment, under IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors, to ensure the accounting for the derecognition of Infrastructure Assets was in line with the CIPFA Code of Practice. This Prior Year Adjustment corrected the accounting treatment back to the 2014/15 financial year (31 March 2015). The Council did not go back further, to 2010/11 when International Financial Reporting Standard (IFRS) was introduced, as it did not have sufficiently robust accounting records to do so.</p> <p>Our testing confirmed that the level of detail held within the asset register was sufficient, that in-year derecognition was in line with Council's approach and that there were no issues identified from the existence testing procedures performed. Based on this fact pattern we did not have sufficient appropriate evidence that the opening Infrastructure Asset balance is materially correct (Gross Book Value and Accumulated Depreciation) under the reporting requirements of the CIPFA Code of Practice, as there is insufficient evidence to conclude that the Code requirements were properly adhered to for the period between 2010/11 to 2013/14.</p> <p>This lead us to issue a 'limitation of scope' modified audit report. The limitation of scope was in relation to the opening Infrastructure Asset balance at the 1 April 2020, for the reasons set out above.</p>

We identified a risk of significant weaknesses in the Council's VFM arrangements for 2020/21 in relation to procurement.

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

We had no matters to report by exception in the audit report - (Value for Money) which we issued on the 22 April 2024.

## Scope

We are required to report on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have complied with the guidance issued to auditors in respect of their work on value for money arrangements (VFM) in the 2020 Code of Audit Practice (2020 Code) and Auditor Guidance Note 3 (AGN 03). We presented our VFM risk assessment to the 6 February 2024 Audit and Accounts Committee meeting which was based on a combination of our cumulative audit knowledge and experience, our review of Council committee reports and evaluation of associated documentation through our regular engagement with Council management and the finance team.

## Reporting

We completed our risk assessment procedures in February 2024 and did not identify any significant weaknesses in the Council's VFM arrangements. We identified a significant risk related to improving economy, efficiency and effectiveness as part of our risk assessment procedures. This was in respect of the Council's procurement and governance arrangements, which had led to qualified Value for Money conclusions in each of the 2018/19 and 2019/20 financial years. Based on our performed procedures, we have obtained sufficient assurance over the Council's arrangements in respect of procurement and governance, so we have concluded that this is not a significant weakness in the Council's arrangements in 2020/21.

Our commentary for 2020/21 is set out over pages 12 to 17. The commentary on these pages summarises our conclusions over the arrangements at the Council in relation to our reporting criteria (see below) throughout 2020/21. Appendix A includes the detailed arrangements and processes underpinning the reporting criteria.

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

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
<b>Financial sustainability:</b> How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified	No significant weaknesses identified
<b>Governance:</b> How the Council ensures that it makes informed decisions and properly manages its risks	We identified a potential risk of significant weakness in respect of the Manor Farm tenancy, based on issues identified in the previous years.	Work performed has concluded that this risk did not manifest as a significant weakness in arrangements.
<b>Improving economy, efficiency and effectiveness:</b> How the Council uses information about its costs and performance to improve the way it manages and delivers its services	We identified a potential risk of significant weakness in respect of procurement based on issues identified in the previous years.	Work performed has concluded that this risk did not manifest as a significant weakness in arrangements.



## Value for Money (continued)

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

The Council is required to have arrangements in place to ensure proper resource management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code of Audit Practice, the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2021. Our risk assessment did not identify any risk of significant weakness in arrangements to secure financial sustainability.

The Council's Corporate Leadership Team (CLT) have the responsibility to provide strategic direction. This included formulating the Council's Medium Term Financial Strategy (MTFS) in order to ensure that adequate resources are available to meet the Council's objectives. The MTFS is a five year financial projection of the Council. The annual budget setting process also informs the MTFS, which is subsequently reviewed annually. However, given the uncertainties faced in 2020/21, an additional Business Planning Proposals paper was taken to the General Purposes Committee on 20 October 2020, setting out the current business and budgetary planning position, and the potential impact of Covid-19 on the Council's resources.

The general economic conditions have affected all Councils in recent years, and notably in 2020/21, the impact of the COVID-19 pandemic and related uncertainty had a significant impact on financial planning and prioritisation. This has prompted savings plans and service reviews with the aim of achieving budget whilst maintaining levels of service delivery. The uncertainty generated by the pandemic resulted in the Council applying a scenario based approach to demand projections, requiring different levels of savings to achieve a balanced budget. This included 'worst case scenario' planning of the future budget. As the effects of the pandemic became somewhat clearer, these projections could be refined to understand the true level of required savings.

The overall revenue budget position was an underspend of £6.3 million. However, pressures started to increase, notably in respect of Special Education Needs and High Needs blocks of the Dedicated Schools Grant, which lead to a carried forward deficit of £26.4 million. The Council's work to mitigate this risk was underway including discussions with the Department for Education about future safety valve funding, which was secured in subsequent years. Other significant impacts have included Adult Social Care responsibilities and other healthcare related costs, which were also impacted by the pandemic.

The Council has also continued work with This Land Group, as a wholly owned subsidiary of the Council. By 31 March 2021, the Council had sold 26 sites to This Land Group for development, and provided an additional loan of £27.9 million during the financial year. This Land Group was also impacted by Covid and the delays this caused in respect of construction and turnover of these projects. A revised business plan was submitted to the Commercial and Investment Committee in April 2020, and further disposals were completed during the year.

Another key project during the financial year was the 'Cambs 2020' programme, which was the Council's move of headquarters to Alconbury. During 2020/21, this was primarily focused on the construction of the new civic headquarters, and looking for potential options for the old Shire Hall site. Since the year-end, the Council have moved into the new headquarters.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21 to enable it to plan and manage its resources to ensure that it can continue to deliver its services.**





## Value for Money (continued)

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

The Council is required to have arrangements in place to ensure proper risk management and the primary responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2021. Our risk assessment did not identify any risk of significant weakness in arrangements to ensure sound governance.

Different parts of the Council are responsible for particular types of decisions and decisions relating to particular areas of functions as mandated in the Constitution. The Council adopts a decision-making process based on a committee system. Council meetings are open to the public and Councillors decide overall policies and set the budget each year. The Council also works in partnership with other public services in the region, such as the police and NHS, to provide a unified approach to the county's social needs. The Audit & Accounts Committee plays a key role overseeing governance arrangements. It provides assurance to the Council through review and receipt of reports in relation to risk management, internal controls and audit. The Committee exists to provide challenge to officers of the Council and decisions made, ensuring that decisions are therefore will informed and risks are managed. This Committee met regularly during the financial year, considering reports including the annual Internal Audit Report, the Statement of Accounts and other regular financial reporting matters.

In response to the Covid-19 pandemic, the Council placed the Corporate Leadership Team (CLT) on emergency management, holding daily meetings with multi-agency forums across the county for a coordinated response. Concurrently, the 2020/21 Audit Plan was put on hold to divert Internal Audit resources towards pandemic management, specifically focusing on reviewing daily expenditure transactions, risk management, procurement, and contract management. These areas were greatly impacted by organisational changes due to the pandemic. Key assurance areas included spend analysis in partnership with the Chief Financial Officer to identify any fraudulent or inappropriate entries, and ensuring continuity of suppliers through the application of procurement policies. Internal Audit developed a comprehensive Covid-19 Risk Register and also worked on assessing insurance contributions and rebates on Private Finance Initiative contracts. They further oversaw various grants and loans issued during the outbreak, ensuring the stability of processes and reviewing grant applications from childcare providers.

The emergency management, and the involvement of Internal Audit in this area, did lead to some delays in the other work of Internal Audit, and the Annual Report was provided to the Audit and Accounts Committee on 22 July 2021. On the basis of the work performed an overall 'satisfactory' assurance opinion was given.

Although a high-profile issue relating to the tenancy of Manor Farm was reported publicly in 2020/21, this was first raised with the Internal Audit in 2019, and led to a Value for Money conclusion qualification in each of 2018/19 and 2019/20 audit years under the old Code of Audit Practice approach. The matter was subject to investigation during the 2020/21 financial year, and the Council have been transparent in publishing the results of this external investigation (following its conclusion in 2021/22)

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21 to enable it to make informed decisions and properly manage its risks.**



## Value for Money (continued)

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

The Council is required to have arrangements in place to ensure economy, efficiency and effectiveness, and the responsibility for these arrangements and reporting on the design and operation of these arrangements via the annual governance statement, rests with management. In accordance with the NAO's Code, the focus of our work should be on the arrangements that the Council is expected to have in place during the year ended 31 March 2021. Our risk assessment identified one risk of significant weakness, in respect of procurement, given the Value for Money opinion in the previous year was qualified on this matter.

The Council's Section 151 officer has overall statutory responsibility for the proper administration of the authority's financial affairs, including preparation of the Statement of Accounts and making arrangements for the appropriate systems of financial control.

The Council monitor their finances against budget with financial performance reviews taking place monthly which are reported alongside performance reports by the Corporate Leadership Team. Quarterly finance monitoring reviews take place which are then reported to Cabinet and the Scrutiny & Overview Committee. The finance report provides information on the revenue position each month along with their estimated projection and explanation for any variances. The Council have worked closely with a range of partners through the Covid pandemic, including a number of health Partners. The Council Chief Executive was the joint Chair of the strategic co-ordination group, which lead on the local public sector Covid response. This also involved a number of District Council's who supported with communications, contact tracing and other outbreak management processes, as well as engaging with the vaccination process. Other significant partnerships typically have Senior Officer representation, and are key to delivery of strategic priorities in a cost effective manner.

The Council have continued to take steps to improve their procurement arrangements, including introducing a waiver system, and ensuring contracts are managed through the ERP Gold finance system. In the previous financial year Internal Audit had concluded that satisfactory assurance could be taken over Procurement Compliance. The Council have taken the recommendation points from this report to rewrite the Contract Procedure Rules (CPRs) in February 2020, and revised CPRs have been in place for the full financial year. An interim Head of Procurement was also engaged to provide leadership on procurement, as well as this team returning to the Council from previous shared arrangements.

**Conclusion: Based on the work performed, the Council had proper arrangements in place in 2020/21 to enable it to use information about its costs and performance to improve the way it manages and delivers services.**

# Appendices

## Appendix A – Summary of arrangements

### Financial Sustainability

#### Reporting Sub-Criteria

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

#### Findings

As part of the Council's budget setting process, each service is required to contribute to the Business Plan. The Business Plan will detail the Council's spending for the year ahead showing the activities to be undertaken, anticipated pressures and savings to be delivered. These identified pressures per service are quantified. This is outlined within the Finance Tables. Medium term plans are highlighted under the Medium Term Financial Strategy.

The Council's Corporate Leadership Team (CLT) have the responsibility to provide strategic direction. This will include formulating the Council's Medium Term Financial Strategy (MTFS) in order to ensure that adequate resources are available to meet the Council's objectives. The MTFS is a five year financial projection of the Council. The annual budget setting process also informs the MTFS, which is subsequently reviewed annually.

Services provide finance monitoring reports, giving details on their financial position and performance levels achieved for each month, accompanied by forecast outturn estimates. These reports feed into the corporate Integrated Resources and Performance Report, which is presented to Strategic Management Team (SMT) on a monthly basis, and the General Purpose Committee (until 23/03/21), now the Strategy and Resources Committee (S&R) on a bi-monthly basis. The service finance monitoring reports are presented to their respective committees on a bi-monthly basis. This process helps to identify matters of concern that need remedial action. Furthermore, management subsequently factors in areas of concern identified in the MTFS forecast impact. Towards the financial year end, identified pressures during the year (noted from the budget monitoring process) are considered and factored into the MTFS and are continuously monitored.

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

When setting up the Business Plan, the Council considers if these plans have clear aims, actions for the future, and if the delivering outcomes will set out how the strategic plan aims will be delivered. The Business Plan is approved by the Full Council. Each Directorate's service plan will include proposals for tackling a budget shortfall as part of the overall Business Plan for the portfolio area.

In terms of monitoring, each Directorate is responsible for making sure they are regularly monitoring revenue and capital budgets; they will investigate any variations and take appropriate action to deal with them. Each Director will report to Full Council as part of the monitoring process, if they cannot balance spending and resources within the approved budget. The Full Council will consider these reports and make appropriate recommendations to deal with the shortfall. Unless the Full Council decides otherwise, any underspending or overspending will be carried forward to the following financial year and the approved budget will be adjusted as a result. Evaluations on the reasons and risks of funding gap would be provided by the Council in the Strategic Plan and Medium Term Financial Strategy. The Council will continuously monitor and review the funding gap vis a vis savings realised on a quarterly basis. Mitigating measures may be proposed as necessary and become follow up items in subsequent meetings.

## Appendix A - Summary of arrangements

### Financial Sustainability (continued)

Reporting Sub-Criteria	Findings
How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>CLT members are responsible for making sure there is an appropriate appraisal and prioritisation process for all new investment schemes, and it must be agreed with the Director of Finance and Resources. In addition, the Council cannot include a scheme in the capital programme unless it has been through the agreed appraisal and prioritisation processes. The project appraisal would show how the project meets one or more of the Council's strategic priorities set out in the Strategic Framework in terms of the economic, social and environmental wellbeing of the people of Cambridgeshire; how the project meets one or more of the priorities identified in the relevant plan for delivering outcomes, or be needed to help meet the Council's legal responsibilities or new legal requirements; how the project has been assessed against the agreed prioritisation process and prove the project can be supported by a clear and achievable funding strategy. Furthermore, money can only be spent from the approved revenue budget and capital programme. The revenue and capital budgets are regularly monitored by the CLT members.</p> <p>In the Council's Strategic Framework and Medium Term Financial Strategy, detailed strategic and statutory priorities are set up for the future and existing priorities would be reviewed and adjusted.</p>
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	<p>All Directors liaise with their sections and come up with budgets which cover all aspects of delivery including workforce, investment and capital. These are then consolidated and deliberated by the CLT ensuring coherence amongst the various sub budgets and the Council's strategy. Both the budget strategy and how the Council manages the revenue and capital budgets are based on the principle that the budgets are a statement of the Strategic Framework in financial terms. Any spending the Council incurs should be identified through the Strategic Framework. The Strategic Framework is the primary document that shapes the Business Plan; the Business Plan is supported by a range of directorate, service and team plans across the Council.</p> <p>Section 25 of the Local Government Act 2003 requires the Chief Finance Officer to report to the Council on the adequacy of proposed reserves and the robustness of the budget, the Council will then review the earmarked reserves and provisions to ensure they are adequate and consistent with the overall Strategic Framework. The Council will perform a risk assessment on the Business Plan and consider impact in other key areas like social care and looked after children.</p>
How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	<p>CLT members are responsible for organising how services are delivered to achieve the aims set out in the Strategic Framework (including the budget) within the resources the Council has available. Further approval is needed if there is a change in how they share the resources between services or if a spending proposal involves a new policy or a change to the policy. Additional sensitivity analysis will also be provided to assess the impact of changes under various scenarios (e.g. Council tax, Business Rate growth, Pay award, Non-pay budget) and to set out a guide to the effect of changes to the major cost elements and funding streams.</p> <p>In the Integrated Finance Monitoring Report, the set up of their budgets include 'Forecast Outturn Variance' as applicable with the reasons to explain the changes.</p>

## Appendix A – Summary of arrangements (continued)

### Governance

#### Reporting Sub-Criteria

#### Findings

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 a collated risk register with input from each department. Risks are rated within a corporate risk register tracker which is reviewed regularly by Internal Audit as the main custodian of the overall Risk Register. The Internal Audit annual plan incorporates the highest risk areas and each control area is reviewed annually with reporting including commentary on the level of assurance the council can take from the control review and actions requiring implementation to strengthen controls. Internal Audit undertakes regular follow ups to ensure actions are implemented and overseen by the Audit and Accounts Committee. Furthermore, the register is updated regularly to take into account emerging risks identified by internal controls review assessments, fraud investigations, intelligence identified internally and by external organisations, and changes to Council processes.

The Council also seeks to maintain an anti-fraud, bribery and theft culture. The Council has developed systems and procedures with efficient and effective internal controls that are tested by internal audit as part of the annual audit plan on a rotational basis. Service Managers are responsible for ensuring controls are properly maintained and documented. Regarding updates on new policies or procedures, Internal audit provide advice to ensure the risk of fraud, bribery and theft is minimised. Managers assess their risks on a regular basis and adapt the control systems as appropriate. Internal audit give advice on preventative controls during both routine work and following investigations where control weaknesses were identified.

The Annual Governance Statement and annual internal audit opinion provide an overall process for reviewing and reporting on the Council's risk and control environment across the board.

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

The Full Council decides the use of resources and budget process taking into account the Council's Strategic Framework. Recommendations consider the arrangements for deciding strategy for spending capital funds, including preparing the capital programme and the process for assessing the prioritisation of individual projects. When preparing the budget, CLT members must keep to the rules, procedures and timetables set in the Constitution (Budget and Policy Framework Procedure Rules). After gathering advice from the Director of Finance and Resources, CLT will put forward recommendations to the Full Council on areas like the net revenue budget, amount spent on each service, the programme for spending capital and capital strategy, assessment of reserves and balances, council tax levels and the precept charge to be made to individual billing authorities.

The report will include comments from the Director of Finance and Resources on how robust the budget is and whether the level of reserves is in line with section 25 of the Local Government Act 2003. In addition, the Director of Finance and Resources is responsible for making sure that a capital budget, capital programme and financing plan is prepared each year for the Full Council to consider.

## Appendix A – Summary of arrangements (continued)

### Governance (continued)

Reporting Sub-Criteria	Findings
<p>How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed</p>	<p>The Council's Business Plan, with clear aims, actions for the future, and delivering outcomes sets out how the Strategic Framework aims will be delivered. These plans are approved by the Full Council. At service level, CLT members need to produce plans which set out the main actions, a resourcing plan, and budget for that service for the relevant period, which must be agreed by the Director of Finance and Resources. The plans identify investment (or capital) needs as well as the revenue implications associated with delivering the stated aims. Trading and support services are set out as the basis of charges to other services.</p> <p>The Council has a system in place which sets out the operational responsibilities of its staff. Under the Council's financial regulations, CLT members have the power to spend money from the approved revenue budget and capital programme. CLT members cannot spend money without approval by Council if the spending is not in line with the approved budget. CLT members are responsible for making sure they regularly monitor revenue and capital budgets. They must also investigate any variations and take appropriate action to deal with them. CLT members must report if they cannot balance spending and resources within the approved budget. The General Purpose Committee (until 23/03/21) now, Strategy and Resources Committee (S&amp;R) will consider these reports and, where appropriate make recommendations to deal with the shortfall. CLT members will send monitoring and outturn reports to the General Purpose Committee/S&amp;R in line with the set timetables and procedures. Unless the General Purpose Committee/S&amp;R decides otherwise, any underspending or overspending will be carried forward to the following financial year and the approved budget will be adjusted as a result. The Director of Finance and Resources is responsible for producing the Statement of Accounts and for sending it to the Audit and Accounts Committee for approval.</p>
<p>How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee</p>	<p>Different parts of the Council are responsible for particular types of decisions and decisions relating to particular areas of functions as mandated in the Constitution. The Council adopts a decision-making process based on a committee system. Council meetings are open to the public and Councillors decide overall policies and set the budget each year. The Council also works in partnership with other public services in the region, such as the police and NHS, to provide a unified approach to the county's social needs.</p> <p>Committees have responsibility for most major decisions. When major decisions are to be discussed or made, these are published in the Council's Forward Plan in so far as they can be anticipated. The committees have to make decisions which are in line with the council's overall policies and budget. If they wish to make a decision which outside of the approved budget or Policy Framework, this must be referred to the council as a whole to decide. In addition there are various committees responsible for scrutiny of various aspects namely Planning Committee, Audit and Accounts Committee, Constitution and Ethics Committee, and Other committees dealing mainly with appeals. Their remit is as outlined in the Council's Constitution.</p>

## Appendix A - Summary of arrangements (continued)

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### Governance (continued)

#### Reporting Sub-Criteria

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)

#### Findings

All elected Cambridgeshire County Councillors are required to comply with the Councillors' Code of Conduct, which sets out the framework within which Councillors must conduct themselves and the business of the Council. They must observe various rules of conduct, such as registering any employment, business or financial interests they may have, rules in relation to confidentiality and the protocol around member/officer relations.

The Code of Conduct requires all Councillors and co-opted members to register various interests, such as membership of other organisations, the ownership of land, the receipt of gifts and hospitality, and significant financial interests. Individual declarations of Interests can be found under "Members Interests" for each Councillor, and declarations in respect of gifts and hospitality (where received) are also listed under "Gifts and Hospitality", on the Councillor's page. All guidelines pertaining to the above are enshrined within the Council's Constitution.

There have been identified breaches in respect of the Code of Conduct in respect of the Manor Farm tenancy. This has been independently investigated, and whilst the conclusions were formally reported in the 2021/22 year, this related to events and breaches which occurred over a period of time. The relevant member resigned from the Authority in February 2021, and the Council have published the results of said investigation. The Council have also looked at how arrangements can continue to be strengthened in year, including reviewing the Code of Conduct arrangements.

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## Appendix A – Summary of arrangements (continued)

### Improving economy, efficiency and effectiveness

Reporting Sub-Criteria	Findings
How financial and performance information has been used to assess performance to identify areas for improvement	<p>The Corporate Integrated Finance Monitoring Report Outturn gives an overview of the Council's progress, performance, and financial position in delivering against the Council's Strategic Plan and Delivery Plan at year end. Data and information is gathered from the quarterly reports and is used to assess the performance and Identify the areas to improve.</p> <p>Specific improvement plan based on the analysis above will be included in the Council's Strategic Framework for the proceeding year.</p>
How the body evaluates the services it provides to assess performance and identify areas for improvement	<p>There are a set of corporate key performance indicators that are reported to CLT and relevant committees that give a broad view of council performance. Below that, services have more detailed sets of KPIs. CLT reviews service performance alongside financial reports to assess value for money.</p> <p>As part of business planning, chief officers will review their services to develop proposals for savings/efficiencies, which will require thematic reviews of services to be undertaken. Individual service areas have bespoke arrangements in place for assessing performance.</p>
How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve	<p>Significant partnerships will usually have a chief officer as the main Council representative, and senior leaders link in with local networks. Significant relationships are usually governed by a joint board with Council representation that scrutinizes the work of the partnership. This includes partnerships with local NHS bodies and other local authorities.</p> <p>CLT members are responsible for making sure that partnership arrangements are approved, carried out and evaluated in line with the Council's Constitution. The Council has a Strategy and Partnerships Directorate that has four core services. The Policy and Communities service area is tasked with working with the Council's Partners through its Business Intelligence Team. The Business Intelligence Service provides analysis to help the Council's services and partners make decisions based on the best possible evidence. The Emergency Planning Team also works with partners to ensure that the Council has plans in place should an emergency occur and working with colleagues to ensure the Council has robust business continuity arrangements.</p>
How the body ensures that commissioning and procuring services is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits	<p>The Council has a dedicated procurement team that manages the commissioning and procurement of contracts throughout the Council. This team is trained and experienced to ensure that procurement is delivered in accordance with relevant legislation, professional standards and internal policies. Contracts contain service performance measures which will broadly correlate with the KPIs associated with the service provision that is reviewed regularly through the quarterly performance reports, helping to enable poor contractual performance to be identified.</p>

# Appendix B - Fees

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members 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 the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 April 2020 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.

We carried out our audit of the Council's financial statements in line with PSAA Ltd's "Statement of Responsibilities of auditors and audited bodies" and "Terms of Appointment and further guidance (updated April 2018)".

\* For 2020/21 the PSAA increased the rate per hour for each audit grade by 25%.

Audit Fees	Final PSAA Approved Fee (Note 2)	Final Proposed Fee (Note 1)	Final PSAA Approved Fee (Note 1)
	2020/21	2020/21	2019/20
PSAA scale fee	£72,427	£72,427	£72,427
<b>Additional work required in respect of:</b>			
Group Procedures	£5,109	£5,109	£4,080
Pension Valuation	£4,000	£6,190	£3,200
Property Valuations	£11,135	£17,125	£4,300
Technical Accounting Issues	£21,263	£31,735	£6,387
Covid-19 - Impact on audit completion	£3,930	£3,930	£15,800
Increasing FRC Challenge	£4,750	£14,169	£3,800
Other	£525	£13,716	-
ISA 540 Requirements	£4,496	£4,496	-
PFI Procedures	£1,060	£1,060	-
Quality or preparation issues	-	£2,968	-
<b>Total Scale Fee Variation</b>	<b>£58,743</b>	<b>£102,973</b>	<b>£37,567</b>
Scale Fee Variation in respect of responding to Objections to the Statement of Accounts - Legal Fees (Note 3)	£73,543 (to date)	£73,543 (to date)	-
Scale Fee Variation in respect of Value for Money (Submitted after initial PSAA determination) (Note 3)	TBC	TBC	TBC
<b>Total Fees (*All fees exclude VAT)</b>	<b>TBC</b>	<b>£245,936 + TBC</b>	<b>£109,994</b>

## Appendix B - Fees

# Relationships, services and related threats and safeguards

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**Note 1:** Following completion of the 2019/20 audit we submitted a proposed additional fee of £103,805 to PSAA. This relates to proposed uplifts to the base scale fee due to increased regulatory requirements as well as additional work in 2019/20 in respect to the risks and additional areas of audit work as detailed in the table on the previous page. PSAA Ltd determined, with agreement from the Council, a final additional fee for 2019/20 of £37,567.

**Note 2:**

For 2020/21 the PSAA increased the rate per hour for each audit grade by 25%. The scale fee for 2020/21 was again impacted by the increased regulatory requirements and our proposed uplifting of the base scale fee. An increased fee was also proposed for additional audit procedures required to respond to the risks identified and other additional areas of work as detailed in the table on the previous page which are not reflected in the PSAA scale fee. The proposed and final fees can be seen on the previous page.

**Note 3:**

We have also incurred additional costs in respect of engaging legal support in response to objections received in the 2018/19, 2019/20, 2020/21 and 2021/22 financial years. Given the timing of our audits and the work performed, we have included these costs fully in the 2020/21 section of this report. To date PSAA Ltd have approved these costs based on our submissions given the nature of the cost.

We also note that as our Value for Money work has been completed after our Scale Fee Variation submission, we are yet to calculate the Scale Fee Variation to be submitted in respect of this. Given the timing of this work, this will be included within our 2021/22 SFV submission and Auditor's Annual Report.

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