

**East Cambridgeshire District  
Council**

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

8 December 2021



Building a better  
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 Audit Committee and management of East Cambridgeshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of East Cambridgeshire District 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 Audit Committee and management of East Cambridgeshire District 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
<b>Opinion on the Council's:</b>	
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 auditor's report on 8 December 2021.
Going concern	We have concluded that the Finance Manager's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
Consistency of the annual report and other information published with the financial statements	Financial information in the annual report and published with the financial statements was consistent with the audited accounts.

Area of work	
<b>Reports by exception:</b>	
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 10 November 2021 to the Audit Committee. We issued an Audit Results Report Update Addendum on the 7 December 2021.
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 Property, Plant and Equipment and the new NAO Code for VFM. As a result, we will agree an associated additional fee with the Finance Manager. 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

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

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## **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 the 8 March 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

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

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## Key issues

The Annual Report and 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 8 December 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit Committee on the 22 November 2021 and supplemented this with an Audit Results Report Update Addendum on the 7 December 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
<b>Misstatements due to fraud or error - management override of controls</b> 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 did not identify any material weakness in controls or evidence of material management override.</p> <p>We did not identify 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>
<b>Inappropriate capitalisation of expenditure</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. 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><b>Inappropriate claims under the Local Government income compensation scheme</b></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><b>Accounting for Covid-19 related grant funding</b></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. The Council incorrectly identified its responsibility for the 'Additional Restrictions' Grant as an 'Agent' instead of as a 'Principal' which impacts the disclosure accounting. Management corrected the £0.992 million understatement of both Income and Expenditure in respect of this.</p> <p>Our work also identified the need for additional disclosure around Agent based grants, given their material nature.</p> <p>These adjustments were corrected in the final Statement of Accounts.</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><b>National Non-Domestic Rates Appeals Provision</b></p> <p>The calculation of the National Non-Domestic Rates (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>We had no other matters to report.</p>
<p><b>Valuation of Other Land &amp; Buildings</b></p> <p>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 has identified the following differences in respect of Land &amp; Buildings valuations:</p> <ul style="list-style-type: none"><li>• Indexation on one asset was incorrectly applied as a valuation increase, rather than a decrease. Land &amp; Buildings were therefore overstated by £0.171 million.</li><li>• Assets Held for Sale are required to be separately disclosed on the Balance Sheet as a 'Current Asset', at the lower of carrying amount and fair value. The classification of this asset, and the upwards revaluation of the asset, means total assets were overstated by £0.423 million</li><li>• For 3 Car Park assets revalued in the year, the valuations have been calculated on the incorrect number of parking spaces. Land &amp; Buildings is therefore overstated by £0.441 million.</li><li>• The Council's valuer had retained the 'material uncertainty' clause within their valuation report. This had been disclosed by Management within the financial statements, however the original disclosure required updating to be specific to Car Park assets.</li></ul>

Continued over.

## Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p><b>Pension Valuations and Disclosures</b> 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 IAS19 report from the Actuary, which determined that the liability in the draft accounts was overstated by £0.566 million. The audited statements were updated in this respect.</p>
<p><b>Group Accounting</b> The Authority consolidates East Cambridgeshire Trading Company and East Cambs Street Scene into its group accounts. There is an inherent risk in ensuring that the group accounts reflect fairly the financial position and performance of each component.</p>	<p>Our work identified the following issues in respect of group accounting:</p> <ul style="list-style-type: none"><li>• The Council had incorrectly eliminated intercompany activity on a net basis, instead of a gross basis. This has been corrected in both the current year (£4.046 million) and comparative figures for 2019/20 (£4.886 million) reducing the overstatement of both Income and Expenditure in the Group CIES statement</li><li>• The component auditor identified uncorrected misstatements within East Cambridgeshire Trading Company, meaning income was understated by £0.153 million. This misstatement remained uncorrected in the final Statement of Accounts as it was not material to the Group Accounts.</li></ul>

Continued over.



## Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p><b>Bad debt provision and recoverability of debtors</b></p> <p>As a result of the impact of Covid-19, there may be increased uncertainty around the recoverability of receivables. This includes large value debtors with subsidiary companies and outstanding management fees in respect of the leisure centre. 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.</p>	<p>Our work did not identify any issues in respect of the bad debt provision calculation and the recoverability of debtors.</p>
<p><b>Accounting for Collection Fund disclosures</b></p> <p>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 figures within the Collection Fund statement.</p> <p>The Council have presented the Collection Fund deficit as a 'Provision', where latest guidance is that this should be classified as an 'Earmarked Reserve'. As a result £3.105 million has been reclassified from Provisions to Earmarked Reserves.</p>
<p><b>Going concern disclosures</b></p> <p>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.</p> <p>Management had 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 Balance Sheet date.</p>

Continued over.

## Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p><b>Auditing Accounting Estimates</b> 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 have not identified any issues in respect of estimates included within the financial statements, other than those specifically set out in this report.</p>

# Financial Statement Audit (continued)

## Audit differences

### Adjusted differences

- ▶ Property, Plant & Equipment – Indexation on one asset was incorrectly applied as a valuation increase, rather than a decrease. Property, Plant & Equipment therefore overstated by £0.171 million
- ▶ Property, Plant & Equipment – Under IFRS 5, Assets Held for Sale are required to be separately disclosed on the balance sheet as a current asset, at the lower of carrying amount and fair value. The classification of this asset, and the upwards revaluation of the asset, means total assets were overstated. The lower carrying amount value of £0.165 million should be shown and held as a 'Current Asset' instead of as 'Non-Current Asset - Property, Plant and Equipment'.
- ▶ Property, Plant & Equipment – For 3 car park assets revalued in year the valuations have been calculated on the incorrect number of parking spaces. Land & Buildings overstated by £0.441 million.
- ▶ Property, Plant & Equipment – During the year, the Council have disposed of Public Conveniences held within the asset register of £0.159 million. This has incorrectly been reflected as a downwards revaluation, when this should be recognised as a loss on disposal. This has no net impact on the closing value of Property, Plant & Equipment.
- ▶ Pension Liability – Management have corrected an audit difference in relation to the Pension Liability reducing the liability by £0.566 million, as a result of increases in the valuation of Pension Fund Investments due to timing differences reported through the audit of Cambridgeshire Pension Fund.
- ▶ Provisions – The Council have presented the Collection Fund deficit as a provision, where latest guidance is that this should be classified as an Earmarked Reserve. £3.106 million has been reclassified from Provisions to Earmarked Reserves.
- ▶ Cash and Cash Equivalents – The Council have classified £5.000 million within one account as a 'Cash and Cash Equivalent'. As the terms of this account, on acquisition, are that 180 days notice would be required to withdraw from the account, this should be classified as a 'Short Term Investment. This has no net impact on the Balance Sheet.
- ▶ Group CIES – The Council have incorrectly eliminated intercompany activity on a net basis, instead of a gross basis. This has been corrected in both the current year (£4.046 million) and comparative figures for 2019/20 (£4.886 million) overstatement of both Income and Expenditure in the Group CIES statement.
- ▶ Covid-19 Grant - The Council incorrectly identified its responsibility for the 'Additional Restrictions' Grant as an 'Agent' instead of as a 'Principal' which impacts the disclosure accounting. Management have corrected for £0.992 million understatement of both income and expenditure in respect of this.

### Disclosure Differences

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

### Uncorrected Differences

Management did not correct two immaterial adjustments. Management did not correct for a difference identified by the component auditor, relating to an understatement of income by £0.153 million. Management did not correct for a projected misstatement in creditors, where an identified difference has been extrapolated to give a projected overstatement of expenditure by £0.166 million.

## Financial Statement Audit (continued)

### 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
<b>Planning materiality</b>	We determined planning materiality to be £0.751 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
<b>Reporting threshold</b>	We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.038 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)

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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 Audit Committee on the 22 November 2021 which was based on a combination of our cumulative audit knowledge and experience, our review of Council and committee reports, meetings with the Finance Manager 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.

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

## Reporting

We completed our planned VFM arrangements work in November 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.

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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.
-

## 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.

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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.

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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

***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***

Each year the Finance team prepares a budget for the budget year, and the Medium Term Financial Strategy (MTFS) which sets out indicative budgets for three further years. The MTFS includes assumptions about all known expenditure and income over that period. This is taken to Full Council in February each year for approval. The Council prepares a capital strategy alongside the revenue budget for the same time period, with the revenue implications of the capital strategy included within the revenue budget.

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

The Council's latest published budget for the next financial year, 2021/22, was balanced via the use of the Surplus Savings Reserve. The 2022/23 budget has also been balanced through the use of the Surplus Savings Reserve. Further work is ongoing as part of the preparation of the detailed 2022/23 budget to balance the 2023/24 budget through additional identified saving opportunities. The Council's objective is always to have a balanced budget in each of the next two financial years when the budget is approved in the February of each year, to demonstrate that the Surplus Savings Reserve provides sufficient headroom to manage funding gaps.



## Financial sustainability (continued)

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

The budget setting process considers any changes to service delivery proposed by Service Leads, as long as those changes are linked to the Council's priorities. The Medium Term Financial Strategy (MTFS) process, is the framework under which sustainable service delivery is planned for within an annual balanced budget, and over the next four year life of the MTFS.

### ***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***

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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.

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The Council have joint arrangements in place with other local Council's to achieve effectiveness and efficiency of service delivery, including the Anglian Revenues Partnership (ARP) who provide services linked to local taxation collection and administration of housing benefits. Finances are planned through the Medium Term Financial Strategy (MTFS) and budget setting processes. The Council's Corporate Plan is also presented and approved at Full Council each year. This sets out the wider objectives and key priorities of the Council in respect of service delivery.

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

Budgets are produced in line with expected income and expenditure based on the current knowledge of the Finance team. The key assumptions are set out in the Medium Term Financial Strategy (MTFS). The Council's Chief Finance Officer has set the minimum level of reserves for the General Fund at a level that is equivalent to 10% of the Council's net operating budget. In addition, the Council currently holds a 'Surplus Savings Reserve', derived from planned savings schemes set up as part of the annual budget setting process. Together, these provide Management with confidence that if unavoidable overspends did occur these could be managed through the Council's existing reserves balances. The Medium Term Financial Strategy sets out risks and uncertainties that could impact the Council's financial position.



## Governance

### ***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 'Corporate Risk Register' that is reviewed quarterly by the Risk Management Group and is presented to Audit Committee twice a year. The Council's Internal Auditor supports the production of the Council's Annual Governance Statement each year, feeding in their observations on internal control as identified through the audits that they have completed during the year. The Internal Audit Annual Report is presented to the Audit Committee which provides an overall audit opinion, alongside details of the individual audits undertaken during the year to reach the final opinion.

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

An updated Medium Term Financial Strategy (MTFS) is taken to the Finance and Assets Committee in September each year, providing the initial budget for the following financial year, with forecasts across the remaining 3 years of the Medium Term Financial Strategy (MTFS) life (i.e. The MTFS is a rolling 4 year strategy). Following this meeting, the draft budget report is developed into a full annual budget, including the impact on Council Tax requirements. This is then re-presented to the Finance and Assets Committee in January, before being presented to Full Council in February for approval ahead of the start of the financial year to which it relates. Budget figures are determined by the Finance Team through discussions with relevant budget holders, and the Medium Term Financial Strategy (MTFS) is revisited at regular intervals to build in any significant changes.

### ***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 financial management system to which budget data is uploaded in line with agreed timescales. This enables budget holders to review their budgets on screen and regularly update their forecast spend. Quarterly budget monitoring reports are presented to the Corporate Management Team, and to relevant Committees. Internal Audit review key aspects of the system of financial control as part of their cyclical audit strategy and report their findings as part of the Internal Audit Annual Report.

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

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## **Governance (continued)**

***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 schemes of delegation are set out within the Constitution for all Committees, as well as decision making that is delegated to Council Officers. Where formal decisions are required they are scrutinised by the appropriate 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.

***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 Constitution contains policy documents such as the 'Member's Code of Conduct' which defines the rules to be adhered to as part of meeting the relevant requirements and setting appropriate standards. There is a separate 'Employees Code of Conduct' to ensure employees are also meeting the required standards for officers of the Council. Any issues, for example through the Council's whistle-blowing policy or complaints policy, are investigated in accordance with agreed processes and/or referred to Internal Audit or the Monitoring Officer, as appropriate to the issue. Councillors are required to complete and update their 'Declarations of Interest' on an annual basis.

## **Improving economy, efficiency and effectiveness**

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

Regular reporting of performance and finances is undertaken, with quarterly budget monitoring reports presented to the Corporate Management Team, and then to the Finance and Assets Committee. As part of this, the Council consider the delivery of services and the Council's priorities and previous performance. Service leads are responsible for monitoring the performance of teams, in line with key Council objectives as set out in the Corporate Plan. This is reflected on within the Commentary and Review of 2020/21 section of the Narrative Report within the Statements of Accounts.

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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.

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## **Improving economy, efficiency and effectiveness (continued)**

### ***How the body evaluates the services it provides to assess performance and identify areas for improvement***

The Corporate Plan sets out the Council's priorities which the Council call as 'future promises and commitments'. The Council monitors the provision of services against these commitments, with quarterly budget monitoring reports presented to the Corporate Management Team, and then to the Finance and Assets Committee. Monitoring of the Corporate Plan and the progress of actions to address the plan is through discussion at Corporate Management Team, with subject papers taken to relevant Committees on an ad-hoc basis. The nature of monitoring therefore is dependent on the nature of the service provided and the commitments monitored. The Narrative Report sets out a review of achievements against the Corporate Plan for that year.

### ***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***

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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.

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The Council ensures that it is represented on partnership bodies by relevant officers or members, as required. Key partnerships include the Anglia Revenues Partnership and working arrangements with the two subsidiary companies, East Cambridgeshire Trading Company and East Cambridgeshire Street Scene, for which regular reports are taken to the Finance & Assets Committee and the Operational Services Committee.

### ***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, as part of its Constitution, 'Contract Procedure Rules' which officers are expected to adhere to when procuring on behalf of the Council. The Council also maintain a 'Contract Register'. Internal Audit review procurement activity as part of their cyclical Internal Audit plan, and procurement compliance received 'satisfactory assurance' for 2020/21. The Monitoring Officer has overall responsibility for ensuring the Council complies with relevant laws and regulations.

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## Recommendations

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### **Recommendations**

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

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

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### **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 assessed and continually updated and reflected within the Medium Term Financial Plan.



Section 5

## Other Reporting Issues



## Other Reporting Issues

### **Annual 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.

## Other Reporting Issues (cont'd)

### **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 Audit 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 Audit Committee on 22 November 2021.

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Scale Fee - Code work	31,955	31,955	31,955
Additional Fee determined by PSAA Ltd (Note 1)	-	-	25,600
<b>Revised Proposed Scale Fee</b>	<b>31,955</b>	<b>31,955</b>	<b>57,555</b>
<b>2020/21 Additional work:</b>			
Changes in work required to address professional and regulatory requirements and scope associated with risk.	Note 2		
2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of:		-	-
<ul style="list-style-type: none"> <li>Accounting for Covid-19 related Government Grant income, NDR Appeals provision, Collection Fund Accounting, Recoverability of Receivables, Going Concern, Group Accounts.</li> </ul>			
<b>Total fees</b>	<b>TBC</b>	<b>31,955</b>	<b>57,555</b>

**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. In addition there are additional procedures required for the risks identified and addressed through the audit as reported in both the Audit Plan and the 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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