

Financial Reporting and Related Matters

To: Audit and Accounts Committee

Meeting Date: 4 June 2025

From: Executive Director of Finance and Resources

Electoral division(s): All

Key decision: No

Forward Plan ref: n/a

Executive summary: This report presents an update for the committee on financial reporting, particularly the statement of accounts and external audit, for recent financial years.

Recommendation: The committee is recommended to note the report

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1. Background

- 1.1 The annual statement of accounts is the financial representation of all activities that the council has been directly or indirectly involved with over the course of the relevant financial year. The publication of the statement of accounts is an essential feature of public accountability and stewardship, as it provides an annual report on how the council has used the public funds for which it is responsible. Accounts are prepared under the Chartered Institute of Public Finance and Accountancy Code of Practice on Local Authority Accounting for the relevant year, which is based on International Financial Reporting Standards (IFRS) adapted for public sector use.
- 1.2 The council's current external auditor is KPMG LLP, from financial year 2023-24. Previous to that, our auditors were Ernst & Young LLP (EY) from 2018-19. Both of these auditors were appointed for the council by Public Sector Audit Appointments Ltd (PSAA), which is the statutory appointing person for councils that have opted into a national procurement and fee setting arrangement for external auditors (most councils have opted in). KPMG will continue as our auditors through to 2027-28.
- 1.3 The council is up to date with publication of all sets of accounts up to and including those for 2023-24. An audit of 2022-23's accounts did not take place due to national issues with local authority audits, and consequently the audit of 2023-24's accounts resulted in a disclaimed opinion similar to the experience of many councils nationally. The council's statements of accounts and related documents can be seen on our website: <https://www.cambridgeshire.gov.uk/council/finance-and-budget/statement-of-accounts>
- 1.4 The current external audit regime for councils involves a full audit of the council's financial statements, gaining evidence to establish whether they give a true and fair view of the council's financial position. The external auditor also conducts a linked 'value for money' audit which reviews whether the council has arrangements in place to achieve economy, effectiveness and efficiency in its use of resources, and can make recommendations linked to that. Finally, the auditor also considers any objections to our accounts made by local electors and whether further action, in the form of a public interest report or a declaration that an item in the accounts is unlawful, needs to be taken. Once all of those aspects are complete, a full audit certificate can be issued to close off the external audit process for that year.
- 1.5 The full audit certificate for 2023-24 has not been issued by KPMG as matters relating to audit of the whole of government accounts and the determination of the remaining items from an objection to the accounts by a local elector remain outstanding.
- 1.6 Following year-end for 2024-25, work is now underway to prepare the draft statement of accounts for 2024-25 ahead of the statutory publication deadline of the end of June 2025.

2. Main Issues

- 2.1 Years up to 2023-24
 - 2.1.1 This section gives a brief overview of the status of previous accounts and audits where there are issues outstanding, or where there were issues until recently. It is important to bear in mind that audits relating to 2022-23 and 2023-24 in particular were affected by the government's plan for addressing the local audit backlog. This backlog had built up over several years due to capacity constraints in the audit sector, compounded by issues in some local authority finance teams, and increasing complexity of the sector's accounts, such that by 2022-23 barely any audits of local authority accounts were completed by the statutory deadlines.

2.1.2 To address this, the government put in place several stop-gap measures, principal of which were 'backstop' dates by which audits needed to be completed otherwise auditors would be required to give a disclaimed opinion (an opinion which states effectively that insufficient information is available to the auditor by the deadline to give an informed opinion on the accounts). For example, for 2023-24's accounts, the full audit sign off was required by 28 February 2025 otherwise a disclaimed opinion would be issued. Any years subsequent to a disclaimed opinion are further affected as auditors will not necessarily have assurance over opening balances such that they can give a full opinion on the later year. Auditors are required to ensure they completed their value for money audit by the backstop date.

2.1.3 2023-24: The council received a disclaimed opinion and published this in line with the statutory backstop date of 28 February 2025. The disclaimed opinion was due to no audit having taken place for the previous year resulting in no assurance over opening balances, and the abridged timescales for the audit which resulted in parts of the accounts receiving no or limited review in the audit. The council received a value for money opinion that made several recommendations that are being implemented. An objection to the accounts remains with KPMG to determine. This disclaimed opinion will likely have a knock-on effect on the audit of 2024-25's accounts as again there will not be full assurance over opening balances, and consequently we expect it to take several years for this and other councils to receive full and unmodified audit opinions.

2.1.4 2022-23: No audit took place due to capacity constraints in the council's former external auditor EY. The council still received a good value for money opinion from EY, and EY determined several objections without further action.

2.1.5 2018-22: Accounts were published and audited before the statutory backstop arrangements were in place, and objections were determined without further action.

2.1.5 2017-18: While the main accounts and audit were completed several years ago, an objection to the accounts took many years for the council's then auditor BDO to determine. The objection was determined in 2024, and the fees for that work have recently been confirmed by the PSAA after the council made representations.

2.2 Preparation for production of the 2024-25 accounts

2.2.1 We are required by current regulations to publish our draft accounts for 2024-25 by 30 June 2025. This is a month later than last year. The council published its accounts for 2023-24 on time last year, and we expect to publish on or before the deadline for 2024-25. The additional month will enable more quality assurance in advance of the publication of the draft statement of accounts and advance preparation of audit working papers. It will also enable year-end processes to be less intensely time constrained.

2.2.2 The final outturn position for the year was finalised in early May and formed the basis of the management accounts to be presented to the meeting of Strategy, Resources and Performance Committee in June 2025. Work then turned fully to the production of the statement of accounts. Our maintained schools closed accounts in line with the timetable and are consolidated into the council's accounts.

2.2.3 The council has worked with its contracted property valuer to finalise and quality assure the necessary property valuations for the 2024-25 financial year. While this took longer than expected, it was completed in sufficient time to enable the consequent balances and disclosure notes to be worked out and confirmed. Properties are valued on a rolling basis with indexation applied in years where properties are not valued. Investment properties are valued each year (or every other year for low value assets), and we have worked

particularly closely with the valuers on those properties following differences between the council's valuation of those properties and the external auditor's in 2023-24.

2.3 Further government reforms

2.3.1 In early 2025 the government consulted on "Local audit reform: a strategy for overhauling the local audit system in England". The aim of this was to address the issues that caused the local audit backlog on a more permanent basis, as well as to fulfil a manifesto commitment to overhaul the local audit system to ensure good value for money for local taxpayers and to underpin the transparency and stability of local finances. The council responded alongside many other local authorities, and a full response from government is awaited.

2.3.2 Key aspects of this consultation focussed on:

- Setting a new vision and set of principles for local audit, driven by user needs
- Establishing and setting a remit for a new Local Audit Office to provide oversight and drive simplification and change
- Reforming the content of the statement of accounts, considering the needs of the users
- Working to ensure bodies have skilled and resourced account preparers, and considering whether to supplement private audit capacity with public provision
- Reviewing local audit regimes, including makeup and role of audit committees, and the relationships between local bodies and national oversight
- Further work to address the local audit backlog

3. Significant implications

3.1 Finance implications

This report details progress with financial reporting matters.

3.2 Legal implications

The principal governing legislation are The Accounts and Audit Regulations 2015, The Accounts and Audit (Amendment) Regulations 2024 and the Local Audit and Accountability Act 2014. The Council has published appropriate notices on its website to explain how it is complying with statutory provisions notwithstanding that, in common with many local authorities, stipulated deadlines for final accounts have not been achieved

3.3 Risk implications

There are no new significant risk implications arising from this report. The auditor's work contributes to the Committee's awareness of the risk environment and assurances around stewardship of public funds.

3.4 Equality and Diversity Implications

None identified

4. Source documents

[Statement of accounts - Cambridgeshire County Council](#)

[Accounts and Audit \(Amendment\) Regulations 2024](#)

[Financial Reporting Council – Accessible Explainer on Rebuilding Assurance](#)