

**Cambridgeshire and
Peterborough
Combined Authority
Audit Results Report -
Addendum Update**

Year ended 31 March 2021

12 November 2021

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

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01 Executive Summary

Executive Summary

Status of the audit

This Audit Results Report - Addendum Update provides a bridge between our Audit Results Report (dated 23 July 2021) presented to the Governance & Audit Committee on the 30 July 2021 and the position following the conclusion of the outstanding audit procedures stated within that report and taking into the account the elapsed time to the date of approval of the financial statements.

We have completed our audit of Cambridgeshire and Peterborough Combined Authority financial statements for the year ended 31 March 2021 and have performed the procedures outlined in our Audit Plan.

The final conclusion procedures are:

- ▶ Review of the final version of the financial statements;
- ▶ Completion of subsequent events review; and
- ▶ Receipt of the signed management representation letter and financial statements including the Annual Governance Statement.

We therefore expect to issue an unqualified audit opinion, the form of which was previously reported within the Audit Results Report dated 23 July 2021.

We will not be able to issue the Audit Certificate at the same time as the audit opinion, as we have yet to complete key elements of the Code of Audit Practice - namely:

- ▶ the Whole of Government Accounts submission. We explained the rationale for this at the Committee on the 30 July 2021. The NAO guidance and reporting requirements are yet to be issued to auditors.

The following items were outstanding at the date of our original Audit Results Report dated 30 July 2021 and all are now complete:

- ▶ Completion of procedures in relation to the Pension Liability; and
- ▶ Review of the Annual Governance Statement.

We identified one further audit difference as a result of completing these procedures in relation to Pension Liability - further details of which we set out in Sections 2 and 3 of this report for completeness. This audit difference is not material and falls below our reporting threshold of £0.156 million.



02

Areas of Audit Focus - Update



Areas of Audit Focus

Inherent risk

Pension valuations and disclosures - Inherent Risk

What is the risk?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.

Accounting for this scheme involves significant estimation and judgement. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the administering body.

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.

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

In order to address this risk we undertook the following audit procedures:

- ▶ Liaised with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Authority;
- ▶ Assessed 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 National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19, considering Fund assets and the Council's liability.

What are our conclusions?

We were informed by the Pension Fund auditor that Investment Valuations within the Pension Fund were understated by £44.145 million. Cambridge and Peterborough Combined Authority has an estimated share of £0.441 million of this increased amount. Management obtained a revised IAS19 report from the Pension Fund Actuary, which determined that the Authority's Pension Fund Liability was overstated by £0.049 million.

As this amount is immaterial Management has opted to not just for the difference. We concur that the amount is not material falls below our threshold for reporting misstatements of £0.156 million.

We have agreed the Authority's IAS 19 disclosures to the Actuaries' report to ensure these are fairly stated in the accounts.

We have also performed an independent point estimate procedures to ensure the validity of the Actuary's model based on data received from the Authority and have concluded that the Pension Liability falls within a reasonable range, thereby giving us assurance over the Actuary's estimation approach.



03 Audit Differences





Audit Differences

Confirmation Statement

We repeat below our summary of identified audit differences from our original Audit Results Report which we reported to the Governance & Audit Committee on the 30 July 2021. This is to aid the Committee's approval process for the revised Financial Statements.

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 unadjusted differences

There is no unadjusted audit differences.

Summary of adjusted differences

We highlight misstatements greater than £0.156 million which have been corrected by management that were identified during the course of our audit.

1. Correction of over-statement of a £238,000 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.

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 and Governance Committee in this report.