Addendum to item 4: Financial reporting and related matters Value for Money Reporting Summary

To:	Audit and Accounts Committee

Meeting Date: 6 February 2024

From: External Auditor

Reason for lateness/urgency: On page 19 of the papers published for committee (section 2.2.4 of item 4) we set out that we

were expecting an update on work by the external auditor on value for money and that this would be issued as an addendum. We have now received that update and enclose it here as an additional document for the Committee. The substantive report sets out that work is in progress and this addendum was not available at the time of publication. It will be convenient for Members to consider

the update at their meeting.

External Auditor contact:

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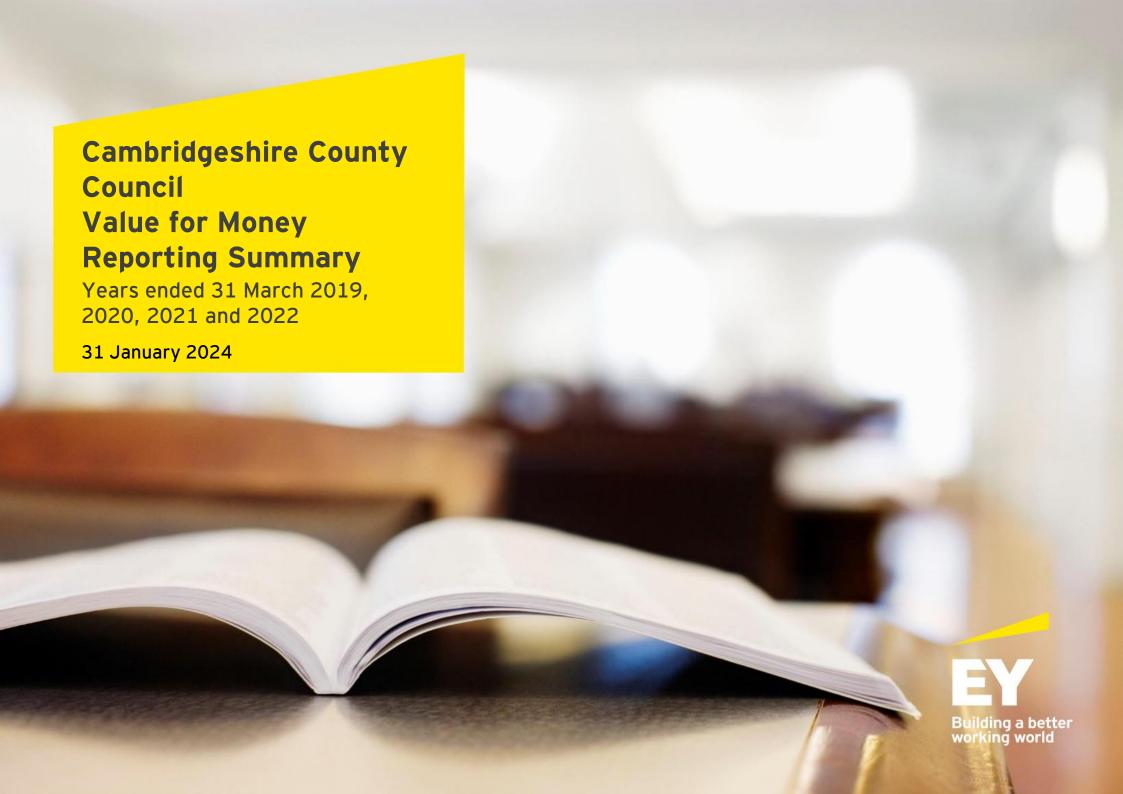
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Audit and Accounts Committee Cambridgeshire County Council 31 January 2024

Dear Audit and Accounts Committee Members

Value for Money Reporting Summary - 2018/19 to 2021/22 financial years

We are pleased to attach a summary of our Value for Money Reporting Summary - 2018/19 to 2021/22 financial years, which details the risks and our audit procedures in respect of our Value for Money duties for the forthcoming meeting of the Audit & Accounts Committee. This report follows our Audit Plans and Audit Results Reports issued in relation to those years.

This report also sets out the updated requirements under the Code of Audit Practice 2020, which became effective in the 2020/21 financial year, and therefore our updated responsibilities in respect of Value for Money for both the 2020/21 and 2021/22 financial years.

We thank the Management team for supporting this process.

This report is intended solely for the information and use of the Audit & Accounts Committee, other members of the Council and Management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit & Accounts Committee meeting on the 6 February 2024.

Yours faithfully

MARK HODGSON

Mark Hodgson Partner For and on behalf of Ernst & Young LLP Encl





Status of our procedures

As reported to the Audit and Accounts Committee in the relevant years of audit, and in line with our Audit Report for those years, we have been unable to formally conclude the audit of 2018/19, 2019/20 and 2020/21 as we were not been able to discharge our responsibilities in respect of Value for Money alongside our opinion on the financial statements. For 2021/22 we are currently concluding the financial statements audit, as reported to the 1 December 2023 Audit and Accounts Committee. This report picks up our Value for Money responsibilities and reporting for that financial year as well.

Objections

We were also dealing with a number of objections from a local elector in respect of each of the above financial years. We had been able to conclude that the nature of the matters raised within the objection do not have an impact on our ability to issue our opinion on the Statement of Accounts. We have performed appropriate audit procedures across the area of financial statements raised within the objection and have gained sufficient appropriate assurance over those areas. We issued a 'Statement of Reasons' in relation to the objections received in respect of those years on 3 March 2023, covering the accepted objection heads of terms.

We concluded that we did not need to exercise any of our auditor powers in relation to the matters raised and we deem those objections to be concluded.

Value for Money work - 2018/19 to 2021/22

The predecessor auditor concluded their Value for Money procedures in respect of 2016/17 and 2017/18 in December 2021. Our audit procedures for all our open years of audit, including the ongoing 2021/22 audit, began in September 2022.

We are working towards issuing our conclusions and associated reports on these VFM arrangements within our Annual Audit Letter for 2018/19 and 2019/20 or our Annual Auditor's Report for 2020/21 and 2021/22 and our respective Audit Certificates, by the end of April 2024.

We may not be able to issue our Audit Certificate for the 2021/22 financial year alongside the Annual Auditor Report, as we are yet to receive confirmation that Cambridgeshire County Council is not a selected component for Whole of Government Accounts purposes. We will issue the Audit Certificate for this year once we receive this confirmation or have performed any additional procedures required by the National Audit Office.

Within this report we have set out our identified risks, and the expected reporting implications, within each of the four open financial years to provide an update to the Audit and Accounts Committee on each open year. Our final opinions on these matters remain subject to formal internal consultation requirements.

2022/23 Value for Money work

We have commenced our work on the Council's 2022/23 Value for Money arrangements and we expect to report our Interim findings by the end of April 2024.

We summarise the overall conclusions and reporting timeline by audit year in the below on the following page.



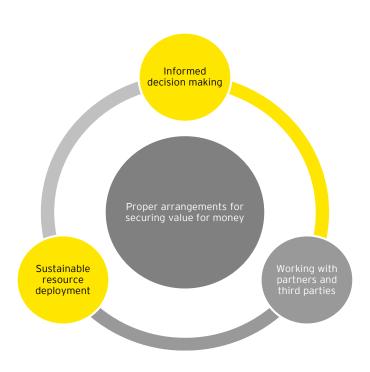
Status of our procedures

Audit Year	Covered in this report	Provisional Outcome	Reporting Timeline
2018/19	Yes	Qualified Value for Money Conclusion on 'Except for' basis	 We will issue our VFM Conclusion alongside our 2018/19 Annual Audit Letter by the end of February 2024. We will also issue our Audit Certificate to formally conclude the audit at this time.
2019/20	Yes	Qualified Value for Money Conclusion on 'Except for' basis	 We will issue our VFM Conclusion alongside our 2019/20 Annual Audit Letter by the end of February 2024. We will also issue our Audit Certificate to formally conclude the audit at this time.
2020/21	Yes	Awaiting final audit evidence to be able to conclude on the status of the implementation of recommendations and impact on underlying arrangements in place in the financial year	 We will issue our audit report on the Council's arrangements together with our commentary on those arrangements in our 2020/21 Auditor's Annual Report by the end of February 2024. We will also issue our Audit Certificate to formally conclude the audit at this time.
2021/22	Yes	No 'Matter to report' in relation to the Council's arrangements to secure Value for Money.	 We will issue our 2021/22 Auditor's Annual Report in March 2024. We will not be able to issue our Audit Certificate until we have confirmation that there are no further audit procedures required by the National Audit Office in respect of the Whole of Government Accounts.
2022/23	No	We are currently performing our risk assessment procedures.	 We will issue an Interim Report in respect of 2022/23 Value for Money in April 2024.





Value for Money (2018/19 and 2019/20)



Background to Code of Audit Practice requirements for 2018/19 and 2019/20

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 2018/19 and 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 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.



Value for Money (2018/19 and 2019/20)

Update on our VFM Work

Background

The predecessor auditor issued their Independent Auditor's Report on Value for Money Arrangements in respect of the 2016/17 and 2017/18 financial years to the Members of Cambridgeshire County Council on 16 December 2021. This was a qualified conclusion on use of resources, based on the arrangements governing the procurement of goods and services. We have now concluded our Value for Money procedures and have identified a risk to our 2018/19 Value for Money in respect of Procurement.

2018/19

Risk identified	Reporting Implications
Based on the conclusions of the predecessor auditor, we have identified a risk in respect of the arrangements around procurement.	Based on our procedures in 2018/19, including the work of EY Forensics, we have identified inconsistent record keeping in respect of the procurement of goods and services, as there was no requirement in the Council's procurement policies to maintain records for a specific period. The conclusion reached by the predecessor auditor in respect of the breach of internal and EU procurement rules in 2017/18 remains relevant to the 2018/19 financial year, as these contracts remained in place for the financial year and no mitigating actions were taken during this year for new procurement activity. This issue is evidence of weaknesses in proper arrangements for procuring supplies and services effectively to support the delivery of strategic priorities. As a result, this remains as a basis for a qualified Value for Money Conclusion in 2018/19.
Based on our minute review procedures, media searches, matters raised in objection material and discussions with Management, we have identified a risk in respect of the Manor Farm Tenancy.	An independent investigation concluded that the former Deputy Leader of the Council had breached the Council's Code of Conduct in six different areas. This related to matters first identified by the Council during 2018/19. The Council have published an Internal Audit review into this matter, which was received and discussed by the Council's Audit & Accounts Committee, and made public following its May 2022 meeting and a conduct investigation by Wilkin Chapman LLP, which was received by the Council's Constitution & Ethics Committee in February 2022. The findings of these reports provides evidence of weaknesses in proper arrangements for making properly informed decisions and allowing for challenge and transparency in order to properly manage the Council's risks. As a result, this is a basis for a qualified Value for Money Conclusion in 2018/19.
Based on our understanding of the business, media searches, matters raised in objection material and discussions with Council management, we have identified a risk in respect of the governance of This Land Limited.	A review into the Governance of This Land Limited was undertaken by Internal Audit, and a Governance Action Plan was produced to ensure appropriate arrangements are in place. A report was also produced as part of this review by an independent party (Avison Young) which confirmed that the This Land Limited Board is structured in a way that accords with the Financial Reporting Council guidelines. Whilst there were open recommendations in place, we do not deem that these matters were significant enough to undermine the arrangements in place for the Value for Money Conclusion.



Value for Money (2018/19 and 2019/20)

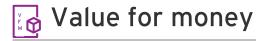
Update on our VFM Work

2019/20

Risk identified	Reporting Implications
Based on the conclusions reached in 2018/19, we dentified a significant risk around procurement arrangements	Based on our procedures in 2018/19, including the work of EY Forensics, we identified inconsistent record keeping in respect of the procurement of goods and services. We therefore retained this risk factor for 2019/20.
	In our sample testing of contracts, the Council have been unable to evidence appropriate record keeping in respect of contracts, including a lack of availability of signed contracts. We therefore conclude that there was a lack of adequate documentation to support the process underlying procurement arrangements.
	This issue is evidence of weaknesses in proper arrangements for procuring supplies and services effectively to support the delivery of strategic priorities. As a result, this remains as a basis for a qualified Value for Money Conclusion in 2019/20.

We will formally issue our Value for Money Conclusion alongside our Annual Audit Letter for both 2018/19 and 2019/20 by the end of April 2024.





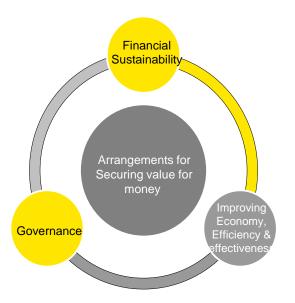
Auditor responsibilities under the new Code of Audit Practice 2020 - 2020/21 financial year (onwards)

Under the Code of Audit Practice 2020 we are still required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period. These requirements were first enacted for the 2020/21 financial year.

The specified reporting criteria are:

- Financial sustainability

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



The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA Code of Practice on Local Authority Accounting. This includes a requirement to provide commentary on its arrangements for securing Value for Money from their use of resources.



Value for Money (2020/21 and 2021/22)

Update on our VFM Work

2020/21

end of April 2024.

Reporting Implications	
Based on our procedures and conclusion in 2019/20, including the work of EY Forensics, we identified inconsistent record keeping in respect of the procurement of goods and services. We therefore retained this risk for 2020/21. We have considered this within the framework of the updated Value for Money Code and the requirement to report in respect of significant weaknesses in arrangements.	
Whilst the Council have not been able to provide evidence for all contracts we have selected for detailed testing, we have considered this on balance with our procedures in respect of the Council's procurement arrangements. The Director of Resources took a paper entitled "External auditor's value for money opinion 2017/18 and response to findings of procurement weaknesses" to the Audit and Accounts Committee in November 2021 following the conclusion of the predecessor's work on 2017/18. This set out the processes the Council have undertaken to address recommendations raised, a number of which had been known to the Council and implemented in advance of the External Audit reporting. We are currently working with the Council to assess and consider the timing of the implementation of these recommendations, in order to conclude whether appropriate arrangements were in place for the 2020/21 financial year. We will update the Audit & Accounts Committee on progress at the meeting on 6 February 2024.	
We have considered the response of the Council to the pandemic as part of our risk assessment considerations on Value for Money. In the immediate term following the pandemic, the Council placed the Joint Management Team (JMT) on emergency management, holding daily meetings with multi-agency forums across the county for a coordinated response. Concurrently, the 2020/21 Internal Audit Plan was put on hold to divert Internal Audit resources towards pandemic management, specifically focusing on reviewing daily expenditure transactions, risk management, procurement, and contract management. The Council have continued to monitor the impact of Covid on arrangements and finances, and have received additional grant funding to support with the Covid response. Based on our procedures, we have not identified any specific risks of weakness within the arrangements of the Council.	



№ Value for Money (2020/21 and 2021/22)

Update on our VFM Work

2021/22

Risk identified

As communicated in our Initial Audit Plan dated 8 September 2022, the Council has reported an overspend on the 2021/22 Dedicated Schools Grant (DSG) by £12.4 million, taking the cumulative deficit to £39.3 million carried forward to 2022/23. The Council continues to work with the Department for Education (DfE) to manage the deficit and reduce future expenditure. The Council is required to develop substantive plans setting out the high needs reforms and savings targets they must follow to eliminate their historic deficits and function sustainably in future. If sufficient progress is not demonstrated, payments may be withheld.

The shareholder review of This Land Limited was completed in December 2021 by Avison Young. As part of our financial

statements risk, communicated in the Audit Plan dated 8 September 2022, we would review this report and assess the progress of recommendations made. This forms part of our Value for Money assessment and has been identified as a risk of significant weakness.

Reporting Implications

We have considered the Council's arrangements in respect of the deficit position, and their plans to address this. The Council raised within their Annual Governance Statement that there was a potential risk as a result of ongoing overspends in this area, and therefore reflected a need to engage with the Department for Education (DfE).

In 2022/23, the Council have entered a Safety Valve Agreement with the DfE, which aims to eliminate this historic deficit by 2026/27. As part of this, the Council have submitted their DSG Management Plan to the DfE in September 2022, and an agreement was reached in March 2023 for a funding deal.

The achievement of the Safety Valve programme forms part of the Council's Corporate Risk Register which is monitored by Senior Management and reported to the Audit and Accounts Committee and the Strategy, Resources and Performance Committee on a regular basis.

Given the facts above, we conclude that this risk has not manifested as a significant weakness in the arrangements of the Council, as appropriate arrangements have been put in place to address the deficit in line with appropriate guidance.

We will continue to monitor compliance with the Safety Valve Agreement as part of future Value for Money procedures.

We have considered the Council's arrangements in respect of the governance arrangements over This Land Limited and how arrangements support financial sustainability of the Council at the Group level. The Council commissioned a Shareholder Review during 2021/22, to review This Land Ltd's business plan and consider the governance arrangements within the company.

The report by Avison Young highlighted a sub-optimal approach to financial modelling, a need for more regular engagement between This Land Limited and the Council, and a clearer alignment of the objectives of This Land Limited and the Council's underlying strategic objectives. Since 2021/22, an updated Business Plan was taken to the Council's Strategy and Resources Committee in September 2022, alongside an Avison Young Progress Review, and there has been improved monitoring of performance by the Council as they implement the recommendations raised by Avison Young. We deem that appropriate arrangements were in place during 2021/22, given the Council undertook a Shareholder Review and began to review the implementation of the recommendations made to This Land Ltd.

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