



Cambridgeshire and Peterborough Combined Authority Audit results report

Year ended 31 March 2020

17 November 2020



17 November 2020

Dear Audit & Governance Committee Members

We are pleased to attach our audit results report for the forthcoming meeting of the Audit & Governance Committee. This report summarises our preliminary audit conclusion in relation to the audit of Cambridgeshire and Peterborough Combined Authority (the Authority) for 2019/20.

At the date of this report our audit of the Authority's accounts for the year ended 31 March 2020 is substantially complete. However, subject to concluding the outstanding matters listed in our report, we anticipate issuing an unqualified audit opinion on the financial statements in the form at Section 3 of this report. We also expect to have no matters to report on your arrangements to secure economy, efficiency and effectiveness in your use of resources.

As set out on page 5, a number of issues have arisen as a result of COVID-19 which have impacted our work.

This report is intended solely for the use of the Audit and Governance Committee, other members of the Authority, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement given the additional pressures they have faced responding to the pandemic and working remotely.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Governance Committee meeting on 27 November 2020.

Yours faithfully

Suresh Patel

Associate Partner

For and on behalf of Ernst & Young LLP

Encl

Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk). This 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 April 2018)' issued by 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 statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

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.



01 Executive Summary

Executive Summary

Scope update

In our Audit Plan dated 11 March 2020, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- ▶ Changes to reporting timescales - As a result of Covid-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to the publication date for approved financial statements from 31 July to 30 November 2020 for all relevant authorities.
- ▶ Changes to our risk assessment as a result of Covid-19:
 - ▶ Disclosures on Going Concern - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Local Authority would not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Authority's actual year end financial position and performance. See Section 2 of this report for further details.
 - ▶ Events after the balance sheet date - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic will need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Authority.
 - ▶ Adoption of IFRS16 - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. We therefore no longer consider this to be an area of audit focus for 2019/20.
 - ▶ The continued impact of the Covid-19 pandemic increases the risks to the material accuracy of financial statements and disclosures. To ensure we are providing the right assurances to the Authority and its stakeholders the firm has introduced a rigorous consultation process for all auditor reports to ensure that they include the appropriate narrative.
- ▶ Changes in materiality - We updated our planning materiality assessment using the draft statement of accounts and have also reconsidered our risk assessment. Based on our materiality measure of 2% of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.422 million (same as the audit). This results in updated performance materiality, at 75% of overall materiality, of £1.067 million, and a threshold for reporting misstatements of £0.071 million.
- ▶ Information Produced by the Entity (IPE) - We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Authority's systems. We undertook the following to address this risk:
 - ▶ Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
 - ▶ Agree IPE to scanned documents or other system screenshots.

As disclosed in the audit plan, additional risks require additional audit input and an associated additional audit fees which will be agreed in advance with S73 officer and then PSAA.



Executive Summary

Status of the audit

We have substantially completed our audit of the Cambridgeshire & Peterborough Combined Authority financial statements for the year 31 March 2020 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the following outstanding items we expect to issue an unqualified opinion on the Authority's financial statements in the form which appears at Section 3. However until work is complete, further amendments may arise:

- Related party transactions - we are awaiting a register of interests update from officers;
- REFCUS expenditure testing; and

The final procedures required to complete the audit are:

- Completion of our final review processes
- Review of the final version of the financial statements;
- Complete a subsequent events review;
- Review the signed management letter of representation; and
- Present this final version of the Audit Results Report.



Executive Summary

Audit differences

Unadjusted differences

At the date of this report there are two unadjusted differences that the Committee needs to consider.

1. Pension Liability (IAS 19): There has been an increase of £0.170 million in the pension liability as a result of the updated pension fund asset valuations. Given the changes are immaterial, management have chosen to not amend the original figures in the statement of accounts.
2. Understatement of creditors and expenditure of £0.382 million - our testing of unrecorded liabilities identified two invoices received in 2020/21 which should have been accrued for in the statement of accounts as they related to expenditure incurred by the Authority in 2019/20.

Adjusted differences

At the date of this there are adjusted differences we wish to highlight from the draft statement of accounts presented for audit on 25 May 2020.

1. Classification adjustment of £19.0 million from short-term investments to cash and cash equivalents. This adjustment was identified by officers and was corrected for the statement of accounts published on 27 August 2020. There is no general fund impact as a result of this adjustment.
2. Classification adjustment of £0.746 million from long-term debtors to short-term debtors. This adjustment was corrected for the statement of accounts published on 27 August 2020. There is no general fund impact as a result of this adjustment.
3. Correction of a mis-posting of £2.7 million between capital grants unapplied reserve and the capital adjustment account. This adjustment was identified by officers and does not impact the general fund balance.
4. IAS 19 pension disclosures - the draft statement of accounts did not contain the IAS 19 pension disclosures as the Authority was still concluding this work. The figures were included in the statement of accounts published on 27 August 2020.
5. Cash flow statement - workings and disclosures updated. Removal of non-trivial balancing figure in the working papers.
6. Other updates - other areas that were incomplete at the time of the draft statement of accounts presented for audit have been updated; officers remuneration, pay multiple and employee expenses.
7. A revised disclosure on going concern.

During the audit we have identified some minor disclosure audit amendments in the draft financial statements which management have chosen to adjust. We have judged that these do not warrant flagging to the Audit & Governance Committee in this report.

Executive Summary

Areas of audit focus

Our audit plan identified key areas of focus for our audit of the Authority's financial statements. In total we identified two significant risks and three areas of audit focus. We summarise below our findings.

Significant risk	Findings & conclusions
Misstatements due to fraud or error - management override	We have completed our testing of journals, sought evidence of bias in material estimates and remained alert to unusual transactions. We have found no indications that management have overridden controls to deliver a desired financial outturn.
Misstatements due to fraud or error - incorrect treatment of capital expenditure as revenue	We are in the process of completing our testing of a sample of capital expenditure, including Revenue Expenditure Funded from Capital Under Statute (REFCUS) to verify that revenue costs have not been inappropriately treated as capital. We have also verified that adjustments between the accounting basis and funding basis have been correctly made in accordance with the Code, and reflected appropriately in the Authority's Movement in Reserves Statement (the MiRS). To-date we have found no indications that management have overridden controls to deliver a desired financial outturn.

Area of audit focus	Findings & conclusions
Pension Liability Valuation & Pensions Assets	We have completed our work and identified an understatement of the net liability of £0.170 million on the pension liability as a result of the updated Cambridgeshire Pension Fund asset valuations.
New accounting standards	Leases (IFRS 16) - The adoption of IFRS 16 by CIPFA/LASAAC as the basis for preparation of Local Authority Financial Statements has been deferred until 1 April 2021. Going Concern (ISA 570) - We have worked with the Authority to update their going concern and events after the balance sheet date disclosures in light of the Covid-19 pandemic, see detailed findings in Section 2 for further information.

This report sets out our observations and conclusions on the above matters, and any others identified, in the "Areas of Audit Focus" section of this report. We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues; and
- ▶ You agree with the resolution of the issues; and there are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to your attention.

Executive Summary

Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. However, from the results of substantive procedures performed we have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statement.

Value for money

We have considered your arrangements to take informed decisions; deploy resources in a sustainable manner; and work with partners and other third parties. In our Audit Plan we identified the Authority's ambitious capital programme as a significant risk. We have completed our procedures and found that the Authority has the expected arrangements in place to manage the capital programme delivery.

There are two other matters we have dealt with:

1. Correspondence from a member of the public in respect of the Authority's loan to East Cambridgeshire Trading Company
We reported to the Committee in July 2020 with our progress report that we sought and obtained evidence that the Authority had the arrangements in place we would expect to see in respect of providing loans to a local authority trading company. We repeat our findings in Section 05.
2. Correspondence to the Mayor from the Minister for Regional Growth and Local Government (MRGLG) and the Mayor's subsequent request to EY
On 13 July 2020 the MRGLG wrote to the Mayor highlighting concerns over the governance of the Authority. On 7 August the Mayor requested our view, as your external auditor, on the Authority governance arrangements in the context of the MRCLG letter. We agreed to respond to the request on the basis of our responsibilities under the Local Audit and Accountability Act 2014 and National Audit Office's (NAO) 2015 Code, i.e. under the VFM conclusion. We have shared our response to the Mayor with the Audit and Governance Committee.

We expect to issue an unqualified value for money conclusion. We include further details in Section 05.

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Authority. We have no matters to report as a result of this work.

We are not required to carry out any procedures on the Authority's Whole of Governance Accounts (WGA) submission as the Authority falls below the National Audit Office (NAO) threshold.

Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.



02 Areas of Audit Focus





Areas of Audit Focus

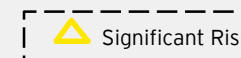
Significant risk

Risk of misstatements due to fraud or error – management override of controls

What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, 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. We identify and respond to this fraud risk on every audit engagement.



What did we do and what judgements did we focus on?

We performed the following audit procedures:

- ▶ Identified fraud risks during the planning stages.
- ▶ Enquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understood the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Tested journals at year-end to ensure that there were no unexpected or unusual postings.
- ▶ Reviewed accounting estimates for evidence of management bias.
- ▶ Looked for and investigated any unusual transactions.

We used our data analytics capabilities to assist with our work, including journal entry testing. We assessed journal entries for evidence of management bias and evaluated for business rationale. We specifically reviewed any elements where judgement could influence the financial position or performance of the Authority in a more positive or more favourable way.

What are our conclusions?

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



Areas of Audit Focus

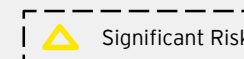
Significant risk

Misstatements due to fraud or error – the incorrect capitalisation of revenue expenditure and REFCUS

What is the risk?

The Authority has a revenue budget it needs to operate within. Manipulating expenditure is a key way to achieve this objective.

We consider the risk applies to capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS). Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charged to the comprehensive income and expenditure account.



What judgements are we focused on?

We identified a risk of expenditure misstatement due to fraud or error that could affect the income and expenditure accounts.

We focused on the Authority's judgement that an item is capital expenditure in nature and the judgement that expenditure treated as REFCUS is associated to an asset not owned by the Authority.

What did we do?

Our approach focused on:

- Testing a sample of capital expenditure, including Revenue Expenditure Funded from Capital Under Statute (REFCUS) to verify that revenue costs have not been inappropriately treated as capital.
- Verifying adjustments between the accounting basis and funding basis have been correctly made in accordance with the Code, and reflected appropriately in the Authority's Movement in Reserves Statement (the MiRS).

What are our conclusions?

We are currently concluding our procedures on the incorrect capitalisation of the revenue expenditure and REFCUS and will report to the Audit & Governance Committee once this is concluded.



Areas of Audit Focus



Other Areas of Audit Focus - Pension Liability Valuation & Pensions Assets

The Authority became an admitted body of the Cambridgeshire Pension Fund in 2019/20 and was therefore be required to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by Cambridgeshire County Council.

We are uncertain at the audit planning stage what the size of the pension liability would be in the balance sheet as at 31 March 2020. This has now been confirmed as a net liability of £1.554 million which is material to the Authority. 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. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach has focused on:

- ▶ Liaising with the auditors of Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Cambridgeshire & Peterborough Combined Authority;
- ▶ Assessing the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used by relying on the work of PWC - Consulting Actuaries commissioned by the NAO for all Local Government sector auditors, and considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.

An additional consideration in 2019/20 will be the impact of Covid-19 on the valuation of complex (Level 3) investments held by Cambridgeshire Pension Fund (for example private equity investments) where valuations as at 31 March 2020 will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability.

Findings and conclusions

We have received assurances from the Cambridge Pension Fund auditor, which states that there is a £0.170 million increase in net pensions liability from the original IAS19 report provided, as a result of the valuation of investment assets. As the amount is immaterial, Management will not be updating the figures in the statement of accounts, and as such this will be an unadjusted audit difference.



Areas of Audit Focus



Other Areas of Audit Focus – Going concern disclosure

There is presumption that the Authority will continue as a going concern. However, the current and future uncertainty over government funding and other sources of Authority revenue as a result of Covid-19 increases the need for the Authority to undertake a detailed going concern assessment to support its assertion. In light of the unprecedented nature of Covid-19, its impact on the funding of public sector entities and uncertainty over the form and extent of government support, we requested that management provide a documented consideration to support their assertion regarding the going concern basis. We also reviewed the Authority's subsequent new disclosure note.

Our approach has focused on:

- Assessing the adequacy of disclosures required in 2019/20;
- Discussing with management the going concern assessment and challenging management's underlying assumptions;
- Considering the impact on our audit report, including completing the EY consultation requirements.

Findings and conclusions

The draft accounts did not include a going concern disclosure but the Authority has carried out an assessment of the impact of the Covid-19 pandemic on the Authority's income, expenditure, balances and reserves. We reviewed the assessment, focusing on the reasonableness of the financial impact assessment, cashflow and liquidity forecasts, known outcomes, sensitivities, mitigating actions and key assumptions. We also discussed with management the need to make specific disclosures in the 2019/20 statements.

We have concluded that the assumptions applied are appropriate given the limited impact Covid-19 has had on CPCA given that it does not provide services in the same way other local authorities do. CPCA's income is mainly received via government grant and this is secured for the period of the MTFP. The only impact of Covid-19 is on how and where CPCA spends its monies moving forward. The Board has already had a report in June 2020 on re-prioritising policy areas and the 2020/21 budget. Given that as at 31 March 2020 the Authority held £80m in cash and cash equivalents and £80m on short term deposits it's liquidity is secure over the next 12 months.

We have now reviewed the new going concern disclosure included in the statement of accounts, and are satisfied that it adequately reflects the Authority's assessment and informs the reader of the limited impact of the pandemic on the Authority's finances.



03 Audit Report



Audit Report

Our opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE & PETERBOROUGH COMBINED AUTHORITY

Opinion

We have audited the financial statements of Cambridgeshire & Peterborough Combined Authority for the year ended 31 March 2020 under the Local Audit and Accountability Act 2014. The financial statements comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, Cash Flow Statement, the related notes 1 to 31, and the Statement of Accounting Policies.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion the financial statements:

- give a true and fair view of the financial position of Cambridgeshire & Peterborough Combined Authority as at 31 March 2020 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Audit Report

Our opinion on the financial statements

Other information

The other information comprises the information included in the Statement of Accounts 2019/20, other than the financial statements and our auditor's report thereon. The Chief Financial Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

In our opinion, based on the work undertaken in the course of the audit, having regard to the guidance issued by the C&AG in April 2020, we are satisfied that, in all significant respects, Cambridgeshire & Peterborough Combined Authority put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Authority;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.



Audit Report

Our opinion on the financial statements

Responsibility of the Chief Financial Officer

As explained more fully in the Statement of Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in April 2020, as to whether Cambridgeshire & Peterborough Combined Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The C&AG determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Cambridgeshire & Peterborough Combined Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.



Audit Report

Our opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Cambridgeshire & Peterborough Combined Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of our report

This report is made solely to the members of Cambridgeshire & Peterborough Combined Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Suresh Patel (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
XX November 2020



04 Audit Differences



Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

Summary of adjusted differences

Adjusted differences

At the time of writing there are a number of adjusted differences we wish to highlight from the draft statement of accounts presented for audit on 25 May 2020.

1. Classification adjustment of £19.0 million from short-term investments to cash and cash equivalents. This adjustment was identified by officers and was corrected for the statement of accounts published on 27 August 2020. There is no general fund impact as a result of this adjustment.
2. Classification adjustment of £0.746 million from long-term debtors to short-term debtors. This adjustment was corrected for the statement of accounts published on 27 August 2020. There is no general fund impact as a result of this adjustment.
3. Correction of a mis-posting of £2.7 million between capital grants unapplied reserve and the capital adjustment account. This adjustment was identified by officers and does not impact the general fund balance.
4. IAS 19 pension disclosures - the draft statement of accounts did not contain the IAS 19 pension disclosures as the Authority was still concluding this work. The figures were included in the statement of accounts published on 27 August 2020.
5. Cash flow statement - workings and disclosures updated. Removal of non-trivial balancing figure in the working papers.
6. Other updates - other areas that were incomplete at the time of the draft statement of accounts presented for audit have been updated; officers remuneration, pay multiple and employee expenses.

During the audit we have identified some minor disclosure audit amendments in the draft financial statements which management have chosen to adjust. We have judged that these do not warrant flagging to the Audit & Governance Committee in this report.



Audit Differences

Summary of unadjusted differences

Unadjusted differences

At the time of writing there are two unadjusted differences we wish to highlight from the draft statement of accounts presented for audit on 25 May 2020.

1. Pension Liability (IAS 19): There has been an increase of £0.170 million in the pension liability as a result of the updated pension fund asset valuations. Given the changes are immaterial, management have chosen to not amend the original figures in the statement of accounts.
2. Understatement of creditors and expenditure of £0.382 million - our testing of unrecorded liabilities identified two invoices received in 2020/21 which should have been accrued for in the statement of accounts as they related to expenditure incurred by the Authority in 2019/20.

The Authority have decided not to update the financial statements for this difference. We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit & Governance Committee and provided within the Letter of Representation.



05

Value for Money Risks

01



Value for Money

Background

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.

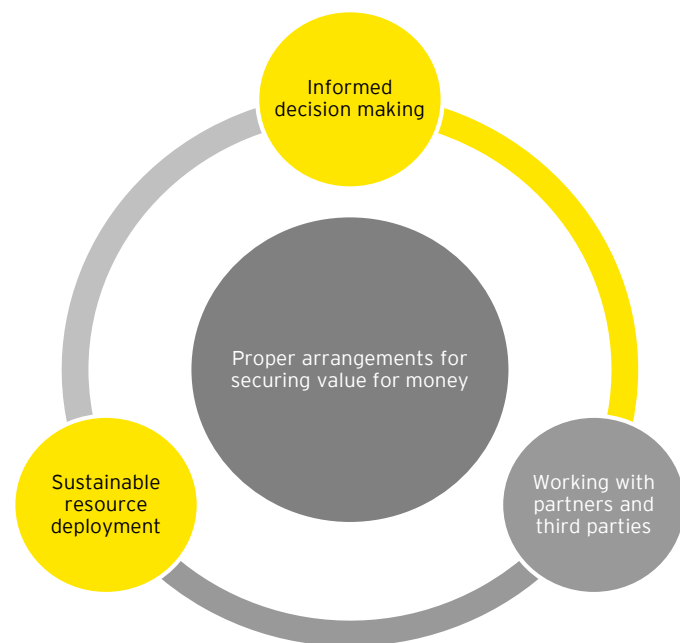
For 2019/20 this is based on the overall evaluation criterion:

"In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people"

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.



Impact of covid-19 on our Value for Money assessment

On 16 April 2020 the National Audit Office published an update to auditor guidance in relation to the 2019/20 Value for Money assessment in the light of Covid-19. This clarified that in undertaking the 2019/20 Value for Money assessment auditors should consider Local Authorities' response to Covid-19 only as far as it relates to the 2019-20 financial year; only where clear evidence comes to the auditor's attention of a significant failure in arrangements as a result of Covid-19 during the financial year, would it be appropriate to recognise a significant risk in relation to the 2019-20 VFM arrangements conclusion.

Overall conclusion

In our Audit Plan dated 11 March 2020 we identified one significant risk around these arrangements. The tables below present our findings in response to this risk. In addition, we have dealt with two items of correspondence which we have treated as information brought to our attention that is relevant to our VFM responsibilities. Overall we have no matters to include in the auditor's report about your arrangements to secure economy, efficiency and effectiveness in your use of resources.



Value for Money

Value for Money Risks

We are only required to determine whether there are any risks that we consider significant within the Code of Audit Practice, where risk is defined as: *"A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public"*

Our risk assessment supports the planning of enough work to deliver a safe conclusion on your arrangements to secure value for money, and enables us to determine the nature and extent of any further work needed. If we do not identify a significant risk we do not need to carry out further work.

We present below the findings of our work in response to the risks areas in our audit plan as well as the additional risk identified since then.

What is the significant value for money risk?	What arrangements did the risk affect?	What did we do?
<p><u>Delivery of Ambitious Capital Programme</u></p> <p>As at November 2019 the Authority's anticipated 2019/20 capital programme delivery is at £111.1 million.</p> <p>On 29 January 2020 the Combined Authority Board approved a capital programme of £187.6 million for 2020/21, which represents an increase of 69% against anticipated 2019/20 delivery.</p> <p>The Authority has several large capital projects planned, including the University of Peterborough, King's Dyke, Wisbech Access Strategy, Soham Station and the Housing Programme. There is a risk that, given the relative size of the Authority and the number of projects in operation, the Authority does not have the capacity or expertise to successfully deliver these projects within budget and in a timely manner to deliver the benefits identified and needed.</p> <p>The projects present challenges for the Authority in terms of governance, financial and risk management as well as partnership working. Given the significance and importance of these decisions to the Authority's strategic, operational and financial priorities, the effectiveness of the governance and risk management arrangements related to these projects is crucial.</p>	<ul style="list-style-type: none">• Informed decision making• Deploying resources in a sustainable manner• Working with partners and other third parties	<p>Our approach focused on the effectiveness of the Authority's arrangements to exercise oversight of the capital programme. This included reviewing:</p> <ul style="list-style-type: none">▶ The information provided to Members and Officers when taking decisions in relation to the programme;▶ The consideration of any advice taken by the Authority, including legal and financial advice;▶ The extent to which the Authority identified, considered, and mitigated the risks around the programme;▶ The extent to which the Authority considered the funding of the programme;▶ The governance arrangements and judgement made during any tender processes; and▶ The adequacy of the processes established by the Authority to review and monitor delivery of any agreed outputs. <p>Please see the following slide for a summary of our findings.</p>



Value for Money

Value for Money Risks

What are our findings?

The Assurance Framework includes a 10-point guide to CPCA Project Management that includes detailed information on the various stages of a project's life cycle, from initiation to final closure. There is also a high-level Monitoring & Evaluation Framework and Business Plan, which are reviewed and approved annually by the Board. Funding of the capital programme is clearly assigned and approved in the medium-term financial plan.

The CPCA is continually making improvements to its processes and the latest project highlight report was circulated in May 2020. These are reported to the Board and Business Board on a regular basis along with a copy of the exceptions report which flags the projects rated as amber and red. A performance dashboard is created each monthly from the highlight reports and circulated separately to each member of senior management team.

We have seen evidence that appropriate approval of the tender process has been performed. The Authority has access to, and regularly seeks, external advice when required. For example, legal support on large complex projects such as the University of Peterborough and the Cambridgeshire Automated Metro (CAM).

We also note that Internal Audit has issued substantial assurance on their reviews of Performance Management and Project Management.

Overall, we have observed a structured and well organised approach to the project management of the capital programme. The framework in place supports the Authority's objectives and assists the Board in decision making.



Value for Money

Correspondence from a member of the public

In October 2019 information was brought to our attention in the form of correspondence from a member of the public. We considered this information to be relevant for our consideration of the Authority's arrangements for the effective use of resources for 2019/20 and our subsequent value for money conclusion. The letter highlighted concerns over the governance and accountability arrangements in respect of the loans given by the Authority to East Cambridgeshire Trading Company (ECTC).

Summary of matters highlighted

The correspondence highlighted three key concerns:

1. How does the Authority assure itself on an ongoing basis that there are no conflicts of interest in its relationship with ECTC?
2. What are the arrangements that the Authority has in place to gain assurance on the robustness of ECTC's financial forecasts?
3. How is the Authority managing the risk of ECTC being unable to repay its loan commitments and how is this factored into the Authority's Medium Term Financial Strategy?

Summary of procedures carried out by EY

We have made relevant enquiries to the Chief Financial Officer (CFO) and asked a series of questions in respect of the three issues identified above. As these procedures have formed part of our VFM work we have not carried out any testing of information provided but through requesting information and asking questions we have sought evidence that arrangements are in place. The CFO has responded promptly and comprehensively to all of our enquiries. We have also been provided with the internal audit follow up report on ECTC loans (dated June 2020). We concur with their findings and do not repeat them here.

Background

ECTC was incorporated on 14 March 2016 as a wholly owned subsidiary of East Cambridgeshire District Council. Its principle business is providing markets services, ground maintenance and property consultancy and development services.

On the 28 March 2018, the Authority's Board approved in principle a £6.5m two year loan to ECTC subject to the completion of the business case, due diligence being undertaken and agreement of loan terms. The loan was to facilitate a housing development in Haddenham. In May 2018, the interim CFO at the time reported on the due diligence that was undertaken to support the loan. This included due diligence by members of the Authority's Finance and Legal teams, discussions with the Portfolio lead for Fiscal, discussions with the ECTC management team and advice from external treasury advisors. In addition, specific legal advice was sought and obtained to develop a facilities agreement and provide assurance that all conditions precedent were met prior to the first drawdown. The loan was then approved by the Chief Executive, Monitoring Officer and interim CFO. Details of the background to the decision to approve the loan are included in the Officer Decision Notice. The loan facility agreement was signed on 26 November 2018.

The loan terms include the Authority having First Legal Charge over the land and housing assets of ECTC in relation to the loan. In addition to the repayment of the interest, the loan terms also include for the Authority an element of profit share. The Authority identified the provision of the loan facility as 'concept funding', meaning that it was the first time the Authority had provided a loan to a third party on this basis and for the fulfilment of key Authority strategic objectives. According to the CFO the principles of this first loan have been applied to subsequent loan applications.

On the 31 July 2019, the Authority agreed a further facility with ECTC to provide a £24m two year loan to ECTC for the purposes of delivering the MOD Ely development.



Consideration of the matters highlighted by the correspondence

1. How does the Authority assure itself on an ongoing basis that there are no conflicts of interest in its relationship with ECTC?

The Authority obtains its own Register of Interest forms from all Authority Board members and members of constituent authorities who sit on the Authority's committees. This process is repeated for each municipal year. In addition, the monitoring officer reviews each loan arrangement and is present at Board meetings to identify and advise on conflicts of interest. The Board members who made the decision to provide a loan to ECTC declared no interests in the company.

These arrangements appear reasonable to identify potential or actual conflicts of interest.

2. What are the arrangements that the Authority has in place to gain assurance on the robustness of ECTC's financial forecasts?

The Authority places significant emphasis on the initial due diligence it carries out before it agrees loan facilities. The Authority uses the loan drawdown process effectively as the valuation of the work in progress, on which the loan is being drawn. The Authority receives regular monitoring reports which documents the process upon which the CFO then approves when satisfied.

These arrangements appear reasonable to identify potential or actual issues with ECTC's financial forecasts.

3. How is the Authority managing the risk of ECTC being unable to repay its loan commitments and how is this factored into the Authority's Medium Term Financial Strategy?

The Authority aims to reduce the impact of the risk that ECTC cannot repay its loan commitments through the inclusion of loan terms providing it with First Legal Charge over the land and housing assets of ECTC in relation to the loan. In addition, the Authority relies on the ongoing financial monitoring as outlined above. The CFO is also required by the Investment Strategy (approved at the 25 March 2020 Board) to regularly consider all investment loans and if appropriate provide a loss allowance in the accounts, which will then also be reflected in the Medium Term Financial Strategy.

These arrangements appear reasonable to identify potential or actual risks if ECTC being unable to repay its loan commitments.



Value for Money

Correspondence to the Mayor from the Minister for Regional Growth and Local Government (MRGLG) and the Mayor's subsequent request to EY

On 13 July 2020 the MRGLG wrote to the Mayor to highlight concerns over the governance of the Authority. The letter was made public soon after. On 7 August 2020 the Mayor wrote to EY request our view, as external auditor, of CPCA's governance arrangements in the context of the MRGLG letter.

We agreed to respond to your request on the basis of the auditor's responsibilities under the Local Audit and Accountability Act 2014 and National Audit Office's (NAO) 2015 Code of Audit Practice - in respect of the value for money conclusion.

We provided a response to the Mayor on 30 October drawing on matters that we had previously reported to Audit and Governance Committee and reporting our consideration of other matters we determined to be relevant to our responsibilities as your external auditor and that had come to our attention following the MRGLG letter.

Summary of procedures carried out by EY

We made relevant enquiries to one of the Interim Chief Executives, the Monitoring Officer and the Chief Financial Officer (CFO) and asked a series of question in respect of the issues highlighted in the MRGLG letter. As these procedures have formed part of our VFM work we have not carried out any testing of information provided but through requesting information and asking questions we have sought evidence that arrangements are in place. All officers responded promptly and comprehensively to all of our enquiries.

We responded to the Mayor on 30 October and have shared our response with the Audit and Governance Committee.



06 Other reporting issues

01

Other reporting issues

Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Statement of Accounts 2019/20 with the audited financial statements. We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Statement of Accounts 2019/20 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. Management has agreed to update the statement to include Covid-19 related considerations as required by CIPFA. We have no other matters to report.

Whole of Government Accounts

We are not required to carry out any procedures on the Authority's Whole of Governance Accounts (WGA) submission as the Authority falls below the National Audit Office (NAO) threshold.

Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Authority, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues.



07

Assessment of Control Environment



Assessment of Control Environment

Financial controls

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

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.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware. However, there is one matter we wish to report:

- The Authority has had to carry out procedures during the audit to collate declarations of interest made by members to help inform its accounting for and disclosure of related party transactions and to support its assertions that the disclosures are complete. We have carried out our own procedures to gain assurance that the disclosures are complete.

We recommend that the Authority puts in place a structured process for collating the declarations of interest made by members during Authority committee and board meetings.



08

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our audit plan dated 11 March 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit & Governance Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit & Governance Committee on 27 November 2020.

We confirm we have not undertaken any non-audit work outside the NAO Code requirements in relation to our work.

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Authority, and its directors and senior management and its affiliates, including all services provided by us and our network to your Authority, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats. There are no relationships from 1 April 2019 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Services provided by Ernst & Young

The table overleaf includes a summary of the fees that you have paid to us in the year ended 31 March 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

Fee analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements. We have adopted the necessary safeguards in completing this work and complied with Auditor Guidance Note 1 issued by the NAO.

In our Audit Plan and subsequent reporting to the Audit & Governance Committee, we have communicated our proposal to increase the 2019/20 scale fee and planned fees in March 2020. This proposal is currently being considered by PSAA as part of their national consideration of EY's fee proposals.

	Final Fee 2019/20 (£)	Planned Fee 2019/20 (£)	Scale Fee 2019/20 (£)	Final Fee 2018/19 (£)
	£	£	£	£
Scale Fee - Code work	26,950	26,950	26,950	26,950
Suggest uplift to scale fee	2,695	2,695		-
Additional fees (Note 1)				
- VFMC significant risk	5,750	3,000-6,000		3,500
- Significant risk - incorrect capitalisation of revenue expenditure and REFCUS	1,000-2,000	1,000-2,000		1,500
- IAS 19 audit of pension liability & disclosures	3,700	2,500-4,000		-
- Correspondence from the public	3,050	2,500-4,000		
- Impact of Covid-19	1,500	-		
- Mayor's request in respect of correspondence with MRGLG	3,900	-		
- CEO Severance	-	-		1,000
- Area of focus - Business Board transfer	-	-		2,400
Total audit fees	TBC	38,645-45,645	26,950	35,350

All fees exclude VAT

Note 1: We have performed additional work as a result of the risks identified in this audit results report. These items are outside of the PSAA scale fee and will be subject to agreement with the CFO and then PSAA.

Independence

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit & Governance Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020: https://assets.ey.com/content/dam/ey-sites/ey-com/en_uk/about-us/transparency-report-2020/ey-uk-2020-transparency-report.pdf






09

Appendices

Appendix A

Required communications with the Audit & Governance Committee

There are certain communications that we must provide to the audit committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit & Governance Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Plan - March 2020
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - March 2020
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - November 2020




Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	No conditions or events were identified, either individually or together to raise any doubt about the Authority's ability to continue for the 12 months from the date of our report
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - November 2020
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit & Governance Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial 	Audit Results Report - November 2020
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit & Governance Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Authority ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ Unless all of those charged with governance are involved in managing the Authority, any identified or suspected fraud involving: <ol style="list-style-type: none"> Management; Employees who have significant roles in internal control; or Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit & Governance Committee responsibility. 	Audit Results Report - November 2020



Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures, Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Authority 	Audit Results Report - November 2020
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit 	Audit Plan - March 2020 and Audit Results Report - November 2020

Appendix A

		Our Reporting to you
Required communications	 What is reported?	  When and where
	<ul style="list-style-type: none"> ▶ Details of any inconsistencies between the Ethical Standard and Authority's policy for the provision of non-audit services, and any apparent breach of that policy ▶ Details of any contingent fee arrangements for non-audit services ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence 	
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	We have received all requested confirmations
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit & Governance committee may be aware of 	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - November 2020

Appendix A

		Our Reporting to you
Required communications	 What is reported?	 When and where
Written representations	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - November 2020
Material inconsistencies or misstatements	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - November 2020
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - November 2020
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit plan is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - March 2020 and Audit Results Report - November 2020

Management representation letter

Management Rep Letter

[To be prepared on the entity's letterhead]

27 November 2020

Suresh Patel
Associate Partner
Ernst & Young LLP
1 More London Place
London
SE1 1AF

Dear Suresh

This letter of representations is provided in connection with your audit of the financial statements of Cambridgeshire & Peterborough Combined Authority ("the Authority") for the year ended 31 March 2020. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Authority financial position of Cambridgeshire & Peterborough Combined Authority as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We acknowledge, as members of management of the Authority, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the Authority, we believe that the Authority has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor on the grounds of materiality.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Authority's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Authority (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial statements;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Authority's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Authority's activities, its ability to continue to operate, or to avoid material penalties;
 - involving management, or employees who have significant roles in internal controls, or others; or
 - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

Management representation letter (continued)

Management Rep Letter

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic
3. We have made available to you all minutes of the meetings of the Authority and Audit & Governance Committee held through the year to the most recent meeting on 27 November 2020.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the [period] end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Authority has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. From the date of our last management representation letter through the date of this letter we have disclosed to you any unauthorised access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorised access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, ~~whether or not~~ they have been discussed with legal counsel.
3. We confirm there are no liabilities related to litigation and claims, both actual and contingent, that require disclosure in the financial statements.

E. Subsequent Events

1. We confirm there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

F. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

G. Retirement benefits

1. We agree that on the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Authority financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. We confirm that the disclosures made in the Authority's financial statements with respect to the accounting estimate(s) are complete and made in accordance with

Management representation letter (continued)

Management Rep Letter

the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

6. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events.

H. Use of the Work of a Specialist – Pension Liabilities

1. We agree with the findings of the specialists that we engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Authority's financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

I. Valuation of Pension Liabilities

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. We confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the Authority's financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Authority's financial statements due to subsequent events.

Yours faithfully,

Chief Financial Officer

Chair of the Audit & Governance Committee

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