

# **Cambridgeshire & Peterborough Combined Authority Annual Audit Letter**

August 2018

Year ended 31 March 2018

28 August 2018



Dear Members of the Combined Authority

The purpose of this annual audit letter is to communicate to Members, management and external stakeholders, including members of the public, the key issues arising from our work in carrying out the audit of the 2017/18 statement of accounts for the Cambridgeshire & Peterborough Combined Authority (the Authority). Our reporting during the year has recognised the arrangements being put into place by the Authority during the year to support how it seeks to ensure it delivers value for money.

We have already reported the detailed findings from our audit work in our 2017/18 Audit Results Report to the 20 July 2018 Audit and Governance Committee. We do not repeat those detailed findings in this letter. At that meeting we reported that we expected to issue auditor's report imminently. We are pleased to provide this annual audit letter to confirm that we issued the auditor's report on 25 July, enabling the Authority to publish its audited accounts by the 31 July deadline.

We can confirm that we issued an unqualified audit opinion on the Authority's accounts. In addition, we had no matters to report in the value for money conclusion, although we did report detailed commentary on the arrangements put in place by the Authority for the year ending 31 March 2018.

Finally, we recognised the good work by the Authority to prepare its statement of accounts within the new earlier deadlines and generally good supporting working papers. However, some technical aspects of the accounts and the extent of work we were required to undertake on the value for money conclusion has led to additional auditor time to deliver the audit. We have agreed with the Interim Chief Finance Officer a resultant additional fee of £3,700.

We thank the Authority's finance team for their cooperation and engagement during the audit.

Yours faithfully

Suresh Patel, Associate Partner for and on behalf of Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued "Statement of responsibilities of auditors and audited bodies". It is available from the via the PSAA website ([www.PSAA.co.uk](http://www.PSAA.co.uk)). 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 (updated February 2017)" 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 & Governance Committee and management of Cambridgeshire & Peterborough Combined Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit & Governance Committee, and management of Cambridgeshire & Peterborough Combined Authority 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 & Governance Committee and management of Cambridgeshire & Peterborough Combined Authority for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

## Executive Summary



## Executive Summary

### Overview of the audit

We issued an unqualified opinion on the financial statements and had no matters to reporting in respect of the value for money conclusion.

Area of Work	Conclusion
<b>Opinion on the Authority's</b>	
▶ Statement of accounts	We issued an unqualified opinion on 25 July 2018. The financial statements give a true and fair view of the financial position of the Trust as at 31 March 2018 and of its expenditure and income for the year then ended.
▶ Consistency of the other information published with the Statement of accounts.	Financial information in the narrative report was consistent with the audited accounts.

### Reporting by exception

▶ Governance statement	The Annual Governance Statement was consistent with our understanding of the Authority
▶ Public interest report	There were no matters that warranted reporting in the public interest.
▶ Value for money conclusion	The Authority has been working to put in place arrangements for securing effective use of its resources. We had no matters to include within the auditor's report on the value for money conclusion but did include detailed commentary in the Audit Results Report about the timing of those arrangements being put into place.

### Other

▶ Reporting to the National Audit Office (NAO) in line with group instructions	The Authority is below the NAO's reporting threshold so we had no matters to report.
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As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Authority communicating significant findings resulting from our audit.	We issued our Audit Results Report to the Audit and Governance Committee on 20 July 2018.
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 2015 Code of Audit Practice.	We issued our certificate on 25 July 2018



## Executive Summary

### Fees

We based our planned fee on the assumption that the Authority would:

- ▶ Prepare draft statements free from misstatement.
- ▶ Provide good quality working papers.
- ▶ Respond promptly and effectively to audit queries.

Throughout the year we have engaged early and effectively with the finance team on matters that may have impacted on the statements. The finance team have been very receptive to our engagement and we have valued their openness. The statements did contain more capital accounting disclosures than we expected and we did identify some supporting working papers with scope for improvement. In addition, we carried out more work than originally planned on the value for money conclusion, in particular seeking and obtaining evidence and assurances in relation to the arrangements that the Authority was putting in place during the financial year.

As a result of the the additional audit input required to complete the audit and help ensure the Authority met the 31 July deadline for publishing the audited statements we have agreed with the Interim Chief Financial Officer an additional audit fee of £3,700. This fee is subject to approval by PSAA.

Item	Final fee 2017/18	Planned fee 2017/18	Final fee 2016/17
Statutory audit fee	£38,700	£35,000	£15,000

The Authority has not engaged us to carry out any non-audit services.





## 02 Responsibilities



# Responsibilities

## What are our respective responsibilities?

### Trust responsibilities

The Authority is responsible for preparing and publishing its Statement of accounts. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Auditor responsibilities

We presented an Audit Plan to the Audit and Governance Committee in March 2018 outlining our compliance with the National Audit Office's 2015 Code of Audit Practice (NAO), International Standards on Auditing (UK and Ireland), and other guidance issued by the NAO.

As auditors we are responsible for expressing an opinion on:

- ▶ The 2017/18 financial statements; and
- ▶ The consistency of other information published with the statements.

We are required to report by exception:

- ▶ If the annual governance statement does not comply with relevant guidance or is not consistent with our understanding of the Authority; and
- ▶ Any significant matters that are in the public interest.

We are also required to:

- ▶ Form a conclusion on the arrangements the Authority has in place to secure economy, efficiency and effectiveness in its use of resources;
- ▶ Provide an assurance statement to the NAO on the Authority's WGA submission; and
- ▶ Undertake any other work specified by the Code of Audit Practice.





## 03 Findings from our work



## Findings from our work

Are the financial statements free from material misstatement?

### Key issues

The Statement of Accounts is an important tool for the Authority to show how it has used public money and how it can demonstrate its financial management and financial health. We issued an unqualified audit opinion on 25 July 2018 however we did report some matters to the Audit Committee which we summarise below.

### Significant risk - Management override of controls



A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

### What did we find?

We did not identify any material weaknesses in controls or evidence of material management override. We did not identify any instances of inappropriate judgements being applied or any transactions during our audit which appeared unusual or outside the Authority's normal course of business.

### Other matters

**Faster close** - The Authority met the shortened deadline for production of its accounts, however we received the accounts the week after we had planned to start the audit. To a large extent the accounts and notes were supported by good quality working papers, except for in a few specific areas, where we had some difficulties.

**Issues requiring additional audit focus** - the Authority has treated the majority (£34.3 million) of its expenditure on 'New Homes & Communities' and 'Transport & Infrastructure' as Revenue Expenditure Funded from Capital under Statute (REFCUS) - expenditure incurred during the year that may be classified as capital for funding purposes. As this expenditure does not form an asset to be carried on the Combined Authority's balance sheet it is charged to the relevant service line in the Comprehensive Income and Expenditure Statement. The grant income received in respect of this expenditure is credited to the same lines in the CIES. We carried out a technical review of this treatment and we concluded it was reasonable.

### Audit differences

We identified small presentational and disclosure issues which management accepted.

### Our application of materiality

We determined planning materiality to be £821,000, which is 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 Authority.

We agreed with the Audit and Governance Committee that we would report to the Committee all audit differences in excess of £40,000.



## 04 Value for Money



# Value for Money

## Economy, efficiency and effectiveness

We are required to consider whether the Authority has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

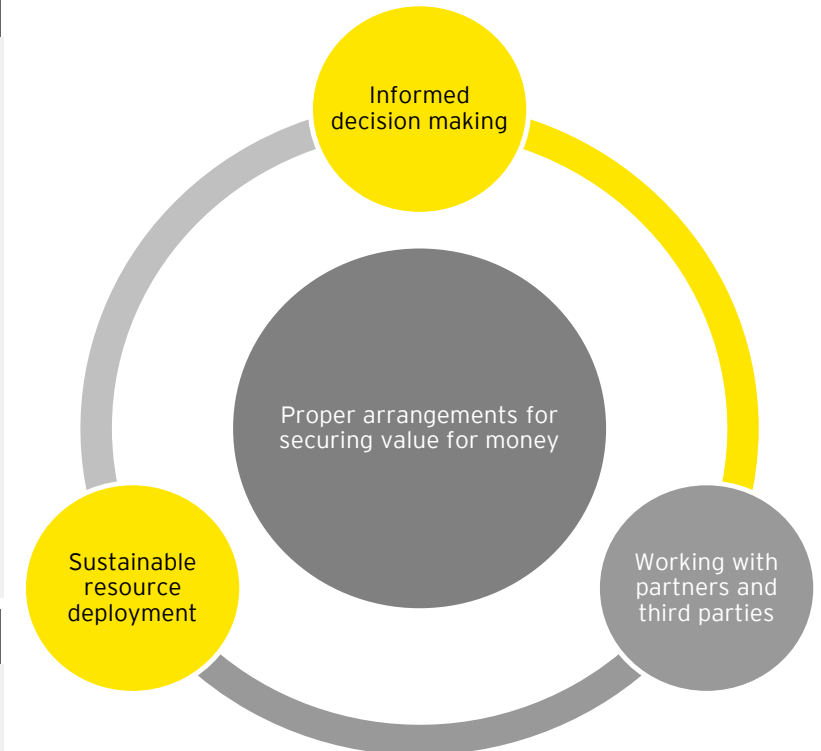
- ▶ Take informed decisions;
- ▶ Deploy resources in a sustainable manner; and
- ▶ Work with partners and other third parties.

In considering your proper arrangements, we will draw on the requirements of the CIPFA/SOLACE framework for local government to ensure that our assessment is made against a framework that you are already required to have in place and to report on through documents such as your annual governance statement.

We identified one significant risk in relation to these criteria and below we provide a short summary of the findings of our work in response to the risk outlined in our Audit Plan.

## Overall conclusion

We issued an unqualified conclusion in respect of your arrangements to secure economy, efficiency and effectiveness in your use of resources.



## Findings

The Audit Results Report we issued on 20 July provides detailed findings of our work.

The Authority has been putting in place arrangements for securing value for money throughout the year. However some of these arrangements were only formalised at the year-end. We sought and obtained sufficient assurance that the Authority was demonstrating proper arrangements over its use of resources but we also highlighted the need for the Authority to continue to formalise those arrangements.

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