



EAST CAMBRIDGESHIRE DISTRICT COUNCIL

THE GRANGE, NUTHOLT LANE,
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This matter is being dealt with by: Andy Radford

Rob Murray, Director
Ernst & Young
One Cambridge Business Park,
Cowley Road
Cambridge
CB4 0WZ

Telephone: 01353 616470
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My Ref:
Your ref

Date: 28th September 2015

Dear Mr Murray

This representation letter is provided in connection with your audit of the consolidated and parent financial statements of East Cambridgeshire District Council ("the Group and Council") for the year ended 31st March 2015. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent financial statements give a true and fair view of the Group and Council's financial position for the year ended 31st March 2015 and of its income and expenditure for that year in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We understand that the purpose of your audit of our financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and for the Council, the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and Council financial statements. We believe the consolidated and Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and for the Council, in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and are free of material misstatements, including omissions. We have approved the consolidated and Council financial statements.
3. The significant accounting policies adopted in the preparation of the Council's financial statements are appropriately described in the said financial statements.

4. As members of management of the Group and Council, we believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, as detailed in appendix A of this report, accumulated by you during the audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to both the consolidated and / or Council's financial statements taken as a whole. We have therefore not corrected these for the reasons detailed below:
 - CIES, Section 106 Contribution – this issue related to the treatment of a Section 106 payment which was repaid to the funder in year. The correct closing balance for the year is detailed in the Accounts, and so while our treatment in the Comprehensive Income and Expenditure Statement was different to what you expected; it is not material to the accounts and indeed has no impact on the bottom line of the Comprehensive Income and Expenditure Statement.
 - Note 9, PPE, Vehicles, Plant and Equipment – This relates to an extrapolation of an identified error. This remains uncorrected as with all extrapolated errors, there is nothing that can actually be adjusted, and indeed the actual error identified (as detailed in Appendix B which was extrapolated up) has been corrected prior to the Statement of Accounts being presented to Corporate Governance and Finance Committee.
6. In addition to those issues above, highlighted in your report to the meeting, you also verbally up-dated the meeting to a further issue regarding the non-accruing of Housing Benefits payments made in April 2015, part of which related to the 2014-15 financial year. Due to the lateness of the identification of this issue and your acceptance that it is not a material error to the Accounts, we do not plan to adjust for it at this point. We will however ensure that the issue is considered when preparing the 2015-16 Accounts.

B. Fraud

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. We have disclosed to you the results of our assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Group and Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the consolidated or Council financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the consolidated or Council financial statements or otherwise affect the financial reporting of the Group and Council.

C. Compliance with Laws and Regulations

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the consolidated and Council financial statements.

D. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that you have requested from us for the purpose of the audit and

- Unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
 3. We have made available to you the minutes of the all meetings of the Council and all committees held through the year, up until and including the most recent round of meetings.
 4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended 31st March 2015, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and Council financial statements.
 5. We have disclosed to you, that the group and Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

E. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and Council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and / or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in Note 39 to the consolidated and Council financial statements all guarantees that we have given to third parties.
4. The APPS claim by a group of Property Search Companies detailed as a current liability in the Statement of Accounts has now been settled for the total sum of £69,276; this will be properly accounted for in the consolidated and Council financial statements for 2015-16. No other claims in connection with litigation have been or are expected to be received.

F. Subsequent Events

1. There have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and Council financial statements or notes thereto.

G. Accounting Estimates

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
 - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the Council, where relevant to the accounting estimates and disclosures.

- No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

H Retirement benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Use of the Work of an Expert

1. We agree with the findings of the experts engaged to evaluate the value of our Pension scheme (Hymans and Robertson) and our property assets (Wicks, Head and Eve) and have adequately considered the qualifications of the experts in determining the amounts and disclosures included in the consolidated and Council financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.

Yours sincerely,

Chief Financial Officer

I confirm that this letter has been discussed and agreed at the Corporate Governance and Finance Committee on 28 September 2015

Chair of Corporate Governance and Finance Committee

Appendix A – uncorrected audit misstatements

- ▶ The following misstatements have been identified during the course of our audit and in our professional judgement warrant communicating to you as those charged with governance.
- ▶ These items have not been corrected by management.

Balance sheet and statement of comprehensive income and expenditure

Item of account	Nature	Type	Balance sheet	Comprehensive income and expenditure statement
	Description	F, P, J	Debit/(credit)	Debit/(credit)
CIES S106 contributions	A section 106 contribution received in a prior year (and held in creditors - receipts in advance), has been paid back in this year as the conditions had not been met. The payment has incorrectly been recognised as income and expenditure during the year. <i>No impact on financial position</i>	F		Dr Income planning & development Cr Expenditure planning & development
				£535,000 (£535,000)
Cumulative effect of uncorrected misstatement			0	0

Key

- ▶ F – Factual misstatement
- ▶ P – Projected misstatement based on audit sample error and population extrapolation
- ▶ J – Judgemental misstatement

Appendix A – uncorrected audit misstatements (cont'd)

- ▶ The following misstatements have been identified during the course of our audit and in our professional judgement warrant communicating to you as those charged with governance.
- ▶ These items have not been corrected by management.

Balance sheet and statement of comprehensive income and expenditure

Item of account	Nature	Type	Balance sheet	Comprehensive income and expenditure statement
	Description	F, P, J	Debit/(credit)	Debit/(credit)
Note 9 – PPE: Vehicles, Plant and Equipment:	Our audit identified several assets which had been fully depreciated and were no longer in use but had not been written out of the asset register and Note 9. Their NBV was nil, but their cost and accumulated depreciation was still in note 9. The assets identified were removed (see corrected errors) but we have extrapolated an error to account for any potential remaining such assets. The Council will review in detail in 2015/16. <i>No impact on financial position.</i>	P	Dr Accumulated depreciation £96,310 Cr Gross Book Value (£96,310)	
Cumulative effect of uncorrected misstatement			0	0

Key

- ▶ F – Factual misstatement
- ▶ P – Projected misstatement based on audit sample error and population extrapolation
- ▶ J – Judgemental misstatement

Appendix B – corrected audit misstatements

- ▶ The following corrected misstatements have been identified during the course of our audit and warrant communicating to you.
- ▶ These items have been corrected by management within the revised financial statements.

Balance sheet and statement of comprehensive income and expenditure

Item of account	Nature	Type	Balance Sheet	Comprehensive income and expenditure statement
	Description	F, P, J	Debit/(credit)	Debit/(credit)
Note 9 – PPE: Vehicles, Plant and Equipment.	Our audit identified several assets which had been fully depreciated and were no longer in use but had not been written out of the asset register and Note 9. Their NBV was nil, but their cost and accumulated depreciation was still in note 9. These have now been correctly written out and removed from note 9. See previous slide. <i>No impact on financial position.</i>	F	Dr Accumulated depreciation Cr Gross Book Value	£931,179 (£931,179)
Cumulative effect of uncorrected misstatement				0

Key

- ▶ F – Factual misstatement
- ▶ P – Projected misstatement based on audit sample error and population extrapolation
- ▶ J – Judgemental misstatement

