

East Cambridgeshire District Council

Annual Audit Letter for the year ended 31 March 2015

October 2015

Ernst & Young LLP



Building a better
working world

The Members
East Cambridgeshire District Council
The Grange
Nutholt Lane
Ely
Cambridgeshire
CB7 4EE

15 October 2015

Dear Members

Annual Audit Letter 2014/15

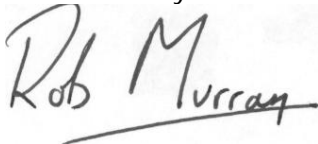
The purpose of this annual audit letter is to communicate the key issues arising from our work to the Members and external stakeholders, including members of the public.

We have already reported the detailed findings from our audit work in our 2014/15 annual results report to the September Corporate Governance & Finance Committee, representing those charged with governance. We do not repeat them here.

The matters reported here are those we consider most significant for the Council.

We would like to take this opportunity to thank officers for their assistance during the course of our work.

Yours faithfully



Rob Murray
Executive Director
For and on behalf of Ernst & Young LLP
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Relevant parts of the Audit Commission Act 1998 are transitionally saved by the Local Audit and Accountability Act 2014 (Commencement No. 7, Transitional Provisions and Savings) Order 2015 for 2014/15 audits.

The Audit Commission's 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the accountable officer of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Annual Audit Letter is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2014/15 audit work was undertaken in accordance with the Audit Plan issued on 27 February 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by an Annual Governance Statement (AGS). In the AGS the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for having proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- forming an opinion on the financial statements of the Authority and Group, and on the consistency of other information published with them
- reviewing and reporting by exception on the Council's AGS
- forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources
- undertaking any other work specified by the Audit Commission and the Code of Audit Practice.

Summarised below are the results of our work across all these areas:

Area of work	Result
Audit of the financial statements of East Cambridgeshire District Council for the financial year ended 31 March 2015 in accordance with International Standards on Auditing (UK & Ireland)	On 28 September 2015 we issued an unqualified audit opinion on the Council's financial statements.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources	On 28 September 2015 we issued an unqualified value for money conclusion.
Report to the National Audit Office on the accuracy of the consolidation pack the Council needs to prepare for the Whole of Government Accounts	We had no issues to report to the National Audit Office.
Consider the completeness of disclosures on the Council's AGS, identify any inconsistencies with other information which we know about from our work and consider whether it complies with CIPFA/ SOLACE guidance	No issues to report.
Consider whether we should make a report in the public interest on any matter coming to our notice in the course of the audit	No issues to report.
Determine whether we need to take any other action in relation to our responsibilities under the Audit Commission Act	No issues to report.

As a result of the above we have also:

Issued a report to those charged with governance of the Council with the significant findings from our audit.

Issued a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.

Our Audit Results Report was presented on 28 September 2015, to the Corporate Governance & Finance Committee.

Issued on 28 September 2015

In January 2016, we will also issue a report to those charged with governance of the Council summarising the certification of grant claims and returns work we have undertaken.

2. Key findings

2.1 Financial statement audit

The Council's Statement of Accounts is an important tool to show both how the Council has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and issued an unqualified audit report on [28 September 2015](#).

Our detailed findings were reported to the September 2015 Corporate Governance & Finance Committee.

Our audit identified very few issues. The Authority's working papers were good, as in previous years. The Authority also had a change of s151 officer in July and Chief Accountant in August but this did not adversely affect the progress of the audit.

The main issues identified as part of our audit were:

Significant risk 1: Risk of management override

Our audit work identified no matters that we need to bring to the Authority's attention.

2.2 Value for money conclusion

As part of our work we must also conclude whether the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of resources. This is known as our value for money conclusion.

In accordance with guidance issued by the Audit Commission, our 2014/15 value for money conclusion was based on two criteria. We consider whether the Council had proper arrangements in place for:

- ▶ securing financial resilience, and
- ▶ challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 28 September 2015.

We noted the following issues as part of our audit:

Key finding 1: Financial resilience

Pressures from economic downturn

To date the Council has responded well to the financial pressure resulting from the continuing economic downturn. The Council's revised MTFS shows it has now closed its budget gap for 2017/18, however there is still planned use of reserves in 2016/17 to balance the budget and there remains significant financial pressure on the Council's budget during the subsequent financial years.

We consider that the Council has proper arrangements in place to secure financial resilience. The leadership team understands the significant and rapidly changing financial challenges and risks facing the Council, and is taking appropriate action to secure a stable financial position. It has adequate levels of reserves, and a recent history of achieving savings.

Key finding 2: Leisure Centre

The Council is planning a new leisure centre development within the next year, and is currently considering a number of options for financing this project.

Whilst no firm decision has yet been made regarding the development, it is important that the project carefully considers and concludes on the financial viability before entering into capital commitments. Approval of the final funding strategy is now planned for April 2016. We will continue to review any key plans and reports, particularly in relation to affordability, financing and accounting, and we expect to be kept informed of any key decisions.

On 16 July, Full Council approved the set-up of a 'LATC establishment committee' as part of its preparations for the creation of a local authority trading company. The Council is taking and acting on legal, financial and procurement advice in relation to this development. It will continue to be important for the Council to continue to consider carefully advice received in relation to this project, to ensure that the Council's plans remain within the requirements of the law. Further reporting to Council is planned for January 2016.

2.3 Whole of Government Accounts

We performed limited procedures, as required by the National Audit Office, as the Council is below the threshold for a Whole of Government Accounts audit. We had no issues to report.

2.4 Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's AGS, identify any inconsistencies with the other information which we know about from our work, and consider whether it complies with relevant guidance.

We completed this work and did not identify any areas of concern.

2.5 Objections received

We did not receive any objections to the 2014/15 financial statements from members of the Public.

2.6 Other powers and duties

We identified no issues during our audit that required us to use powers under the Audit Commission Act 1998, including reporting in the public interest.

2.7 Independence

We communicated our assessment of independence to the Corporate Governance & Finance Committee on 28 September 2015. In our professional judgement the firm is independent and the objectivity of the audit director and audit staff has not been compromised within the meaning of regulatory and professional requirements

2.8 Certification of grant claims and returns

We will issue the Annual Certification report for 2014/15 in January 2016.

3. Control themes and observations

As part of our work, we obtained enough understanding of internal control to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we must tell the Council about any significant deficiencies in internal control we find during our audit.

We did not identify any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in the Council's financial statements [of which it was not already aware.

4. Fees

Our fee for 2014/15 includes a Scale Fee Variation above the scale fee set by the Audit Commission as reported in our 28 September 2015 Annual Results Report.

	<i>Scale fee 2015/16</i>	<i>Planned fee 2014/15</i>	<i>Scale fee 2014/15</i>	<i>Final fee 2013/14</i>
Total Audit Fee – Code work	£41,500	£59,995*	£55,333	£55,333
Total Audit Fee – Certification of claims and returns	£15,206	<i>Work still being completed</i>	£19,290	£20,275
Total Audit Fee	£56,706	TBC	£74,623	£75,608

We expect our actual fee* to include a scale fee variation of £4,662 due to increased work on the Council's VFM arrangements including examining the Council's planned Leisure Centre development and formation of a local authority development company. The variation to the scale fee is still subject to agreement by PSAA Limited.

We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

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