

Annual Audit Letter

East Cambridgeshire District Council

21 October 2014



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

21 October 2014

Dear Members,

Annual Audit Letter

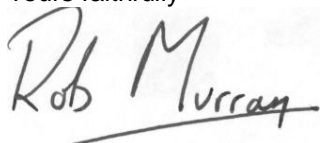
The purpose of this Annual Audit Letter is to communicate to the Members of East Cambridgeshire District Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of East Cambridgeshire District Council in the 2013/14 Audit Results Report issued to the Corporate Governance and Finance Committee on 29 September 2014.

The matters reported here are the most significant for the Authority.

I would like to take this opportunity to thank the officers of East Cambridgeshire District Council for their assistance during the course of our work.

Yours faithfully



Rob Murray
For and behalf of Ernst & Young LLP
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Executive summary

Our 2013/14 audit work has been undertaken in accordance with the Audit Plan we issued on 13 March 2014 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 Authority is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Authority reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Authority is also responsible for putting in place 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;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of East Cambridgeshire District Council and Group for the financial year ended 31 March 2014 in accordance with International Standards on Auditing (UK & Ireland)	On 29 September 2014 we issued an unqualified audit opinion in respect of the Authority and Group.
Form a conclusion on the arrangements the Authority has made for securing economy, efficiency and effectiveness in its use of resources.	On 29 September 2014 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Authority (the Corporate Governance and Finance Committee) communicating significant findings resulting from our audit.	On 29 September 2014 we issued our report in respect of the Authority.
Notify the NAO that the Authority is below the Whole of Government Accounts threshold and provide the supporting calculations to confirm.	We reported our findings to the National Audit Office on 25 September 2014.
Consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it	No issues to report.

complies with CIPFA / SOLACE guidance.

Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	No issues to report
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	No issues to report.
Issue 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.	On 29 September 2014 we issued our audit completion certificate
Issue a report to those charged with governance of the Authority summarising the certification (of grant claims and returns) work that we have undertaken.	We plan to issue our annual certification report to those charged with governance with respect to the 2013/14 financial year by 31 January 2015
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Key findings

Financial statement audit

We audited the Authority'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. We issued an unqualified audit report on 29 September 2014.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good.

The main issues identified as part of our audit were:

Significant risk: Risk of Management Override

Management is in a unique position to perpetrate fraud because of their ability to directly or indirectly manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement. No issues were noted.

Other risks: Business rates appeals provision

There have been significant changes in the arrangements for business rates from April 2013. One of the main changes is that individual councils now need to make accounting provision for rating appeals. This includes not only claims from 1 April 2013, but claims that relate to earlier periods. As appeals are made to the Valuation Office, the Council may not be aware of the level of claims and may find it difficult to obtain sufficient information to establish a reliable estimate. Our audit work identified no matters that we need to bring to the Council's attention

Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2013/14 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 29 September 2014. Our audit did not identify any significant matters.

Whole of government accounts

We notified the National Audit Office that the Authority is below the Whole of Government Accounts threshold and provided the results of our work and supporting calculations to confirm. We did not identify any areas of concern.

Annual governance statement

We are required to consider the completeness of disclosures in the Authority's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance. We completed this work and did not identify any areas of concern.

Certification of grants claims and returns

We presented our Annual Certification Report for 2012/13 to those charged with governance on 25 February 2014. We certified 2 claims and returns worth £41.9m. We issued qualification letters in relation to both claims highlighting a number of areas where the Authority had not fully complied with the relevant grant conditions. We will issue the Annual Certification Report for 2013/14 in January 2015.

Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient 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 communicated to those charged with governance at the Authority, as required, significant deficiencies in internal control. We did not identify any matters which needed to be communicated to you.

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