Auditor's Annual Report for South Cambridgeshire District Council

Year end report for the year ended 31 March 2024

February 2025

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This report is addressed to South Cambridgeshire District Council. We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

01

Executive Summary

Executive Summary

Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023/24 audit of South Cambridgeshire District Council (SCDC). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by SCDC alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) (‘ISAs (UK)’) include the following:

Accounts - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of SCDC and of its income and expenditure during the year and have been properly prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting 2023/24 (‘the Code’).

Other information - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of SCDC.

Value for money - To report if we have identified any significant weaknesses in the arrangements that have been made by SCDC to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.

Other powers - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Financial Statement	We issued a disclaimer of opinion on South Cambridgeshire District Council’s financial statements on 27 February 2025. This is because we have been unable to obtain sufficient appropriate audit evidence over the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the accounts ahead of the statutory backstop date of 28 February 2025. Further details are set out on page 7. We have provided further details of the key risks we identified and our response on page 8 to14.
Other Information	Whilst in our opinion the content of the other information is consistent with the financial statements, we are unable to determine whether there are material misstatements in the other information.
Value for money	We identified two significant weaknesses in respect of the arrangements SCDC has put in place to secure economy, efficiency, and effectiveness in the use of its resources Further details are set out on page 15 to 23.
Other powers	Refer slide 5.

Executive Summary

There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, SCDC is required to consider it and to bring it to the attention of the public.

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action SCDC is taking. We may also apply to the courts for a declaration that an item of expenditure SCDC has incurred is unlawful.

We have not applied to the courts this year.

Recommendations

We can make recommendations to SCDC. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, SCDC must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, SCDC does not need to take any action, however, should SCDC provide us with a response, we will include it within this report.

We made recommendations under Schedule 7 of the Local Audit and Accountability Act. For further details see page 24 onwards.

Advisory notice

We may issue an advisory notice if we believe that SCDC has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, SCDC is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

We have not issued an advisory notice this year.

In addition to these powers, we can make performance improvement observations to make helpful suggestions to SCDC. Where we raise observations we report these to management and the Audit and Corporate Governance Committee. SCDC is not required to take any action to these, however it is good practice to do so and we have included any responses that SCDC has given us.

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Audit of the financial statements

Audit of the financial statements

Our responsibility is to conduct an audit of the financial statements in accordance with the Local Audit and Accountability Act 2014, Code of Audit Practice and ISAs (UK) and to issue an auditor's report.

However, due to the significance of the matters described below, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on SCDC financial statements.

We have fulfilled our ethical responsibilities under, and are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard.

Our disclaimer of opinion on the financial statements

We have issued a disclaimer of opinion on the SCDC's financial statements on 27 February 2025. We therefore do not express an opinion on the financial statements. The reason for our disclaimer of opinion is as follows:

The Accounts and Audit (Amendment) Regulations 2024 (the "Amendment Regulations") require the Authority to publish its financial statements and our opinion thereon for the year ended 31 March 2024 by 28 February 2025 (the "Backstop Date").

We have been unable to obtain sufficient appropriate audit evidence over a number of areas of the financial statements as we have been unable to perform the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date. These areas include, but were not limited to; property, plant and equipment; investment properties; pension asset: debtors and prepayments; short term creditors; pensions liability; the following income captions: fees, charges and other service income; government grants/contributions (services); government grants/contributions (central); income from council tax and business rates income and expenditure; the following expenditure captions: other service expenses; disclosure of the income and expenditure per continuing operations as presented in the Comprehensive Income and Expenditure Statement; disclosure of related party transactions and the balance of, and movements in, usable and unusable reserves for the year ended 31 March 2024 in relation to the Authority.

We have been unable to obtain sufficient appropriate audit evidence over any area of the Group financial statements financial statements as we have been unable to perform all the procedures that we consider necessary to form our opinion on the financial statements ahead of the Backstop Date.

In addition, we have been unable to obtain sufficient appropriate evidence over the disclosed comparative figures for the year ended 31 March 2023 due to the Backstop Date. Therefore, we were unable to determine whether any adjustments were necessary to the opening balances as at 1 April 2023 or whether there were any consequential effects on the Group's and the Authority's income and expenditure for the year ended 31 March 2024.

Any adjustments from the above matters would have a consequential effect on the Group's and the Authority's net assets and the split between usable reserves, including the Housing Revenue Account, and unusable reserves as at 31 March 2024 and 31 March 2023, the Collection Fund and on their income and expenditure and cash flows for the years then ended.

Further information on our audit of SCDC financial statements is set out in following pages.

The full audit report is included in the Council's Annual Report and Accounts for 2023/24 which can be obtained from the SCDC's website.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of land and buildings The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle. This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value. A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the engaged valuer.	We have performed the following procedures designed to specifically address the significant risk associated with the valuation: • We critically assessed the independence, objectivity and expertise of Wilks, Head and Eve LLP, the valuers used in developing the valuation of the Council’s properties at 31 March 2024; • We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code; and • Evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used. We have been unable to perform the following procedures specifically designed address the significant risk associated with valuation as a result of the backstop and challenges: • Compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information; • Challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. Challenge key assumptions within the valuation as part of our judgement; • Agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and • Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.	While we are disclaiming our 2023/24 audit opinion we are still required to identify our audit findings based on the work performed. **We have identified no audit findings**.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of investment property The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.	We have performed the following procedures designed to specifically address the significant risk associated with the valuation: • We critically assessed the independence, objectivity and expertise of Wilks, Head and Eve LLP, the valuers used in developing the valuation of the Council's investment property at 31 March 2024; • We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code; and • We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used. We have been unable to perform the following procedures specifically designed address the significant risk associated with valuation as a result of the backstop and challenges: • Compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information; • Challenge the appropriateness of the valuation of investment properties; including any material movements from the previous revaluations. Challenge key assumptions within the valuation as part of our judgement; • Agree the calculations performed of the movements in value of investment properties and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code; and • Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.	While we are disclaiming our 2023/24 audit opinion we are still required to identify our audit findings based on the work performed. **We have identified no audit findings**.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Management override of controls Professional standards require us to communicate the fraud risk from management override of controls as significant. Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.	Our audit methodology incorporates the risk of management override as a default significant risk. We have performed the following procedures designed to specifically address this significant risk: • We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias; • We evaluated the selection and application of accounting policies; and • In line with our methodology, we evaluated the design and implementation of controls over journal entries and post closing adjustments. We have been unable to perform the following procedures specifically designed address this significant risk associated as a result of the backstop and challenges: • Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates; • Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business, or are otherwise unusual; and • Analyse all journals through the year using data and analytics and focus our testing on those with a higher risk, such as journals impacting expenditure recognition posted during the final close down.	While we are disclaiming our 2023/24 audit opinion we are still required to identify our audit findings based on the work performed. **We have identified no audit findings**.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of post retirement benefit obligations The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council. The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year-on-year movements. We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.	We have performed the following procedures : • Understood the processes the Council have in place to set the assumptions used in the valuation; • Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations; • Performed inquiries of the accounting actuaries to assess the methodology and key assumptions made; • Challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data; • Confirmed that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice; • Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit to these assumptions; and • Where applicable, assessed the level of surplus that should be recognized by the entity.	While we are disclaiming our 2023/24 audit opinion we are still required to identify and report our audit findings based on the work performed. **We have identified the following audit findings:** • Our audit findings were that that upon review of the process and after discussions with management, we noted that there are no key controls in place around the assumptions. Although reviewed, management do not challenge the assumptions used or review the reasonableness of the calculations performed. • We have assessed the overall assumptions used by management as balanced relative to our central rates and within our reasonable range. We identified that future improvements to mortality was cautious, but still within reasonable range. All other individual assumptions were balanced and within our reasonable range (see next page). • Following the Court of Appeal's dismissal of the Virgin Media appeal, we are recommending that the Council makes appropriate narrative disclosure that it is currently not clear if there is any impact on the benefits in LGPS Funds, therefore it is not possible for employers to quantify the DBO impact, if any. • We were unable to conclude on the valuation of post retirement obligations and the fair value of plan assets due to unresolved differences between the IAS 19 report opening balances and the closing balances per the prior year financial statements.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Significant financial statement audit risk	Procedures undertaken	Findings
Expenditure recognition The Council has a statutory duty to balance their annual budget. Where a Council/entity does not meet its budget this creates pressure on the Council's usable reserves and this in term provides a pressure on the following year's budget. This is not a desirable outcome for management. We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2024-25 to mitigate financial pressures.	We have performed the following procedures designed to specifically address this significant risk: • We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded; and • We inspected a sample of invoices of expenditure, in the period around 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete. We have been unable to perform the following procedures specifically designed to address this significant risk as a result of the backstop and challenges: • Select a sample of year end accruals and inspect evidence of the actual amount paid after year end in order to assess whether the accruals have been accurately recorded; • Inspect journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; and • Perform a retrospective review of prior year accruals in order to assess the completeness with which accruals had been recorded at 31 March 2023 and consider the impact on our assessment of the accruals at 31 March 2024. Compare the items that were accrued at 31 March 2023 to those accrued at 31 March 2024 in order to assess whether any items of expenditure not accrued for as at 31 March 2024 have been done so appropriately.	While we are disclaiming our 2023/24 audit opinion we are still required to identify and report our audit findings based on the work performed. **We have identified the following audit findings:** • One transaction was identified where capital expenditure recorded in 2024/25 related to 2023/24, however no accrual was posted in the relevant financial period. This was corrected by management. • There is currently no way to identify creditor transactions from accrual transactions within the transaction listings. Specific accrual codes exist in the ledger, however, both accruals and creditors are coded to them.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Other risk	Procedures undertaken	Findings
Preparation of Group Accounts The Council have failed to publish approved accounts by the expected deadline for a number of years. It is also noted that the Council have previously inappropriately omitted components from the consolidated Group accounts for 2020/21, 2021/22 and 2022/23, as well as investments from the Council accounts for 2021/22 and 2022/23. Historic errors found in past periods, alongside the failure to produce approved accounts by the expected deadline gives rise to a risk of error in the preparation of the Group financial statements.	We have performed the following procedures designed to specifically address this significant risk: • We reconciled the financial statements with the underlying accounting records; • We evaluated whether appropriate adjustments have been made to those financial statements in accordance with the applicable financial reporting framework; • We evaluated the appropriateness, completeness and accuracy of consolidation adjustments and reclassifications, and whether any fraud risk factors or indicators of possible management bias exist; and • We evaluated whether all components have been appropriately included in the group financial statements.	While we are disclaiming our 2023/24 audit opinion we are still required to identify our audit findings based on the work performed. **We have identified the following audit findings:** • All relevant components and investments were appropriately included in the financial statements for 2023/24. with no other omissions. • A number of manual adjustments were made on the face of the accounts where insufficient evidence was received to support these. • When the consolidation exercise was performed for the group accounts, incorrect values were used for the subsidiaries. These remain uncorrected therefore we have received no assurance over the group balances.
Opening Balances As the audit for the previous financial period (2022/23) is currently incomplete, we do not have the audited opening balances to rely on. As a firm, we are in the process of developing our audit approach for the scenario where no substantive audit work is completed on the 2022/23 financial statements and a disclaimed audit opinion is issued by the previous auditors. As the audit progresses, and once more clarity is available on the required procedures to be completed, we will revisit the opening balances.	Once more clarity is available on the required procedures to be completed, we will complete the necessary work on the opening balances to address the risk that there are unidentified errors in the unaudited 2022/23 accounts that impact on the 2023/24 financial statements.	We have been unable to perform the any procedures over the opening balances as a result of the backstop and challenges as explained on page 7.

Audit of the financial statements

The table below summarises the key financial statement audit risks that we identified to our audit opinion as part of our risk assessment and how we responded to these through our audit.

Other risk	Procedures undertaken	Findings
Recoverability and accuracy of investments The Council have made a number of investments to its subsidiaries and partnerships, as well as into other third parties. For the past two financial periods, it has been noted that not all of the investments have been appropriately disclosed within the Council's financial statements. This gives rise to a risk of error in the recognition, value and potential impairment of investments in subsidiaries and partnerships.	We have performed the following procedures designed to specifically address this significant risk: • We understood the processes the Council has in place to assess investments held for impairment; • We obtained and reviewed the signed investment agreements and related amendments, if applicable, to determine the expected maturity date of the considerations; • We obtained the audited financial statements of the subsidiaries and partnerships in order to assess whether they have positive net asset values to cover the debt owed; and • We reconciled management accounts to the latest audited financial statements of the subsidiaries and partnership entities, in order to confirm all investments are appropriately disclosed.	While we are disclaiming our 2023/24 audit opinion we are still required to identify our audit findings based on the work performed. **We have identified the following audit findings:** • All investments were appropriately included within the 2023/24 financial statements, with no omissions identified. • A number of the investments do not have the appropriate documentation, such as formal agreements and up-to-date monitoring. A recommendation has been raised surrounding the monitoring of investments – see page 29. • We have identified a significant weakness in the Council's value for money arrangements regarding the Recoverability of Investments – see page 16.

03

Value for Money

Value for Money

Introduction

We are required to be satisfied that SCDC has made proper arrangements for securing economy, efficiency and effectiveness in its 2023/24 use of resources or 'value for money' (VFM). We consider whether there are sufficient arrangements in place for SCDC for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:

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

We are not required to consider whether all aspects of the Authority's arrangements are operating effectively. We are also not required to satisfy ourselves that the Council has achieved value for money during the year.

Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from SCDC. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of 2023/24 VFM findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	18	20	22
Identified risks of significant weakness?	**No**	**Yes**	**Yes**
Actual significant weakness identified?	**No**	**Yes**	**Yes**
2022/23 Findings	No significant weakness identified	Significant weakness identified	No significant weakness identified
Direction of travel	←→	←→	↑

Value for Money

National context

We use issues affecting councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

Financial performance

Over recent years, councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused councils to cut services and change the way that services are delivered deficit and remain financially viable.

Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Examples have included purchasing commercial assets such as shops and offices with a view to generate rental income, others have set up novel joint ventures to deliver regeneration schemes. Some have questioned whether commercialisation activities open councils to excessive risk or could be a poor use of taxpayer monies.

Some councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

Local context

- The Council was issued with a Best Value Notice by DLUHC in May 2024.
- How the Council ensures that it makes informed decisions and properly manages its risks.
- Arrangement in place for producing complete and accurate financial statements.
- Monitoring of the Council’s investments.
- The Council reviews its Medium-Term Financial Strategy (MTFS) and financial forecasts twice a year in accordance with best practice. Cabinet reviews quarterly Revenue and Capital Monitoring reports.

Financial Sustainability

How SCDC plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The Council has developed a positions and Financial Strategy (MTFS) that outlines financially sustainable and affordable plans for the next five years, addressing the Council's priorities. Budget setting starts in September and culminates in the budget setting report the following February. This MTFS ensures realistic spending levels, independent from one-off reserves, while maintaining prudent reserve levels for contingencies. The MTFS includes specified savings and monthly outturn positions versus forecasted year-end positions and is reported to both the Scrutiny & Overview Committee and Cabinet. The MTFS presented in February 2024 identified a gap of around £4.5m and the transformation programme and more recent budget meetings are addressing this gap. The MTFS is currently being updated, and the gap is not expected to change significantly however both the planned efficiencies from the Transformation programme and committee exercise are expected to close this gap significantly.

The financial plans are considered by the Scrutiny & Overview Committee at various stages of the process before making recommendations and onward submission to Cabinet for inclusion in the final budget.

The Council reviews its Medium-Term Financial Strategy (MTFS) and financial forecasts twice a year in accordance with best practice. Cabinet reviews quarterly Revenue and Capital Monitoring reports.

The Council's financial structure is primarily governed by the annually approved Treasury Management Strategy (TMS), which sets borrowing and investment strategies and limits, complying with the CIPFA Prudential Code for Capital and Capital Finance in Local Authorities.

The Council has a well drafted Business action plan which has 2023/24 outcomes for its action for Growing local businesses and economies.

The Housing Revenue Account (HRA) budget for 2023/24 was approved by Council in February 2023, which included the impact of Inflation.

A General fund capital program from 2023/2024 to 2027/2028 was approved by Council in February 2023.

During 2023/24 it was planned not to reduce or remove current services unless this is an outcome from Transformation who is undertaken a review of all services in order to make processes efficient within the Council using the 60/30/10 model. They we aim to move to a position where 60% of the council's interactions with customers are through self-serve options available 24/7, 30% with a holistic customer services function and only 10% with back-office experts. This model ensures that the most cost-effective channels are used to deliver services.

Financial Sustainability

How SCDC plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

The 2023/24 Quarter Four Performance Report was approved by the Scrutiny and Overview Committee in May 2024.

The Probable Outturn for HRA for 2023/24, Net cost of service surplus of 11.7m (budgeted was 14.2m), which is expected to increase to 14.4m in 2024/25.

The Council has a well defined leadership portfolio, which outlines clear areas of responsibility (including for Head of Finance).

The Probable Outturn for general fund estimate for 2023/24, net cost of service is 26.6m (budgeted was 30.2m), which is expected to increase to 28.6m in 2024/25. This is an underspent of 3.6m.

Governance

How SCDC ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Risks are identified in line with the Council's Risk Management Strategy. The Council 's strategy has a four-step process to manage its risks: Identify Risks and Controls, Analyse & Score Risks, Identify Actions and Monitoring, Reporting & Review. They segregate all risks into appropriate categories such as growth, financial, legislation, commercial activities etc. The monitoring and implementation of the planned actions is reviewed regularly by service head. The monitoring process is also actioned by the policy and performance team who support the Council to mitigate the risks identified in the register.

The Council's Corporate Management Team regularly review and monitor the Risk Register, a half yearly report is written to audit committee with an update on the 6 month period. Before submission this is presented to Leadership Team, at each stage of the process any members from CMT to Audit committee are able to review and challenge.

The Cabinet review and approve the Strategic Risk Register quarterly.

A Capital programme report is reported annually to Cabinet and Council, which is submitted as part of the budget process.

The internal Audit team supports Management and the Audit Committee to help demonstrate the highest standards of corporate governance, public accountability and transparency in the Council's business.

In addition to the annual budget and MTFS, quarterly Revenue and Capital Monitoring report is submitted to outline the position of the Council and any emerging budget issues. The report provides monitoring information including reasons for variances and action being undertaken to address any underlying issues.

Monthly reports are provided to budget holders with transaction listings and Finance Business Partners have regular meetings throughout the year for the areas which fall in their remit. These are not documented in the form of minutes. Although, these are then submitted to Scrutiny & Overview Committee and Cabinet, which is formally documented.

Each service area within the Council will regularly monitor and review the Council's compliance with legislation and regulatory standards for their specific areas. Any new legislation which requires a policy will be derived by the service and will go to leadership first where the policies are scrutinised, discussed and changes recommended before they can be submitted to the relevant committees for onwards approval.

The Legal Team, internal audit, members and the Audit and Governance committee will also be involved in the process of monitoring and providing assurance that the Council is adhering to the legislation and regulatory standards which local authorities are obliged to meet.

Governance

How SCDC ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

The Council has the code of conduct and ethical handbook which outlines guidance on conflicts of interests, it also includes processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, and gifts and hospitality.

The Council has not used general reserves to meet the budget gaps. Annually as part of the budget cycle the Council's earmarked reserves are reviewed and a report on this subject is submitted to Cabinet and Council.

Roles and responsibilities for decision making are well defined and documented at the Council. Report templates are also well drafted.

During the review of control environment at the Council**, we observed certain deficiencies in various controls including the self authorisation of journals, self approval of NON-PO Invoices, issue in timeliness for the preparation of control account reconciliations and the preparation of financial statements and lack of formal documentation of recording key financial processes. These can lead to misrepresentations due to error and fraud.**

Tackling fraud - Council had extracted data for the annual national fraud initiative, which had provided the assurance that the Council's data was reliable. This data had been used in the recent successful council tax anti- fraud initiative, which had resulted in the recovery of £477,000. Later it was agreed to amend the report to remove reference to savings regarding money retrieved in relation to fraud, as the Council had a moral responsibility to recover this money and it should not be considered as a budgetary exercise.

KPMG have identified a **risk of significant weakness associated** with governance. We have issued 13 recommendations to the Council, refer details at details from slide 26 onwards.

Improving economy, efficiency and effectiveness

How SCDC uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- How the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Council have appropriate arrangements and processes in place to support the Council in using information about costs and performance to improve the way services are managed and delivered, with a focus on the level of value for money being achieved. This is reported quarterly through Scrutiny and Overview Committee. Financial plans are reviewed by Scrutiny and Overview Committee before they are submitted to the Cabinet. The savings and income generation items identified during the budget cycle and approved by Council are regularly submitted to Cabinet on progress as part of the quarterly monitoring report.

The Policy and Performance team supports the Council and its partners to plan, deliver and review services and improvement projects, as set out within the Council's Performance Management Framework. It does this by playing a supporting role within business planning processes and by coordinating and submitting performance updates to senior management and Councillors. This takes place using Performance Indicators (PIs) and Business Plan updates submitted to CMT and Cabinet quarterly.

In addition to the annual budget and MTFS, quarterly revenue and capital Monitoring report is submitted to outline the position of the Council and any emerging budget issues. The report provides monitoring information including reasons for variances and action being undertaken to address any underlying issues.

Capital decisions are made annually as part of the budget programme via the capital strategy and capital programme submissions to Cabinet and Council between December and February.

A framework for budget monitoring has been established and this enables budgetary performance and agreed efficiency actions to be monitored using performance flags (Red, Amber and Green – RAG Status) and Direction of Travel indicators. This provides a statement of financial health and an overview of how the Council is utilising its resources.

An integral part of the monitoring process is the regular meetings with Budget Holders to proactively monitor compliance with the approved budget. This enables the identification of potential risks and emerging budget pressures so that appropriate action can be taken at an early stage.

The Council was issued with a Best Value Notice by the Department for Levelling Up, Housing and Communities (on 8 May 2024), which challenged the introduction of a four-day working week at the Council. We reviewed an independent by two universities reviewed the Council’s performance during the four-day week trial (published in July 2024). Of 24 key performance indicators (KPIs) monitored by the Council, analysis by the universities found 22 improved or remained the same; as such we noted no significant deviations in the KPIs achieved by the Council.

The Council's non-financial performance is monitored by senior management and members on a quarterly basis through quarterly performance reports produced by the Policy and Performance Team. These reports consist of two key elements (Key Performance Indicator and Business Plan progress), allowing the review of different aspects of Council performance to be undertaken. These reports are submitted to cabinet on quarterly basis.

Improving economy, efficiency and effectiveness

How SCDC uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- How the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

All leadership team members hold monthly or 6 weekly catchups with their service managers and accountants to develop a partnering relationship and to discuss any financial matters such as problematic areas, coding, upcoming projects, change of personnel, key tasks and processes, etc.

The Council is involved in several benchmarking groups such as Treasury performance with LINK (treasury advisors).

Cost improvement schemes have their own risk assessment process, and this is populated at the outset. If risk increases it is escalated to the transformation board initially then, if necessary, would go on to the Corporate risk register which is reported to Leadership team and ultimately members at audit committee.

The Council like many other organisations will be affected by the significant increase in inflation and cost of living in one way or another. These factors are considered and reflected during the revised budget setting where a thorough review is conducted.

SCDC completed construction of housing & a sports pavilion in year at Northstowe, which the largest project for the Council.

There is significant consultation with spending officers and members to ensure that resources are allocated to appropriate areas at appropriate levels. Consultation also takes place with Partner authorities on Shared Budgets where SCDC are the host authority. During the year budgets are refined as part of the monitoring process and this information is used to assess whether budget should be retained or reprofiled.

Investment recoverability - The lack of controls over the recording and monitoring of investments made by the Council in subsidiaries and partnerships has led to omissions in the previous financial statements. As well as further omissions in future financial reporting over the investments, the lack of monitoring could also impact any potential impairment and recoverability risks over the repayment of the principals. Investment in Ermine Street Housing (ESH)- fair value £88.1m (approximately 79% of long-term investments) had no agreement in place between Council and ESH in year 2023/24 despite the loan was provided in year 2014/15. Investment in SCIP- £13m (approximately 10% of long-term investments) were not included in the Fair Value and Expected Credit Loss reports commissioned by LINK. For details refer recommendation number 6.

KPMG have identified a **risk of significant weakness** associated with improving economy, efficiency and effectiveness.

KPMG have issued 1 recommendation to the Council, refer details at slide 29, recommendation number 6.

Significant value for money risks

1 Preparation of Accounts

Risk that value for money arrangements may contain a significant weakness linked to Governance

Significant Value for Money Risk

Due to the issues concerning staffing, controls and key business process documentation at the Council, there is a risk that the Council does not have in place adequate arrangements to prepare and publish its annual financial statements to the right quality and by the deadlines as required by The Accounts and Audit (Amendment) Regulations 2024.

Related party transactions and group structure components have not been identified properly during the accounts' preparation process.

The above issues in the accounts preparation can result in delays in financial reporting, significant transactions that may not be completely identified & reported on, and group accounts which may not reflect the actual underlying group position and structure.

Our response

We verified and evaluated the structure in place which assist the council in preparing the complete set of financial statements and following up the financial reporting framework.

Our findings

All relevant components and investments were appropriately included in the financial statements for 2023/24 with no other omissions.

A number of manual adjustments were made on the face of the accounts where insufficient evidence was received to support these.

When the consolidation exercise was performed for the group accounts, incorrect values were used for the subsidiaries. These remain uncorrected therefore we have received no assurance over the group balances.

We have raised 13 recommendations to the Council around below mentioned areas, for details refer following pages.

SCDC will update the 2024/25 Annual Governance Statement for the recommendations from KPMG. This is included as action in new Action Log system with internal audit and are connected to the most relevant risk on the Risk Register - "SR14 – Failure to produce the statement of accounts (SOA) in line with the prescribed timetable."

Conclusion

Based on the findings above we have determined that **there is a significant weakness in arrangements relating to governance**.

Significant value for money risks

2 Recoverability of Investments

Risk that value for money arrangements may contain a significant weakness linked to Improving economy, efficiency and effectiveness

Significant Value for Money Risk

The lack of controls over the recording and monitoring of investments made by the Council in subsidiaries and partnerships has led to omissions in the previous financial statements.

As well as further omissions in future financial reporting over the investments, the lack of monitoring could also impact any potential impairment and recoverability risks over the repayment of the principals. Details in recommendation number 6.

Our response

We have considered a higher level of risk in the statutory audit for in relation to investments.

We have held inquiries to understand the current monitoring arrangements for investments and the expected repayment timelines, in relation to the recoverability of the principal amounts.

Our findings

The investment in Ermine Street Housing (‘ESH’) [fair value £88.1m, approximately 79% of long-term investments] has no formal agreement in place between the Council and ESH despite the loan being provided in 2014/15. There is no formal expectation for repayment of the principal value of £100m, the current models used do not accurately reflect the expectations for the investment and there is limited monitoring over the status of the investment to TCWG.

The investment in South Cambridgeshire Investment Partnership (‘SCIP’) [£13m, approximately 10% of long-term investments] has inadequate monitoring, the current forecasts do not reflect the current position of the investment due to delays in construction and the investment was not included in the Fair Value and Expected Credit Loss reports commissioned.

For both investments, there is insufficient monitoring over the expected recoverability of the principal values.

Conclusion

Based on the findings above we have determined that **there is a significant weakness in arrangements relating to recoverability of investments**.

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
1	**Significant**	**Accounts Preparation** 2023/24 was the 9th year in a row that the Council has been unable to publish draft accounts on time per the Accounts & Audit Regulations. Related parties transactions and group structure components have not been identified properly during the accounts preparation process. This includes two partnerships, South Cambridgeshire Investment Partnership (SCIP) LLP & South Cambridgeshire Projects (SCP) LLP. The above issues in the accounts preparation can result in delays in financial reporting, significant transactions that may not be completely identified & reported on, and group accounts which may not reflect the actual underlying group position and structure. This could result in further modified audit opinions for future periods. **We recommend that clear roles and responsibilities are assigned by the Council within the finance team with regards to account preparation, with deadlines and expectations clearly articulated and monitored by senior management/TCWG.** **Full accountability should be taken by all team members.**	**Agreed** by Management. **Responsible Officer** – Farzana Ahmed (s151 Officer) **Implementation Date** – March 2025 + Review Summer 2025 **Management Response** The 2023/24 draft accounts were produced at the end of June 2024 and submitted to audit committee on 16 July 2024. The Finance Business Team has undergone an internal service review, and the structure has been constructed with a view to maintaining sufficient capacity to deliver the services core responsibilities including the production of final accounts. The internal service review consists of two elements: ***Stage 1*** – Recruitment & Stabilisation of the team is now completed. ***Stage 2*** – In progress: • Change toward a 'Business Partner' model of working based on being proactive and having strong business skills. • Distribution of the work within the team and sharing of knowledge (training) to define clear responsibilities. • Process mapping work to build efficiency The structure has also included a move to generic roles enabling the service to maintain maximum flexibility in its structure, allowing it to respond quickly to changes to meet the objectives.

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
2	**Significant**	**Self-Authorisation of Journals** SCDC Accountants can self authorise journal entries and there are no controls to limit the amount that can be posted. This can create the opportunity for accounting errors or fraudulent accounting and as a result can directly impact on the financial reporting process. **We recommend the Council introduces a control to formally introduce and maintain a segregation of duties between the individual who creates the journal and the individual that authorises the journal, as part of a formal and timely management review.**	**Agreed** by Management. **Responsible Officer** – Farzana Ahmed / Zubair Ahmed **Implementation Date** – March 2026 (includes review of full journal process) **Management Response** The Finance Business Partner responsible for the system and its development is new to the role and is currently reviewing how the Council's FMS and reporting system is operating within the Council to increase automation and efficiency and to establish sound and reliable governance practices. An evaluation of the journal process will be undertaken to improve governance, risk management, and internal control surrounding the finance management system. This will include defining the policies and procedures for journal entries recorded in the general ledger when inputted into the FMS system.
3	**Other**	**Non-PO Invoice Self-Approval** When processing non-PO expenditure, the Accounts Payable department are required to attach the relevant approval email to evidence that the invoice has been authorised for payment. Although the email is attached, the same person can both prepare and approve the invoice. Whilst authorisation is sought and evidenced for each transaction, there is no segregation of duties between the preparer and approver on the T1 system. Despite documentation of an authorisation process, the above process can create the opportunity to bypass the authorisation process, thus making authorisation control redundant. **We recommend introducing a formal robust approval process for the processing of non-PO expenditure, that is timely and monitored, is introduced by the Council.**	**Agreed** by Management (if this is feasible to implement) **Responsible Officer** – Farzana Ahmed / Sean Missin **Implementation Date** – March 2026 **Management Response** All non-PO expenditure has a certified document which includes details of the expenditure, amounts, codes, preparer and a relevant authoriser from service. Therefore, it is deemed viable for accounts payable to input and authorise on the system because authorisation from the service has already been sought. An evaluation of the non-PO expenditure process will be conducted, and a management decision will be undertaken about whether this process requires amendment. It should be noted the accounts payable team is made up of two employees and any change in the process could cause practical issues.

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
4	**Significant**	**Control Account Reconciliations** No bank or investment reconciliations have been performed during the financial year 2023/24. Similarly, bank and investment reconciliations for 2021/22 & 2022/23 have only being performed in early 2024, which is outside of the financial years concerned. We also noted that the fixed asset register (FAR) reconciliations for 2021/22, 2022/23 & 2023/24 were performed in January 2024, April 2024 & June 2024 respectively. These were performed outside of the expected timings of two months from the year end date. In addition, we noted that reconciling items have not been investigated for bank and investments over the past 3 years. We were also informed that the FAR is only updated at the year end during the reconciliation process, therefore, no updates have been made to the FAR over the past 3 years. **We recommend that monthly bank and investment reconciliations should be prepared and reviewed buy the Council in a regular and timely manner.** **We also recommend that the FAR is regularly reviewed and updated on an annual basis as a minimum.**	Agreed by Management. **Responsible Officer** – Farzana Ahmed / Martin Lee / Tracey Flack / Sean Missin **Implementation Date** – March 2026 **Management Response** One of the Council's priorities over the last few years has been seeking to catchup on the production of several years financial statement of accounts and associated external audits. During this time, the team has been overstretched with the demands upon them to work flexibly and on areas which are not in their remit. Despite this reconciliations have been produced though not always in year. The completion of the statement of accounts has not identified any discrepancies which has caused management any concern. However, management is aware this is not good accounting practice and under the second stage of the internal service review these matters are being resolved whereby each finance business partner responsible for the completion of reconciliations ensures these are completed regularly either on a monthly, quarterly or on an annual basis.

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
5	**Other**	**No Formal Documentation of Key Processes** Financial business processes are the key steps to be followed by the Council's staff and members. KPMG noted an absence of formal documentation of the steps which management and staff are required to follow. The lack of fully documented financial business processes can lead to a lack of standardized processes, which in turn can allow employees to deviate from expected/required processes. Moreover, should any staff be absent, it may cause issues due to the lack of understanding of expected procedures as a result of process notes/documentation. **We recommend that formal process notes are created, maintained and regularly updated by the Council for all relevant financial business processes and that are made/kept readily available for all relevant personnel.**	**Agreed** by Management. **Responsible Officer** – Farzana Ahmed / Martin Lee / Tracey Flack / Sean Missin **Implementation Date** – March 2026 **Management Response** Local government is constantly under scrutiny and faces challenges of continued improvement in service delivery within a constantly shifting environment. It has been challenging for the Finance Business Team to manage business as usual, catchup on historic external audits and review key processes and implement new tools and systems. This has resulted in difficulties to ensure there are formal documentation for key processes. In the short term the Finance Business Team is concentrating on business process changes and "sharing of duties" to remove single points of failure. There are clear guidelines and instructions of how key processes should work and over time formal documentation of key processes will be derived to build resilience.
6	**Other**	**Monitoring of Investments** The lack of controls over the recording and monitoring of investments made by the Council in subsidiaries and partnerships has led to omissions in the previous financial statements. As well as further omissions in future financial reporting over the investments, the lack of monitoring could also impact any potential impairment and recoverability risks over the repayment of the principals. **We recommend the introduction of a formal assets and liabilities register to be maintained by the Council's Treasury team, detailing the principal values, repayment and due date.**	**Not Agreed** by Management. **Responsible Officer** – Farzana Ahmed / Martin Lee **Implementation Date** – N/A **Management Response** Management believes this was a group consolidation oversight and therefore does not believe an introduction of a formal assets and liabilities register will be of any benefit though will be happy to discuss this in further detail.

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
7	**Other**	**Trial Balance Mapping & Historic Entries** It took a number of weeks to map the trial balance back to the accounts due to the complex accounts model and a number of manual adjustments that were made on the face of the accounts. Historic items were identified in the ledger, including non-cash items that were mapped to the Cash and cash equivalents financial statement caption within the accounts. The above transactions lead to errors within the financial statements. **We recommend that the Council undertake a thorough review of the ledger to ensure that the appropriate accounts are mapped to the correct financial statement captions and to clear down any historic entries that remain sat in the ledger in error.**	**Agreed** by Management. **Responsible Officer** – Farzana Ahmed / Martin Lee / Tracey Flack **Implementation Date** – March –June 2025 **Management Response** Historically there has been a need to prepare manual journals for the completion of the statement of accounts and process this in the finance management system (FMS) once the auditors were satisfied. Management is aware that there have been several issues during the audit and to avoid this in the future, all journals related to the production of the statement of accounts will be posted in the FMS system to ensure the completeness and robustness of the accounts.
8	**Other**	**Register of Interests for Senior Officers** The Council does not maintain a detailed Register of Interests for the Senior Officers. Declarations are made annually, however the register provided only contained the response from one senior officer. There is a risk that conflicts of interests are not appropriately identified and that the Council does not meet the requirements of the accounting standard. **We recommend that a formal, detailed register of interest is implemented and maintained by the Council, which captures all declarations made by senior officers.**	**Not Agreed** by Management. **Responsible Officer** – John Murphy (Monitoring Officer) **Implementation Date** – N/A **Management Response** The Council does maintain a detailed Register of Interests for senior officers. The register is overseen by the Monitoring Officer who receives monthly updates on officers declarations. The Monitoring Officer has recently simplified the process in which in the way officers can register their personal financial/non financial interests and private memberships. This process was shared with all corporate management staff at a meeting in Autumn 2024. In addition, an annual reminder e-mail has circulated from the Monitoring Officer to all Council officers in February 2024 to remind them of how they can register their financial/non financial interests and private memberships. The SCDC constitution refers to declarations of interests by officers, and Related Party Declarations and transactions as distinct and different. Whilst the related party declarations only applies to specific officers, the need to declare any financial or non-financial interests and private memberships applies to all officers of the Council.

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
9	**Other**	**Implementation of IFRS 16** SCDC are required to make a pre-transition disclosure regarding IFRS 16 within 2023/24, noting that it will be implemented in the following financial period. When inquiring with SCDC about the disclosure, they confirmed the following: - No assessment has been performed over the pre-transition impact of IFRS 16 within the 23/24 period. - A plan was made in July 2024 for the transition to IFRS 16, 4 months after the implementation date. The disclosure within the 23/24 financial statement will state that no assessment has been performed & no plan was in place. **We recommend that Council comply with the new standard by amending accounting policies, drafting disclosures, reviewing prudential indicators and ensuring integration of IFRS16 in the capital strategy before 31 March 2025.**	**Agreed** by Management. **Responsible Officer** – Farzana Ahmed / Martin Lee / Tracey Flack **Implementation Date** – March – June 2025 **Management Response** There have been several seminars which officers have attended relating to the IFRS16 and preliminary work has begun on the Council's compliance and integration of the accounting standard. The Council has amended it's capital strategy to ensure integration of the IFRS16.
10	**Other**	**Review of Bad Debt Provisions** A number of the bad debt provisions had not been reviewed in several years. This included bad debt provisions which had not been reviewed in approximately 10 years. Moreover, SCDC were unable to find the workings/calculations behind some of these provisions. The lack of review has led to historic items remaining included within the provisions in error, leading to misstatements within the financial statements. **We recommend that an annual review of the bad debt provisions is carried out to ensure appropriate transactions are included and to remove any historic items. Adequate record keeping should be kept of the calculations for all provisions.**	**Agreed** by Management. **Responsible Officer** – Farzana Ahmed / Martin Lee / Tracey Flack **Implementation Date** – March – June 2025 **Management Response** The bad debt provision is an estimate of the possible liability that may arise and is sometimes difficult to anticipate its certainty. Management will ensure annual review of the bad debt provisions are conducted at the end of each financial year and incorporated into the final accounts timetable.

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
11	**Other**	**Timely Review of Policies and Strategies** From review of the policies and strategies in place at the Council, a number were identified to be out of date, with no reviews or updates scheduled around the time of the review date. Failure to maintain updated policies and strategies could led to deficiencies within the Authority’s internal control environment. **We recommend that a formalised schedule is implemented to track review dates for all policies and strategies, and ensure that review is performed in a timely manner**	**Agreed** by Management. **Responsible Officer** – Leadership Team **Implementation Date** – December 2025 **Management Response** It is proposed that the SharePoint tracker document used by Internal Audit be used to hold this information with the policy owner populating the document with the next review date so a reminder can be issued by the system ahead of the review date. Each policy will adopt a summary table on the cover which includes: • Version Number • Owner of the policy • Committee approving the policy • Author and contact of the policy • Date approved and next review date
12	**Other**	**Working Papers** Issues were identified with the quality of working papers provided, including: - Values differing from those stated in the financial statements - Multiple files being uploaded with no clear link of how they tied back to the accounts - Out-of-date working papers being submitted for audit evidence There were also delays in receiving working papers over certain audit areas, including property, plant and equipment and grants. **We recommend that formal training is provided with the audit team’s involvement and attended by all members of the finance team in relation to preparing audit evidence.**	**Agreed** by Management. **Responsible Officer** – Farzana Ahmed / Martin Lee / Tracey Flack / Sean Missin + KPMG **Implementation Date** – March – June 2025 **Management Response** One of the Council’s priorities over the last few years has been seeking to catchup on the production of several years financial statement of accounts and associated external audits. During this time, the team has worked towards improving the collation, coordination and management of working papers and record keeping. To support the second stage of the Finance Business Team service review, management did seek formal training from the audit team which they were not able to provide ahead of the scheduled audit.

Value for Money: Recommendations

The recommendations raised as a result of our work in respect of significant value for money weaknesses in the current year are as follows:

#	Grading	Issue, Impact and Recommendation	Management Response/Officer/Due Date
13	**Significant**	**Record Keeping** Ineffective record keeping was identified in relation to a number of audit areas including: investments, grants, debtors, creditors and property, plant and equipment. It was also noted that certain pieces of evidence could only be supplied by one individual and insufficient evidence was received regarding the manual adjustments made on the face of the accounts. This directly impacts SCDC's ability to provide sufficient audit evidence and impacts SCDC's own control environment surrounding use of public funds and ensuring transactions are accurately recorded and monitored. **We recommend maintaining adequate record keeping to a standard that an appropriate audit trail is in place and evidence can be traced even when the responsible individual is absent and/ clear handovers are in place that can be picked up by other team members.**	**Agreed** by Management. **Responsible Officer** – Farzana Ahmed / Martin Lee / Tracey Flack **Implementation Date** – March – June 2025 **Management Response** One of the Council's priorities over the last few years has been seeking to catchup on the production of several years financial statement of accounts and associated external audits. During this time, the team has worked towards improving the collation, coordination and management of working papers and record keeping. The Finance Business Team has undergone an internal service review, and the structure has been constructed with a view to remove single points of failure whereby when a responsible individual is absent another member of the team is able to provide sufficient audit evidence. To support the second stage of the Finance Business Team service review, management did seek formal training from the audit team which they were not able to provide ahead of the scheduled audit.

Value for Money: Prior year Recommendations

Extract from EY 2022/23 Opinion

Significant weaknesses in arrangements - Governance

Our judgement on the nature of the weakness identified:

The 2022-23 financial year is the eighth successive year that the Council has been unable to publish its Statement of Accounts by the target dates outlined in the Accounts and Audit Regulations 2015. The Council continues to make improvements in the arrangements it has put in place for preparation of its Statement of Accounts. However, the unaudited statements were not published until 28 March 2024 due to the continued impact of historic delays and difficulties faced by officers in providing evidence to support the statement as the length of time that has been passed since the 2022-23 financial year means that officers preparing the accounts may not have been involved in, nor have detailed knowledge of, the underlying transactions.

The action South Cambridgeshire District Council needs to take to address the weakness:

The Council needs to continue to re-assess and flex roles, responsibilities, and resource requirement for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives.

The issues above are evidence of weaknesses in proper arrangements for reliable and timely financial reporting that supports the delivery of strategic priorities.

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