



**CAMBRIDGESHIRE
& PETERBOROUGH**
COMBINED AUTHORITY

AUDIT AND GOVERNANCE COMMITTEE	AGENDA ITEM No: 5
27 SEPTEMBER 2018	PUBLIC REPORT

AUDIT RESULTS REPORT AND STATEMENT OF ACCOUNTS 2018/19

1.0 PURPOSE

- 1.1. The purpose of this report is for the Audit and Governance Committee to:
- (a) Receive the audit results report from the external auditors, Ernst and Young LLP (EY) for the year ended 31 March 2019

<u>DECISION REQUIRED</u>	
Lead Officer:	Jon Alsop – Head of Finance (S73)
<p>The Audit and Governance Committee is recommended to:</p> <ul style="list-style-type: none">(a) Receive the audit results report for the year ended 31 March 2019	

2.0 BACKGROUND

Approval of the Statement of Accounts 2018/19

- 2.1. According to their Terms of Reference, the Audit and Governance Committee shall:

No. 3.13 - Consider the annual external audit of the Combined Authority's accounts, including the Annual Audit Letter, assessing the implications and monitoring managers' responses to concerns.

No. 3.15 - Consider any issues arising from the External Auditor's audit of the accounts.

- 2.2. At its meeting held on 29 March 2019, the Audit and Governance Committee agreed the Audit plan as presented to it by Ernst and Young LLP (EY). The plan outlined the proposed audit approach and scope for the 2018/19 audit in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of

Responsibilities (PSAA) Ltd, auditing standards and other professional requirements.

- 2.3. The draft Statement of Accounts for the year ended 31 March 2019 were then presented to the Audit and Governance Committee on 31 May 2019.
- 2.4. The draft Statement of Accounts, together with the draft Narrative Report and draft Annual Governance Statement were then signed by Noel O'Neill, the Interim Chief Finance Officer on 31 May, and published in draft form on the Combined Authority's website together with the notice of the exercise of public rights by the due date.
- 2.5. At the meeting held on 19th July 2019, the Committee was informed that EY had not been able to complete their audit work due to resource issues. As a consequence, the Combined Authority were not able to publish final audited accounts by the 31st July deadline.
- 2.6. The Committee were informed that in the event of a local authority not being able to publish by the 31st July deadline, the law requires the authority to publish, as soon as reasonably practicable on or after the deadline, a notice stating that it has not been able to publish the statement of accounts and its reasons for this.
- 2.7. Members of the Committee raised concerns about potential reputational and other risks caused as a result of failure to publish by the due date.
- 2.8. The Committee agreed the following actions:
 - (a) That the Chair of the Committee would write to the lead Partner at EY responsible for the audit expressing concern at EY's failure to complete the audit by the due date of 31st July, and asking for an assurance that the Combined Authority would not be faced with the same situation next year.
 - (b) That the Chief Executive of the Combined Authority should write to the body with the statutory duty to appoint external auditors and to monitor compliance with the terms of their appointment (PSAA), setting out the concerns of the Committee and asking to know what actions have been and will be taken to ensure that there will be no repeat of these issues in future years.
- 2.9. The lead partner for EY has since replied to the Chair stating that: "We are confident that our ongoing focus on recruitment alongside our actions on staff retention, will enable us to deliver your 2019/20 audit in line with your expectations."
- 2.10. According to PSAA, the number of delayed audit opinions in local government has risen sharply this year from 13% in 2017/18 to more than 40% in 2018/19. PSAA have acknowledged the challenge to address the need for improvement urgently and will be working with MHCLG's review team "to address these issues and ensure that a sound system and framework for local audit can be relied upon for the long term."

2.11. At the 19th July meeting, the Committee also resolved to:

- (a) Authorise the Chief Finance Officer in consultation with the Chair of the Committee, as and when the final Audit Opinion is provided by the external auditors, to make any minor amendments to the statement of accounts arising from the final Audit Opinion and to authorise the Chief Finance Officer and Chair of Audit and Governance to then sign and publish the statement of accounts together with any certificate or opinion from the external auditors.
- (b) In the event that amendments arising from the final Audit Opinion would constitute a “material adjustment” to the final accounts as defined in the external auditor’s final audit plan a further report is to be brought to Committee.

2.12. EY have now completed their audit, and the audit results report relating to the Combined Authority’s financial statements for 2018/19 provided by EY, is shown at appendix A. The report confirms that EY expects to issue an unqualified audit opinion on the financial statements and have no matters to report on the Combined Authority’s arrangements to secure economy, efficiency and effectiveness in the use of resources.

2.13. There are no material adjustments to the final audited financial statements that had not been included in the version that the Committee was presented with at the July meeting.

Management Letter of Representation

2.14. The Chief Finance Officer (S73) is required to make representations on behalf of the Combined Authority in a number of areas in relation to the preparation of the Statement of Accounts. EY also require this letter to be signed by the Chair of the Audit and Governance Committee. The draft letter is attached at Appendix B.

3.0 FINANCIAL IMPLICATIONS

3.1. The final audit fee for 2018/19 is £35,350. This is made up as follows:

- Planned code work - £26,950
- Value for money risks - £1,000
- Review of the severance of the Chief Executive - £1,000
- Significant Risk – incorrect capitalisation of revenue expenditure – £1,500
- Business Board transfer - £2,400

4.0 LEGAL IMPLICATIONS

4.1. None.

5.0 SIGNIFICANT IMPLICATIONS

5.1. None.

6.0 APPENDICES

6.1. Appendix A – Audit Results Report for the year ended 31 March 2019

6.2. Appendix B – Management representation letter

<u>Source Documents</u>	<u>Location</u>
None	