

**Cambridgeshire and  
Peterborough Combined  
Authority**

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

17 December 2021



**EY**

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.

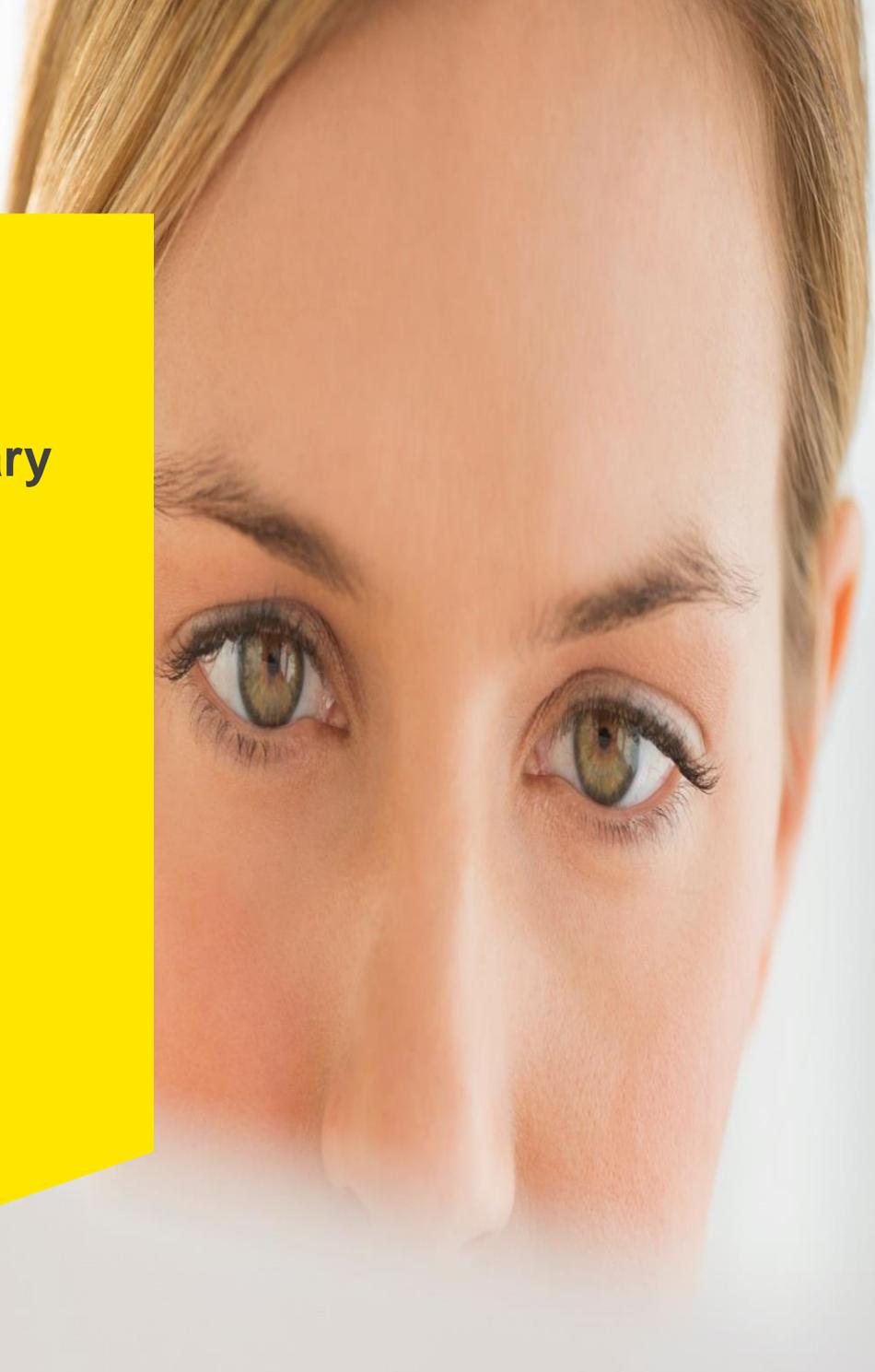
The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure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

This report is made solely to the Audit and Governance Committee and management of Cambridgeshire and Peterborough Combined Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Governance Committee and management of Cambridgeshire and 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 and Governance Committee and management of Cambridgeshire and 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.

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 Authority's:</b>	
Financial statements	<b>Unqualified</b> – the financial statements give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21. We issued our Audit Report on 17 December 2021.
Going concern	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.
Consistency of other information published with the financial statements	Financial information in 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 Authority'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 Authority.
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 Authority communicating significant findings resulting from our audit.	We issued our Audit Results Report on the 26 July 2021 to the Audit and Governance Committee. We issue an Addendum to this report on the 12 November 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 in respect of the 2020/21 audit 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 to auditors.

## Fees

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

We would like to take this opportunity to thank the Authority 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 Authority 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 26 February 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 Authority;
- If we identify a significant weakness in the Authority'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 Authority**

The Authority 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 Authority's 2020/21 financial statements.

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## Key issues

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

On 17 December 2021, we issued an unqualified opinion on the financial statements. We reported our detailed findings to the Audit Committee on the 30 July 2021 and an update to the meeting on the 17 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.	We have not identified any material weakness in controls or evidence of material management override.  We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.  We have not identified any inappropriate journal entries or other adjustments to the financial statements.
<b>Inappropriate capitalisation of expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)</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. Continued over.	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.  Our sample testing did not identify any revenue items that were incorrectly classified.  Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.

## Financial Statement Audit (continued)

Significant Risk	Conclusion
<p><b>Accounting for Covid-19 related grant funding</b></p> <p>In response to the Covid-19 pandemic, the Authority has received significant levels of grant funding, both to support the Authority 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 Authority to understand the accounting impact of, there is a significant risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.</p>	<p>Our sample testing of Covid-19 related grant funding did not identify any grants that were incorrectly classified as specific or non-specific in nature, or any grants where the incorrect accounting treatment was applied.</p>
<p><b>Pension Valuations and Disclosures</b></p> <p>The Authority makes extensive disclosures within its financial statements regarding its membership of Pension Scheme administered by Cambridgeshire County Authority. The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Cambridgeshire County Council Pension Fund.</p> <p>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.</p> <p>As a result, the Authority received an updated actuarial (IAS19) report from the Actuary, which determined that the liability in the draft accounts was overstated by £0.049 million.</p> <p>As this was an immaterial audit difference no amendment to the audited statements was required for the revised figure.</p>

Continued over.

## Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p><b>Group Accounting</b> The Authority prepared group accounts for the first time in 2020/21. This included undertaking an assessment of the group boundary to determine the procedures it needs to undertake to consolidate the relevant component entities. Given complexity of the group structure, an inherent risk has been raised.</p>	<p>Our work did not identify any issues with the consolidation of the Authority's Group Accounts.</p>
<p><b>Going concern disclosures</b> The Authority 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 Authority's financial statements do not adequately disclose the assessment made, the assumptions used and the relevant risks and challenges that have impacted the going concern period</p>	<p>We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern. Management have used the basis of their assessment to produce the disclosures included within the draft financial statements. We are satisfied that the revised disclosure note appropriately sets out the circumstances surrounding the financial implications prevalent at the date of authorisation of the financial statements.</p>

Continued over.

## Financial Statement Audit (continued)

Other area of audit focus	Conclusion
<p><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 did not identify any issues in respect of estimates included within the financial statements.</p>

# Financial Statement Audit (continued)

## Audit differences

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

1. Correction of over-statement of a £0.238 million VAT amount reclaimed do to rejected return. This adjustment was identified by officers and was corrected for the final statement of accounts.
2. A revised disclosure for related parties with respect to transactions with the Authority's subsidiaries and other interests.
3. Reclassification adjustment in prior period statements from taxation and non-specific grant income to business and skills in the amount of £7.255 million relating to the DfE Adult Education budget.

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

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

## Our application of materiality

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

Item	Thresholds applied
<b>Planning materiality</b>	We determined planning materiality to be £3.124 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 Authority
<b>Reporting threshold</b>	We agreed with the Audit and Governance Committee that we would report all audit differences in excess of £0.156 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 Authority'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 and Governance Committee on the 29 June 2021 which was based on a combination of our cumulative audit knowledge and experience, our review of Authority and committee reports, meetings with the **Head of Finance** and her team and evaluation of associated documentation through our regular engagement with management and the finance team. We reported that we had not identified any risks of significant weaknesses in the Authority'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 July 2021 and did not identify any significant weaknesses in the Authority's VFM arrangements. As a result, we had no matters to report by exception in our audit report on the financial statements.

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Our VFM commentary highlights relevant issues for the Authority 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 Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance  
How the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness:  
How the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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The Authority 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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## Introduction and context

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

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

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

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

## Financial sustainability

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

The Board receives and reviews a bi-monthly Budget Monitoring Report, and a quarterly Performance Monitoring Report, which provide oversight over the financial performance of the Authority. The Audit and Governance Committee (A&GC) also receives quarterly Performance Reporting identifying projects that are not performing as expected against budgeted spend and key performance indicators. The A&GC consider this reporting and challenge officers as to the actions being taken to address the under performance and officers then consider the impact on the Corporate Risk Register.

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

For 2020/21 the Authority has had no funding gaps and due to the way it is funded it does not currently have any need to identify savings. It uses a 'Single Pot' funding approach which is backed by the Devolution Deal signed by the member Authorities, committing significant funding to the ambitions and priorities of the Mayor and Authority. The Authority employs a Treasury Management Strategy which can leverage the future guaranteed funding to obtain current borrowing to meet short term funding gaps of which none are currently identified.

## Financial sustainability (continued)

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

The Authority does not deliver services directly (for 2021/22 it will provide passenger transport services), but its strategic and statutory priorities are clearly laid out in its Annual Report and Business Plan which is approved by the Board.

The long-term priorities of the Authority are set out by the Devolution Deal which identifies the specific projects the Combined Authority and member Authority's aim to complete over the 30-year period of the Deal. The Authority has a vision and 4-year business plan which articulates how it will deliver on its strategic and statutory priorities in the medium term. The current business plan was established drawing on the findings of specially commissioned independent economic review of the region. Initiatives and services established in the plan are translated into a Medium-Term Financial Plan which is approved annually by the Board.

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

The Authority has established Strategic Plans based on the key performance indicators established through the Cambridgeshire and Peterborough Independent Economic Review. These Strategic Plans are used in the development of the Medium Term Financial Plan and the 2020/21 Business Plan to ensure financial alignment with strategic initiatives. Monitoring is performed on a monthly basis through performance reporting which assesses how identified key projects are performing against the key performance indicators. The Board has a quarterly performance report which summarises the monthly performance reporting.

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

Projects funded by the Authority must implement the Monitoring and Evaluation Framework. Project managers report monthly on budget spend, performance against key metrics, and risk registers. A corporate risk register is reviewed monthly by the Directors of the Authority and reviewed quarterly by the Audit and Governance Committee (AG&C). The AG&C provides recommendations to the Board for consideration on the management of risks identified on an ad hoc basis with respect to the Authority's management of risks and on any concerns that risks being accepted by the Authority may be unacceptable.

## Governance

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

The Authority maintains a corporate risk register which is reviewed quarterly by the Audit and Governance Committee (A&GC). Corporate level risks are assigned to a corporate risk owner who is assigned responsibility for developing the management strategy for the risk. The corporate risk owner ensures that mitigation actions are undertaken by appropriate level of staff and monitors outcomes for updating the Corporate Risk Register. The Authority has an internal audit service to help gain assurance over the effective operation of internal controls. Internal audit also undertakes a Corporate Fraud Risk Assessment and liaises with officers to assist with the identification of fraud risks and development of mitigations to a desired level. The Internal Audit plan will include proactive testing of areas where a risk of fraud is identified. The Chief Finance Officer is responsible for the adequacy of the internal audit coverage and the A&GC review and approve the annual internal audit plan.

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

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

The annual budgets are prepared by officers engaging and submitted to the Board by the end of December with a consultation period of no less than 4 weeks with Constituent Authorities, the Business Board, and the Overview and Scrutiny Committee. It is then presented to the Board for approval.

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

All projects funded from the 'Single Pot' and are subject to the Assurance Framework and the Monitoring and Evaluation Framework. The Chief Finance Officer and Monitoring Officer review all proposed funding decisions for business cases on a weekly basis. Approved projects are captured within the Business Plan and the Medium-Term Financial Plan. The Mayor and Chief Finance Officer report monthly to the Board a Budget Monitor Update which presents the financial position of the for the year to date and seeks Board approval for major amendments to the budget. In addition, the Mayor and Director of Delivery & Strategy report a performance dashboard to the Board to support non-financial performance monitoring. The Chief Finance Officer oversees the adoption and operation of the Authority's Standing Financial Instructions including the rules relating to budgetary control, procurement, banking, losses and controls over income and expenditure transactions.

## Governance (continued)

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

The effective operation of the Board, supported with regular, clear and relevant information, is the Authority's key tool for ensuring that it makes properly informed decisions. Published board papers and minutes evidence the challenge made by Members and the transparency in decision making.

The Audit and Governance Committee (A&GC) meets quarterly, is chaired by an independent person, is comprised of appropriately skilled and experienced members, has clear terms of reference which emphasises the Committee's role in providing effective challenge and has an annual work plan to help ensure that it focus on the relevant aspects of governance, internal control, and financial reporting.

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

The Authority has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements as set out in the Authority's Constitution under Annex 1 - Code of Conduct. The Authority has an established complaints process with complaints being addressed by the Monitoring Officer. Any gifts and hospitality received are declared under the relevant members name and published on the Authority's the website. Additionally, all offers of gifts and hospitality of £50.00 or more, whether accepted or not, must be recorded within 28 days. Reminders are sent monthly to members to update declarations. The Authority has policies and procedures in place to ensure that staff operate in accordance with relevant legislative and regulatory requirements. These policies and procedures are reviewed and revised regularly – this is overseen by the Monitoring Officer.

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The Authority 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 Authority 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)**

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

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

Each month officers are required for all projects funded by the Authority to prepare a highlight performance report updating budgeted spend, performance against key milestones, and outputs/outcomes. These reports also include risk registers to track key risks and assign individuals to monitor the risk throughout the project life cycle. The highlight reports are consolidated into a monthly dashboard and reviewed by the Directors of the Authority. On a quarterly basis the Board receive the Performance Monitoring Reports with identification of projects that are underperforming.

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

The Authority did not provide services in 2020/21. It does engage in projects to deliver key initiatives focused on Gross Value Added, Jobs Growth, and Affordable Housing. These key initiatives are established under the Devolution Deal and the Board receives monthly performance dashboard reports to help evaluate performance and seek assurances that improvements are being made where relevant.

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

The Authority's main partnerships are with each constituent Authority and the Business Board. The constituent Authority's each appoint one member to the Board to act on the Authority's behalf in the execution of the Strategic Initiatives identified as part of the Devolution Deal. In addition, the Board has a voting representative from the Business Board and non-voting, co-opted members from NHS Cambridgeshire and Peterborough Clinical Commissioning Group, the Cambridgeshire and Peterborough Fire Authority, and the Police and Crime Commissioner. Each quarter members of the Board receive Performance Reporting against key performance indicators. The Business Board has co-adopted the management and evaluation framework alongside the Authority and provides performance reporting in a similar manner.

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The Authority 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)

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

The Authority employs a Procurement and Contracting Manager responsible for the design, implementation, and management of the Procurement Gateway Process. The Procurement and Contracting Manager in partnership with the Monitoring Officer ensures that the Procurement Gateway Process is aligned with all relevant legislation, professional standards, and internal policies. All contracts require signature from the Procurement and Contracting Manager, Chief Finance Officer, Monitoring Officer, and Directors. Following the awarding of contracts the contract owner must hold performance management meetings at appropriate intervals to ensure that expected benefits are being realised and if not that appropriate action is taken.

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## Recommendations

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## Recommendations

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

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The Authority 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 Authority continues to face significant financial pressures over the medium term, which we would expect to see continually updated and reflected within the Medium Term Financial Plan.



Section 5

## Other Reporting Issues

# Other Reporting Issues

## **Governance Statement**

We are required to consider the completeness of disclosures in the Authority'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 Annual Governance Statement required additional narrative to specifically disclose the impact of internal audit reports during the period. The Authority 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 Authority 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 Authority or brought to the attention of the public.

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

## **Other powers and duties**

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

## **Control Themes and Observations**

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

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

Our audit did not identify any controls issues to bring to the attention of the Audit and Governance Committee.

Appendix A

## Audit Fees



## Audit Fees

Our fee for 2020/21 is in line with the audit fee reported in our Annual Results Report presented to the Audit and Governance Committee on 26 July 2021.

Description	Final Fee 2020/21 £'s	Scale Fee 2020/21 £'s	Final Fee 2019/20 £'s
Initial Scale Fee – Code work	26,950	26,950	26,950
Fee Variation	TBC (Note 2)	-	17,122 (Note 1)
<b>Revised Scale Fee</b>	<b>TBC</b>	<b>26,950</b>	<b>44,072</b>

**Note 1** – PSAA Ltd determined the 2019/20 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 Authority 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, for 2020/21, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to the enhanced considerations and procedures required in respect of estimates under ISA540 and the new Code requirements for Value for Money arrangements, as well as the risks outlined within our Audit Plan and Audit Results Report. There have also been additional unforeseen costs to close out the audit. 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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