

Title: Response to External Audit Recommendations

Committee: Audit Committee

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1.0 Issue

- 1.1. The purpose of this report is to provide the Audit Committee with an update on the actions taken by the Director Finance to address the eight recommendations raised by the Council's external auditors, Ernst & Young (EY), following the audit of the 2024/25 Statement of Accounts.

2.0 Recommendations

The Audit Committee is recommended to:

- Note the recommendations raised by the Council's external auditors, and
- Note the actions taken by the Director Finance to address the recommendations.

3.0 Background

- 3.1. Following the completion of the external audit of the Council's 2024/25 Statement of Accounts, Ernst & Young (EY) issued eight recommendations relating to improvements in financial reporting processes, working paper documentation, financial controls, and technical accounting processes.

The Director Finance has reviewed the recommendations and implemented a number of measures to address the issues identified. These actions aim to strengthen the Council's financial reporting framework and support a more efficient external audit process in future years.

4.0 Actions Taken

- 4.1. Recommendation 1 – Financial Statement Preparation and Audit Support

The Finance Director has taken steps to strengthen the preparation of financial statements and the support provided during the audit process.

- An interim Technical Accountant is already in post to support financial statement preparation and strengthen technical accounting expertise.
- A Principal Accountant with extensive local government experience will commence employment on 23 March 2026, further enhancing leadership and technical capability within the finance team.
- Sample working papers have been requested from EY and are considered acceptable to them. Once received, they will be updated to support the 2025/26 Statement of Accounts.

4.2 Recommendation 2 – Fixed Asset Register Controls

- The Principal Accountant, who will commence employment on 23 March 2026, is familiar with the asset management system used by the Council to record fixed assets. As part of their responsibilities, the Principal Accountant will review the Fixed Asset Register to ensure that asset classifications, system settings and depreciation calculations are correctly configured.

Any issues identified within the system will be reviewed and rectified to ensure that the Fixed Asset Register operates in accordance with relevant accounting standards and supports the accurate preparation of the 2025/26 Statement of Accounts.

4.3 Recommendation 3 – Group Accounts

- Additional review procedures have been introduced to ensure intercompany balances and transactions are eliminated correctly.
- Supporting working papers and calculations will be subject to enhanced internal review.

4.4 Recommendation 4 – Capital Grants Register

- The Council currently uses established systems to maintain and monitor developer contributions, including Community Infrastructure Levy (CIL) and Section 106 (S106) funding.

For the 2025/26 audit, the Finance Team will continue to work with the external auditors to ensure that all relevant information relating to capital grants, including balances brought forward, income received during the year, and utilisation of funds, is clearly documented and available to support the audit process.

4.5 Recommendation 5 – Analytical Review of Financial Statements

- Analytical review procedures have been incorporated into the year-end closedown process.
- Finance officers will prepare explanations for material movements in the Comprehensive Income and Expenditure Statement and Balance Sheet.

- 4.6 Recommendation 6 – Cash Reconciliation Adjustments
- The year-end reconciliation process has been strengthened.
 - The finance team have been briefed to ensure that all reconciliation differences identified during the closedown process are reviewed and corrected before the preparation of the Statement of Accounts.

- 4.7 Recommendation 7 – Classification of Cash Equivalents
- The classification of cash and investments has been reviewed to ensure compliance with accounting standards.
 - Additional review procedures will be implemented during the closedown process.

- 4.8 Recommendation 8 – Control Account Mapping
- Control account mapping has been reviewed and corrected.
 - Additional checks have been introduced to ensure accurate financial reporting.

5.0 Additional Implications Assessment

5.1 In the table below, please put Yes or No in each box:

Financial Implications	Legal Implications	Human Resources (HR) Implications
No	No	No
Equality Impact Assessment (EIA)	Carbon Impact Assessment (CIA)	Data Protection Impact Assessment (DPIA)
No	No	No

6.0 Background documents

2024/25 External Audit Report- [07 EY Audit results report GPS LG 24-25.pdf](#)