



**Cambridgeshire County  
Council**

**Audit Results report**

Year ended 31 March 2019

24 October 2019



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**Audit and Accounts Committee  
Cambridgeshire County Council**

24 October 2019

Dear Committee Members

We are pleased to attach our Audit Results report for the forthcoming meeting of the Audit and Accounts Committee. This report summarises our audit conclusion in relation to the audit of Cambridgeshire County Council (the 'Council') for 2018/19. We will update the Audit and Accounts Committee at its meeting scheduled for 31 October 2019.

We have substantially completed our audit of Cambridgeshire County Council for the year ended 31 March 2019. Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the financial statements in the form at Section 3.

As previously discussed, and set out in our Audit Plan, we are yet to commence our work on your arrangements to secure economy, efficiency and effectiveness in your use of resources, as the 2017/18 VFM Conclusion remains outstanding.

This report is intended solely for the use of the Audit and Accounts Committee, other members of the Council, and senior management. It should not be used for any other purpose or given to any other party without obtaining our written consent.

We would like to thank your staff for their help during the engagement.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Accounts Committee meeting on 31 October 2019.

Yours faithfully

*MARK HODGSON*

Mark Hodgson

Associate Partner

For and on behalf of Ernst & Young LLP

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# Contents



Public Sector Audit Appointments Ltd (PSAA) have issued a 'Statement of responsibilities of auditors and audited bodies'. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psa.co.uk](http://www.psa.co.uk)). This Statement of responsibilities serves as the formal terms of engagement between 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 'Terms of Appointment (updated April 2018)' issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities / Terms and Conditions of Engagement. 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.



# 01 Executive Summary

# Executive Summary

## Scope update

In our Audit Plan presented at the 28 March 2019 Audit and Accounts Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception concerning a change in materiality :

### Changes in materiality:

In our Audit Planning Report, we communicated that our audit procedures would be performed at the following levels:

	Cambridgeshire County Council Group £million	Council as a Single Entity £million	Basis
Overall Materiality	17.6	17.5	1.8% of Gross Expenditure
Performance materiality	8.8	8.7	50% of overall materiality
Reporting threshold	0.88	0.87	5% of overall materiality

We updated our planning materiality assessment using the draft accounts and have reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our materiality figures as follows:

	Cambridgeshire County Council Group £million	Council as a Single Entity £million	Basis
Overall Materiality	16.2	16.1	1.8% of Gross Expenditure
Performance materiality	8.1	8.1	50% of overall materiality
Reporting threshold	0.81	0.81	5% of overall materiality

# Executive Summary

## Status of the audit

We have substantially completed our audit of Cambridgeshire County Council's financial statements for the year ended 31 March 2019 and have performed the procedures outlined in our Audit Plan. Subject to satisfactory completion of the outstanding matters set out below we expect to issue an unqualified opinion on the Council's financial statements in the form which appears at Section 3.

However until work is complete, further amendments may arise. The work that is outstanding as at the date of this report is in relation to:

- 'Other' expenditure testing;
- Group accounts;
- Testing of the Prior Period Adjustment proposed by Management;
- Minimum Revenue Provision testing;
- Testing of Unrecorded Liabilities;
- Testing of Senior officers remunerations note;
- Review of the final version of the financial statements;
- Completion of subsequent events review; and
- Receipt of the signed management representation letter and financial statements

We will update the Audit and Accounts Committee on progress of these items at the meeting on the 31 October 2019.

We will not be able to issue the audit certificate at the same time as the audit opinion, as we will have to complete key elements of the Code of Audit programme - namely:

- the Whole of Government Accounts submission; and
- Value for Money Conclusion.

# Executive Summary

## Financial Statements Closedown Process

The Council did not meet the 31 May 2019 date for the publication of the draft financial statements required by the Account & Audit Regulations 2015.

The draft financial statements were published on the 10 June 2019. As a result the Council had to issue a revised inspection period notice which allowed members of the public the full quantum of inspection days, albeit not in the key period required by the Regulations.

The draft financial statements provided for audit were not of a good standard. We have identified in excess of 100 errors and disclosure amendments on our initial review and have identified and agreed a significant number of audit adjustments to key financial statements, as set out on the next page.

During our audit, we have raised a significant level of audit queries, as is normal for an audit and especially a first year audit. Whilst we have received full co-operation from key finance staff, for which we are grateful, there has been an overly optimistic timeline for the provision of responses to audit queries, which has added delay and additional resource requirements into our audit process.

The level of identified audit adjustments has required a considerable level of effort to revise the financial statements, and we have encountered some issues with version control and how/why a number of adjustments have been processed.

We would recommend that the closedown process should be reviewed so that appropriate quality assurance processes can be applied to the draft financial statements. In addition, a full review of supporting working papers to support the draft financial statements is required to enable the audit to proceed at the required pace.

We believe that there needs to be clarification on who holds ultimate responsibility for version control of the revised financial statements and therefore understands and agrees the full list of audit adjustments required before they are processed in a timely and agreed manner.

However, as a first year audit, we accept that there will be some learning on both sides, and we will work with management to agree a way forward for the 2019/20 audit.

# Executive Summary

## Adjusted Audit differences

We have identified audit differences with an aggregated impact above our reporting level of £16.2 million. We have discussed and agreed these adjustments with management who will amend the Draft Financial Statements. Full details of these adjustments can be found in Section 4 Audit Differences. In summary the key adjusted audit differences are:

- Property, Plant and Equipment: We identified adjustments in the current and prior years in regards to the posting of valuation movements between the Comprehensive Income and Expenditure Statement and the Revaluation Reserve. The impact in the 2018/19 is an overstatement in £6.348 million in the Comprehensive income and expenditure statement. The full impact on the prior year 2017/18 financial figures is yet to be determined - as this area remains to be completed.
- Property, Plant and Equipment: We identified that one school asset building with a value of £1.875 million was incorrectly included as an 'Operational' asset when it had been disposed of before 31 March 2019. The replacement school building, with a value of £8.822 million was incorrectly classified as an 'Asset Under Construction' when it became operational before the 31 March 2019.
- Property, Plant and Equipment: Land and buildings were understated by £15.553 million, as the carrying value for a number of assets, which were not subject to a formal valuation exercise within the year, were not reviewed to assess the validity of the carrying value at the Balance Sheet date. Indexation has now been applied to these assets.
- Revenue Grant Income: The Basic Needs Grant received by the Council during the financial year was understated by £27.531 million within Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement. This was an omission from the draft financial statements.
- Grant income credited to Net Cost of Services in the Comprehensive Income and Expenditure statement had been overstated by £26.272 million.
- Capital Grant Income: £1.442 million of Capital Grant Income had been incorrectly classified as Capital Grants Received in Advance which should have been classified as Grant income within the Comprehensive Income and Expenditure Statement.
- Group Accounts: The draft consolidated financial statements only consolidated 'This Land Ltd' balances up to the 31 December 2018 rather than up to the Group's balance sheet date of the 31 March 2019.
- Private Finance Initiatives: Our review of the Council's PFI schemes identified a number of disclosure issues and that the total finance lease liability for the Council's Waste PFI was over stated by £1.260 million.
- Reclassification Adjustments: We identified a number of additional reclassification adjustments between short and long term debtors £2.800 million; Long and Short term Investments £35.0 million; and Capital Grants and Contributions income netted off within REFCUS £34.082 million.

In addition, our initial review of the draft financial statements identified 110 disclosure adjustments which have been corrected by management in the revised financial statements subject to approval.

# Executive Summary

## Adjusted Audit differences continued

There has been a national issue which has required a late change to the pension fund accounts and IAS19 fund liability disclosures following the publication of the draft financial statements. It relates to legal rulings regarding age discrimination arising from public sector pension scheme transitional arrangements, commonly described as the McCloud ruling. However, since the year-end there have been some movement in the understanding and assessment of the likely outcome and in the potential impact of any outcome, which has led to the need for a re-assessment of the scheme liabilities under IAS19, together with supporting disclosure notes. In addition, there has been the High Court case ruling that all schemes must equalise Guaranteed Minimum Pensions ('GMP') between males and females and this had had an impact on the Pension Fund Liability as well.

The initial work performed by the Authority on this issue has indicated that the impact was material for the Pension Fund disclosures and therefore revised figures for the LGPS were obtained and updated from the Council's actuary.

This has resulted in an increase to the total pension fund liability of £24.980 million, with further associated disclosure added to recognise this as a source of estimation uncertainty and an adjusted Post Balance sheet event.

## Unadjusted Audit differences

We identified one unadjusted audit differences. Our review of the Council's Private Finance initiative schemes identified that the total finance lease liability of the Council's Street Lighting PFI was over stated by £1.261 million.

Management have chosen not to adjust for this. We ask that this adjustment be corrected or a rationale as to why they are not corrected be approved by the Audit and Accounts Committee and include in the Letter of Representation. The aggregated impact of unadjusted audit differences is £1.261 million. We concur with management's assessment that the impact is not material to the financial statements as a whole.

## Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Council's financial statements This report sets out our observations and conclusions, including our views on areas which might be conservative, and where there is potential risk and exposure. We summarise our consideration of these matters, and any others identified, in the "Areas of Audit Focus" section of this report.

We ask you to review these and any other matters in this report to ensure:

- ▶ There are no other considerations or matters that could have an impact on these issues
- ▶ You agree with the resolution of the issue
- ▶ There are no other significant issues to be considered.

There are no matters, apart from those reported by management or disclosed in this report, which we believe should be brought to the attention of the Audit and Accounts Committee.

# Executive Summary

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## Correspondence from the Public

We have received one objections to the financial statements from members of the public. We are currently awaiting the conclusion of the 2016/17 and 2017/18 objections before we determine the validity of the objection that we have received.

## Control observations

We have adopted a fully substantive approach, so have not tested the operation of controls. During the audit, we have not identified any significant deficiencies in internal controls that require reporting to you, other than those already reported concerning the control and review of the preparation of the Council's financial statements.

## Independence

Please refer to Section 8 for our update on Independence. There are no relationships from 1 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We will perform the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts (WGA) submission. At the time of writing this report we are yet to complete our work on the Whole of Government Accounts (WGA) return and will provide you with an update at the Audit and Accounts Committee.

We therefore expect to issue the audit certificate at a later date to the audit opinion.

We have no other matters to report.



02

## Areas of Audit Focus



# Areas of Audit Focus

## Fraud risk - misstatements due to fraud or error

### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly 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.

### What did we do?

We have completed our standard procedures to address the fraud risk, which included:

- ▶ Identifying fraud risks during the planning stages.
- ▶ Inquiring of management about risks of fraud and the controls put in place to address those risks.
- ▶ Understanding the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considering the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determining an appropriate strategy to address those identified risks of fraud.
- ▶ Performing mandatory procedures regardless of specifically identified fraud risks, including;
- ▶ Testing of journal entries and other adjustments in the preparation of the financial statements;
- ▶ Reviewing accounting estimates for evidence of management bias; and
- ▶ Evaluating the business rationale for significant unusual transactions.

### What are our conclusions?

As reported in our Audit Plan, our work to identify fraud risks during the planning stages identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation.

The results of our work on these specific risks are set out on the following pages.

We have not identified any new areas at risk of manipulation.



# Areas of Audit Focus

## Fraud risk - incorrect capitalisation of revenue expenditure

### What is the risk?

The Council is under financial pressure to achieve budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a key way to achieve these targets.

We have considered the key areas where management has the material opportunity and incentive to override controls and consider the risk applies to capitalisation of revenue expenditure.

Management could manipulate revenue expenditure by incorrectly capitalising expenditure which is revenue in nature and should be charge to the comprehensive income and expenditure account.

### What did we do and what judgements did we focus on?

In considering this risk we have focussed on management's judgement in capitalising expenditure as PPE. The Council has a number of large capital programmes and therefore judgement can be exercised in the allocation of costs between revenue expenditure and capital expenditure.

We have completed the following procedures to address the risk:

- ▶ Capital additions testing - We selected a sample of capital additions based on our established testing threshold and tested these to confirm that all amounts could be agreed to appropriate audit evidence (e.g. invoice, valuation certificate etc.) and that the item being capitalised was capital in nature.
- ▶ Data analytics journal entry testing - As part of our testing of journals we included specific tests to search for unusual activity that:
  - ▶ Moves expenditure from the CIES to PPE on the balance sheet.
  - ▶ Reduces expenditure and creditors.

### What are our conclusions?

- ▶ Our sample testing of additions to property, plant and equipment found that they had been correctly classified as capital and included at the correct value;
- ▶ Our sample testing of additions to property, plant and equipment did not identify any revenue items that were incorrectly classified; and
- ▶ Our data analytical procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



# Areas of Audit Focus

## Fraud risk - accounting adjustments made in the 'Movement in Reserves Statement'

### What is the risk?

The Council is under financial pressure to achieve its revenue budget and maintain reserve balances above the minimum approved levels. Manipulating expenditure is a way of achieving these targets.

We have considered the key areas where management has the material opportunity and incentive to override controls and consider the risk applies to accounting adjustments made in the Movement in Reserves Statement (MiRS):

- The adjustments between accounting basis and funding basis under Regulation changes the amounts charged to General Fund balances. Regulations are varied and complex, resulting in a risk that management misstatement accounting adjustments to manipulate the General Fund balance. We have identified the risk to be highest for adjustments concerning;
- Revenue Expenditure Funded from Capital Under Statute (REFCUS);
- Capital Grants;
- Depreciation, impairments and revaluation losses; and
- Minimum Revenue Provision (MRP)

### What did we do and what judgements did we focus on?

The adjustments between accounting basis and funding basis under regulation in the financial statements materially changes the charges to the General Fund balance.

This line is shown in the Movement in Reserves Statement. As the Regulations are varied and complex there is an inherent risk that management use this line to manipulate the General Fund balance.

We identified the following areas as having a higher risk of management override:

- Revenue items incorrectly identified as Revenue Expenditure Funded from Capital Under Statute,(REFCUS) thus funded from capital.
- Removal of capital grants from the General Fund through the MiRS. These are material amounts and could be incorrectly applied to fund revenue items.
- Depreciation, impairment and revaluation losses. Charged to the surplus or deficit on the provision of services and then adjusted through the MiRS to unusable reserves.

To address this risk we:

- Sample tested REFCUS to ensure the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state;
- Reconciled entries for consistency to other audited accounts within the financial statements, for example our work on property, plant and equipment to support adjustments made for depreciation, impairments, revaluation losses, and application of capital grants;
- Performed testing of revaluations made during 2018/19 and reviewed other documentation to determine whether there was any indication that assets required impairment.
- Undertook substantive analytical review procedures over the depreciation charge to determine that the annual charge was correct.
- Reviewed the Council's policy and application of the 'Minimum Revenue Provision'.



## Areas of Audit Focus

### **Fraud risk - accounting adjustments made in the 'Movement in Reserves Statement**

#### **What are our conclusions?**

Our audit work has not identified any material issues or unusual transactions to indicate any misreporting of the Council's financial position through manipulation of postings to the movement in reserves statement.

- ▶ Our sample testing of REFCUS transactions found that they had been correctly classified and the expenditure met the definition of allowable expenditure, or was incurred under direction from the secretary of state;
- ▶ We did not identify any inconsistency whilst reconciling entries in the Movement in Reserves Statement; and
- ▶ At the time of this report we have not yet concluded on the Council's policy and application of minimum revenue provision.



# Areas of Audit Focus

## Significant risk - Valuation of Land and Buildings

### What is the risk?

The Council has engaged a new external expert to value assets in 2018/19. The external valuer will apply a number of complex assumptions and judgements assess the Council's assets to determine their value. Some of the issues they will consider include whether there is any indication of impairment, increases in value and changes to useful lives.

As the Council's asset base is material, and the outputs from the valuer are subject to estimation, there is a risk fixed assets may be under/overstated.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### What did we do and what judgements did we focus on?

We have completed our standard procedures to address the risk, which included:

- ▶ Considered the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre), and agreed this to what had been recorded in the Fixed Asset Register and General Ledger;
- ▶ Considered if there were any specific changes to assets that had occurred and that these had been communicated to the valuer;
- ▶ Reviewed changes to useful economic lives as a result of the most recent valuation;
- ▶ Assessed changes in valuation methodology applied by the new valuer;
- ▶ Engaged our own EY valuation experts to perform a review of valuation assumptions and methodologies on those more complex methodologies such as depreciated replacement cost and the valuation of retail park assets; and
- ▶ Tested accounting entries to confirm they had been correctly processed in the financial statements.

We focused on aspects of the land and buildings and investment property valuations which could have a material impact on the financial statements, primarily:

- ▶ any significant changes in the asset base;
- ▶ the assumptions and estimates used to calculate the valuation; and
- ▶ changes to the basis for valuing the assets.



## Areas of Audit Focus

### Significant risk - Valuation of Land and Buildings

#### What are our conclusions?

We have concluded the Council's expert valuers possess the relevant qualifications and experience, and undertook a review of all of the Council's assets. We therefore concluded that we were able to rely on the work of the valuer.

We have reviewed changes to useful economic lives as a result of the most recent valuation. Our work to date has not identified any issues at the time of writing this report, but our work in this area is still in progress.

We have confirmed that the accounting entries and disclosure complied with relevant accounting standards and the Code.

Our audit procedures identified one school asset building which had been valued by the Council's external valuer as at 31 November 2018 as an 'Asset Under Construction'. The asset subsequently became operational in February 2019, but this was not communicated to the valuer - so the valuation basis was not updated.

We have assessed changes in valuation methodology applied by the new valuer, and have no matters to report.

We have corroborated the assumptions used by the external valuer in his valuations of a sample of assets. Our work has not identified any issues to report.

We engaged our own internal valuer to review valuation assumptions and methodologies on a sample of specialist assets valued at depreciated replacement cost. The valuation of all assets we tested were within an acceptable range as determined by our internal experts.

We have noted a number of audit differences in section 4 of this report in relation to Property, Plant and Equipment and related accounting entries.



# Areas of Audit Focus

## Significant risk - New financial system

### What is the risk?

The Council implemented a new general ledger financial system on the 1 April 2018 (ERP Gold).

Our initial review has identified material differences between the 2017/18 audited closing balances within the old system and the 2018/19 opening balances contained within the new system.

There therefore remains a risk that 100% of information has not been appropriately transferred to the new system leading to material misstatement in the 2018/19 financial statements.

### What did we do and what judgements did we focus on?

We have completed our standard procedures to address the risk, which included:

- ▶ We used our data analytics tool to check consistency of mapping (100% coverage) through uploading of data from the new system for both 2017/18 and 2018/19 into our data analytics tool;
- ▶ We agreed the 2017/18 re-mapped data to the audited 2017/18 financial statements;
- ▶ We applied data analytic trending analysis and investigated material differences; and
- ▶ Used the results of our transactions testing applied to BS and I&E to provide further assurance on the mapping applied to the 2018/19 data.

### What are our conclusions?

Our audit work has not identified any material issues or unusual transactions in relation to the implementation of the Council's new financial system other than the differences noted above with the Council's opening balances which have been resolved by management.

We have noted that the Council's Draft Financial Statements included an 'Opening Balance Adjustment' of £26.180 million within its Capital Adjustments Account note.

This adjustment relates to accounting errors identified by the Council in financial years prior to 2018/19. This was identified upon review of the data being migrated to the Council's new accounting system and fixed asset register.

The errors identified relate to prior year treatment of revaluation movements and accounting adjustments between the Comprehensive Income and Expenditure Statement and the Revaluation Reserve.

Upon review of this adjustment we have agreed with management that this constitutes a prior period adjustment (as it is material and meets the definition of IAS 8) and therefore requires disclosure in the revised financial statements.

The Prior Period Adjustment is required to the comprehensive Income and Expenditure (CIES) statement along with the adjustments to the Council's reserves (Balance Sheet).

We are concluding our assessment of the proposed accounting adjustments.



# Areas of Audit Focus

## Area of Audit Focus

### Conversion of schools to Academies

As set out in our Audit Plan, Schools have continued to convert to 'Academy' status during 2018/19. This has implications for the treatment of the schools' balances in the financial statements, with the most significant relating to property, plant and equipment.

There is a risk that these schools' transactions and balances may be either incorrectly included or omitted.

Other balances relating to debtors, creditors, cash balances and income (including dedicated schools grant) and expenditure within the Council's accounts are considered to be lower risk due to their size and nature.

To address this risk we:

- ▶ Reviewed the arrangements for identifying the school assets, liabilities and balances for transfers; and
- ▶ Reviewed how the transfers have been accounted for, including reconciling the Schools that have converted to academies during the year to the various systems including those that have been disposed of in the Fixed Asset Register during the year.

Our conclusions are:

- ▶ Our review of the arrangements for agreeing school assets, liabilities and balances for transfers did not identify any omissions; and
- ▶ Our testing confirmed that transfers had been accounted for correctly. The reconciliation of schools that have converted to academies during the year agreed to the relevant accounting systems including the Fixed Asset Register and Department for Education records.



# Areas of Audit Focus

## Area of Audit Focus

### Pensions valuations and disclosures

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.

The Council's current pension fund deficit is a material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.

The information disclosed is based on the IAS19 report issued to the Council by the actuary to the pension fund.

Accounting for this scheme involves significant estimation and judgement and management engages an actuary to undertake the calculations on their behalf.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

To address this risk we:

- ▶ Liaised with the auditors of Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Cambridgeshire County Council;
- ▶ Assessed the work of the Pension Fund actuary (Hymans) including the assumptions they used by relying on the work of PwC - Consulting Actuaries commissioned by National Audit Office (NAO) for all Local Government sector auditors, and considering the corresponding reviews performed by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

Our conclusions are:

- ▶ We have reviewed the assessment of the pension fund actuary by PwC and EY pensions and have undertaken the work required without identifying any issues; and
- ▶ The Council has received a revised IAS 19 report with an updated net assets position based on the final reported position of the Pension Fund, the impact of the Guaranteed Minimum Pension (GMP) ruling and the impact on the McCloud rulings. This has resulted in a number of changes to the statement of accounts, the main impact being an increase in the net pension fund liability of £24.980 million, and a corresponding increase in the Council's Unusable reserves. Further documentation of this adjustment can be found in Section 4 of this report.



# Areas of Audit Focus

## Area of Audit Focus

### Private Finance Initiative (PFI)

The Council operate three material PFIs which are long term private funded schemes.

The Income, Expenditure and Balance Sheet accounting entries in the statement of accounts are based on complex PFI operating and finance models for each scheme. The models also provide the required disclosures of future projected payments.

To address this risk we:

- ▶ Engaged EY specialists to perform a review of the three PFI models, including review of the underlying contracts;
- ▶ Performed testing to ensure that in year payments included in the PFI models are accurate and correctly accounted; and
- ▶ Confirmed consistency of the PFI models to the financial statements.

Our conclusions are:

- ▶ Our review and testing of the three PFI identified a number of disclosure and numerical amendments, in particular impacting the finance lease liability for the Waste and Street lighting PFI's. Further documentation of this adjustment can be found in Section 4 of this report; and
- ▶ Our testing confirmed consistency of the PFI models to the financial statements.

### Valuation of Heritage Assets

Our review of the 2017/18 accounts has identified heritage assets of £21.20 million. Asset values have not been updated since 2008. As per the Code, "where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current." Given the length of time since the Council previous valuation we deem there to be a higher risk over the valuation of heritage assets.

To address this risk we:

- ▶ Reviewed and tested management's consideration of the value and the valuation methodology applied to heritage assets to confirm that they remain current.

Our conclusions are:

- ▶ Our testing of Heritage assets and the valuation methodology applied by management to determine the valuations has not identified any material difference in the valuation reported in the financial statements. However, we will seek formal representations from Management that they believe the 2008 valuation remains the most appropriate basis upon which to base the 31 March 2019 valuation.



# Areas of Audit Focus

## Area of Audit Focus

### Characterisation of Capital Grants

Our review of the previous auditor's working papers identified errors in the categorisation of capital grants between those received in advance and those that should have been credited to the CIES.

To address this risk we:

- ▶ Performed sample testing over capital grants received in advance (held on balance sheet) and those posted through the CIES; and
- ▶ Reviewed these for the underlying terms/conditions to ensure categorisation is appropriate.

Our conclusions are:

- ▶ Our review and testing of capital grants identified one adjustment in relation to the incorrect classification of capital grants of £1.442 million within the Balance Sheet. Capital grants Received in Advance which should have been classified under Grant Income within the Comprehensive Income and Expenditure Statement. Further documentation of this adjustment can be found in Section 4 of this report.

### Sensitive Notes

Our review of the previous auditor's working papers identified audit amendments to the following sensitive notes which have a lower materiality threshold:

- ▶ Related Parties note;
- ▶ Senior Officers Remuneration note; and
- ▶ Exit Packages note.

To address this risk we:

- ▶ Tested completeness of all sensitive disclosures, as well as the relevant accuracy of figures disclosed.

Our conclusions are:

- ▶ Our testing of the related parties note and the Exit packages note identified a number of disclosure adjustments.
- ▶ Our testing of the Exit packages note identified that the disclosure did not include information on those individuals whose payroll data was processed through payroll systems other than the main Education Personnel Management schools payroll systems.
- ▶ Our work on the Senior Officers remunerations note is not yet finalised, as we are completing our testing of the disclosed information back to contractual entitlements.



# Areas of Audit Focus



## Other Areas of Audit Focus - New accounting standards

The Code requires the Council to comply with the requirements of two new accounting standards for 2018/19 and make preparations for another new standard for 2020/21. These standards are:

- IFRS 9 - Financial instruments;
- IFRS 15 - Revenue from contracts; and
- IFRS 16 - Leases.

There is an inherent risk in relation to implementing new accounting standards and carrying out a sufficient assessment and evaluation.

Standard	Audit Findings
IFRS 9 - Financial Instruments	Our audit procedures identified some disclosure adjustments. We have not identified any other audit issues.
IFRS 15 - Revenue from Contracts	Our audit procedures for revenue from contracts did not identify any audit issues.
IFRS 16 - Leases	<p>IFRS 16 replaces IAS 17 Leases and its related interpretations. It will now apply to the 2020/21 financial statements. The changes introduced by the standard will have substantial practical implications for local authorities that currently have material operating leases, and are also likely to have an effect on the capital financing arrangements of the Council.</p> <p>We have considered the Council's implementation plan and preparedness for IFRS 16. The Council have already considered their completeness of leases and identifying those that may require reclassifying. We therefore believe the Council is well placed to address the implications of IFRS 16.</p> <p>IFRS16 will apply to the Norse Group in 2019/20, a year ahead of the application date for Local Government. The Council will therefore need to consider the consolidation adjustments required for the Council's 2019/20 financial statements.</p>

In addition, changes have been made to the CIPFA/LAASAC Code for 2019/20, as noted below:

- The revised IASB Conceptual Framework for Financial Reporting (Conceptual Framework), the main elements being (2019/20 Code Cpt 2.1 refers);
  - new definitions of assets, liabilities, income and expenses
  - updates for the inclusion of the recognition process and criteria and new provisions on de-recognition
  - enhanced guidance on measurement bases
- Guidance in the treatment of the Apprenticeship Levy (2019/20 Code Cpt 2.11 refers)
- Updated guidance on IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation & LOBOs (2019/20 Code Cpt 2.11 refers)
- Clarifications for the disclosure requirements with respect to interests in entities within the scope of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (2019/20 Code Cpt 9 refers).



## 03 Audit Report



# Audit Report

## Our opinion on the financial statements

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CAMBRIDGESHIRE COUNTY COUNCIL

#### Opinion

We have audited the financial statements of Cambridgeshire County Council for the year ended 31 March 2019 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Authority and Group Movement in Reserves Statement;
- Authority and Group Comprehensive Income and Expenditure Statement;
- Authority and Group Balance Sheet;
- Authority and Group Cash Flow Statement;
- the related notes 1 to 41 to the Authority Financial Statements;
- The related notes 1 to 7 to the Group Accounts; and
- The Accounting Policies (Appendix 1).

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion the financial statements:

- give a true and fair view of the financial position of Cambridgeshire County Council and Group as at 31 March 2019 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority and group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



# Audit Report (Continued)

## Our opinion on the financial statements

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The other information comprises the information included in the "Cambridgeshire County Council Statement of Accounts and Annual Governance Statement 2018-2019", other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinion on other matters prescribed by the Local Audit and Accountability Act 2014

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;

(continued)



# Audit Report (Continued)

## Our opinion on the financial statements

(continued)

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

### Responsibility of the Chief Finance Officer

As explained more fully in the “Statement of Responsibilities, Certificate and Approval of Accounts” set out on pages 29 and 30, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.



# Audit Report (Continued)

## Our opinion on the financial statements

### Pension Fund financial statements

On 31 July 2019 we issued our opinion on the Pension Fund financial statements for the year ended 31 March 2019 included within the Statement of Accounts.

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

In addition, we have been unable to form a conclusion on whether we are satisfied that, in all significant respects, Cambridgeshire County Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019 as the Authority has not yet received its conclusion in relation to the arrangements in place for the year ended 31 March 2018.

Until we have completed these procedures we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

### Use of our report

This report is made solely to the members of Cambridgeshire County Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.



# 04 Audit Differences





# Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation.

## Summary of adjusted differences

We highlight the following misstatements greater than £0.81 million which have been corrected by management that were identified during the course of our audit:

### 1. IAS19 Pension Liability

A ruling was made related to age discrimination arising from public sector pension scheme transition arrangements affecting judges’ pensions (McCloud) and firefighter pensions (Sergeant) that had implications for the local government pension scheme.

The LGPS Scheme Advisory Board commissioned GAD to undertake an assessment of the impact of the McCloud judgement on the LGPS. EY Pensions have been able to replicate GAD’s findings and outcomes and we have therefore concluded that a reliable estimation methodology is available.

The judgement gives rise to a liability and past service cost under IAS19. There is a constructive obligation to take into account given the McCloud (and Sargeant) rulings are that the transitional protections given during the 2015 pension scheme reforms were unlawful. The circumstances meet the criteria for a provision, taking account of the principles under IAS37. The Council has assessed the impact on their statement of accounts taking into account their view of materiality, by requesting a revised IAS 19 report from their actuary. We have made an assessment of the reasonableness of the calculation based on guidance from EY Pensions.

In addition to the above, the Guaranteed Minimum Pension (GMP) ruling has also had an impact on the pension liability along with a difference between the estimated year end asset valuation of the pension fund and the actual year end valuation.

The revised IAS 19 report received by the Council updated the net assets position based on the final reported position of the Pension Fund, the impact of the Guaranteed Minimum Pension (GMP) ruling and the impact on the McCloud rulings. This has resulted in a number of changes to the statement of accounts, the main impact being an increase in the net pension fund liability of £24.980 million, and a corresponding increase in the Council’s Unusable reserves.

- ▶ Debit: Balance Sheet - Unusable Reserves: Pensions Reserve = £24.980 million
- ▶ Credit: Balance Sheet - Liability related to Defined Benefit Pension Scheme = £24.980 million



# Audit Differences

## Summary of adjusted differences (continued)

### 2. Property, Plant and Equipment

Our audit procedures over Property, Plant and Equipment identified a number of audit adjustments:

a. During the financial year 2018/19 the Council undertook a valuation of a number of its property, plant and equipment assets leading to an overall upwards revaluation of these assets. The Council had not correctly posted the split between the Revaluation Reserve and Surplus or Deficit on Revaluation of Property, Plant and Equipment in the Comprehensive Income and Expenditure Statement for this upwards revaluation. This resulted in an understatement of £6.348 million of the Surplus / Deficit on Revaluation of property, Plant and Equipment in the Comprehensive Income and Expenditure Statement with the corresponding understatement in the Council's Revaluation Reserve.

- ▶ Debit: Balance Sheet - Revaluation Reserve = £6.348 million
- ▶ Credit: Comprehensive Income & Expenditure Statement - Surplus or Deficit on revaluation of PPE = £ 6.348 million

b. The Council's 2018/19 Property, Plant and Equipment valuation was performed as at 30<sup>th</sup> November 2018 and included the valuation of the old Wyton School Building. This asset was subsequently demolished prior to the Balance Sheet date of the 31 March 2019 when the new Wyton School building became operational in February 2019. Our audit procedures identified that the Council's Draft Financial Statements did not correctly reflect this situation showing two audit differences:

- The Draft Financial Statements did not include the disposal of the old Wyton School building and as such Property, Plant and Equipment was overstated by £1.875 million, with the corresponding adjustment in the Comprehensive Income and Expenditure statement, Loss on Disposal of Property, Plant and Equipment.
- The Draft Financial Statements incorrectly classified the new Wyton School asset with a value of £8.822 million as an Asset under construction rather than an operational asset as at the 31 March 2019.

- ▶ Debit: Comprehensive Income & Expenditure Statement - Loss on disposal of PPE = £1.875 million
- ▶ Credit: Balance Sheet - Property, Plant and Equipment - Land and Buildings = £1.875 million
- ▶ Debit: Balance Sheet - Property, Plant and Equipment - Land and Buildings = £8.822 million
- ▶ Credit: Balance Sheet - Property, Plant and Equipment - Assets Under Construction = £8.822 million

The value of Property, Plant and Equipment within the Council's Draft Financial Statement was understated by £15.553 million as it did not include indexation adjustment of Land and Buildings assets not valued during the financial year 2018/19.

c. The Council's Draft Financial Statements included an 'Opening Balance Adjustment' of £26.180 million within its Capital Adjustments Account note. This adjustment relates to accounting errors identified by the Council in financial years prior to 2018/19 arising from the implementation of the Council's new accounting system and fixed asset register. The errors identified relate to prior year treatment of revaluation movements and accounting adjustments between the Comprehensive Income and Expenditure Statement and the Revaluation Reserve. (Continued over the page)



# Audit Differences

## Summary of adjusted differences (continued)

Upon review of this adjustment we have agreed with management that this constitutes a material prior period adjustment and requires disclosure as such in the revised accounts, there also being a prior period adjustment required to the comprehensive income and expenditure statement along with the adjustments made to the Council's reserves.

- ▶ Debit: Balance Sheet - Property, Plant and Equipment - Land and Buildings = £15.554 million
- ▶ Credit: Balance Sheet - Revaluation Reserve = £13.112 million
- ▶ Credit: Comprehensive Income & Expenditure Statement = £2.442 million

### 3. Revenue Grant Income

Our audit procedures over grant income identified an number of audit adjustments:

The Basic Needs Grant received by the Council during the financial was understated by £27.531 million within Taxation and Non Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Grant income credited to Net Cost of Services in the Comprehensive Income and Expenditure statement had been overstated by £26.272 million.

- ▶ Debit: Balance Sheet - Usable reserves = £27.531 million
- ▶ Credit: Comprehensive Income and Expenditure Statement - Taxation and non specific grant income = £27.531 million
- ▶ Debit: Comprehensive Income and Expenditure Statement - Net cost of services = £27.531 million
- ▶ Credit: Balance Sheet - Usable reserves = £27.531 million

### 4. Capital Grant Income

The Draft Financial Statements included £1.442 million of Capital Grant Income classified as Capital Grants Received in Advance within the Council's Balance Sheet which should have been classified as Grant income with in Net Cost of Services in the Comprehensive Income and Expenditure Statement.

- ▶ Debit: Balance Sheet - Capital Grants Received in Advance = £1.442 million
- ▶ Credit: Comprehensive Income and Expenditure Statement - Net Cost of Services = £ 1.442 million



# Audit Differences

## Summary of adjusted differences (continued)

### 5. Group accounts

We identified that the Draft Financial Statements only consolidated balances to the 31 December 2019 for its subsidiary, This Land Ltd, this being the date of the subsidiary's financial statements. The Councils consolidated group accounts are required to include subsidiary balances to the 31 March 2019. We are still finalising our work in this area.

### 6. Private Finance Initiatives

The Council has three Private Finance Initiative schemes in relation to Waste, Street Lighting and Building Schools for the Future. Upon review of these schemes and the financial models underpinning them, we identified a number of disclosure adjustments and for the Waste scheme the total finance lease liability was overstated by £1.260 million.

- ▶ Debit: Balance Sheet - Long term Finance Lease Liability = £1.073 million
- ▶ Debit: Balance Sheet - Short term Finance Lease Liability = £0.187 million
- ▶ Debit: Comprehensive Income and Expenditure Statement - Financing and Investment expenditure = £1,259 million
- ▶ Credit: Balance Sheet - Capital Adjustment Account = £1.260 million
- ▶ Credit: Comprehensive Income and Expenditure Statement - Place and Economy expenditure = £1,021 million
- ▶ Credit: Balance Sheet - Minimum Revenue Provision = £0.238 million

### 7. Reclassification adjustments

We identified a number of reclassification adjustments within the Draft financial statements:

Reclassification of This Land debtor of £2.800 million from Short term Investments to Long term Debtor.

- ▶ Debit: Balance Sheet - Long Term Debtors = £2.800 million
- ▶ Credit: Balance Sheet - Short Term Investments = £2.800 million

Reclassification of £35.000 million from Long term Investments to Short term Investments.

- ▶ Debit: Balance Sheet - Long term Investments = £35.000 million
- ▶ Credit: Balance Sheet - Short term Investments = £35.000 million

Reclassification of grant income of £34.082 million to Capital grants and Contributions which had been incorrectly netted off within Revenue Expenditure Funded through Capital Under Statute (REFCUS) within the notes to the Financial Statements.

- ▶ Debit: REFCUS = £34.082 million
- ▶ Credit: Capital Grants and Contributions = £34.082 million

### 8. Other Adjustments

We also identified through our initial review of the draft financial statements 110 disclosure adjustments which have been corrected by management in the revised financial statements subject to approval.



# Audit Differences

## Summary of unadjusted differences

We highlight the following misstatements greater than £0.809 million which have not been corrected by management that were identified during the course of our audit:

Our review of the Council's Private Finance initiative schemes identified that the Council's Street Lighting PFI's total finance lease liability was overstated by £1.261 million.

- ▶ Debit: Balance Sheet - Long term Finance Lease Liability = £1.178 million
- ▶ Debit: Balance Sheet - Short term Finance Lease Liability = £0.083 million
- ▶ Credit: Balance Sheet - Capital Adjustment Account = £1.261 million

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2019.



# 06 Other reporting issues



## Other reporting issues

# Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Cambridgeshire County Council Statement of Accounts 2018/19 with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

Financial information in the Cambridgeshire County Council Statement of Accounts 2018/19 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements.

We have no other matters to report.

### Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the National Audit Office.

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We will complete this work once we have completed our audit of the financial statements and will then report appropriately.

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We did not identify any issues which required us to issue a report in the public interest.

We also have a duty to make written recommendations to the Council, copied to the Secretary of State, and take action in accordance with our responsibilities under the Local Audit and Accountability Act 2014. We did not identify any issues and have not had course to use this duty.

## Other reporting issues

# Other reporting issues

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Council's financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

We have no matters to report.

### Requirements of the Account & Audit Regulations 2015

#### Publication of draft financial statements

The Council did not publish the draft financial statements by the 31 May 2019 deadline required by the Account and Audit Regulations. The draft financial statements were published on the 10 June 2019.

#### Public Inspection Period

As a result of the late publication of the draft financial statements above, the Council has to re-advertise the public inspection period - which was not able to include the first 10 days of June as required by the Account and Audit Regulations 2015. However, the revised dates did provide the full quantum of inspection days for Members of the public.

### Correspondence from the Public

We have received correspondence from one member of the public. We treated the correspondence as information provided to the auditor as part of the audit and have no matters to report as a result.

We have received one objection to the financial statements from members of the public. We are currently awaiting the conclusion of the 2016/17 and 2017/18 objections before we determine the validity of the objection that we have received.



07

## Assessment of Control Environment



# Assessment of Control Environment

## Financial controls

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

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. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.



08

Independence

## Confirmation



We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 4 February 2019.

We complied with the FRC Ethical Standards and the requirements of the PSAA's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that you and your Audit and Accounts and Accounts Committee consider the facts known to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit and Accounts Committee on 31 October 2019.

## Relationships, services and related threats and safeguards



The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your Council, and its directors and senior management and its affiliates, including all services provided by us and our network to your Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 01 April 2018 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

## Services provided by Ernst & Young

Below includes a summary of the fees that you have paid to us in the year ended 31 March 2018 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided and the related threats and safeguards are included above.

We confirm that none of the services has been provided on a contingent fee basis.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

## Services provided by Ernst & Young

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2019.

We confirm that we have not undertaken non-audit work outside the NAO Code requirements.

	Proposed final fee 2018/19	Scale fee 2018/19
	£'s	£'s
Total Fee - Code work	(Note 1)	72,427
<b>Total fees</b>	<b>To be confirmed</b>	<b>72,427</b>

### *All fees exclude VAT*

**Note 1** - We have yet to conclude our 2018/19 audit and are therefore not in a position to conclude on the final fee for 2018/19.

However, this report does demonstrate a high number of audit adjustments as a result of our audit work, so we will need to seek a variation to the scale fee.



09

## Appendices

## Appendix A

# Audit approach update

We summarise below our approach to the audit of the balance sheet and any changes to this approach from the prior year audit.

Our audit procedures are designed to be responsive to our assessed risk of material misstatement at the relevant assertion level. Assertions relevant to the balance sheet include:

- ▶ Existence: An asset, liability and equity interest exists at a given date
- ▶ Rights and Obligations: An asset, liability and equity interest pertains to the entity at a given date
- ▶ Completeness: There are no unrecorded assets, liabilities, and equity interests, transactions or events, or undisclosed items
- ▶ Valuation: An asset, liability and equity interest is recorded at an appropriate amount and any resulting valuation or allocation adjustments are appropriately recorded
- ▶ Presentation and Disclosure: Assets, liabilities and equity interests are appropriately aggregated or disaggregated, and classified, described and disclosed in accordance with the applicable financial reporting framework. Disclosures are relevant and understandable in the context of the applicable financial reporting framework.

Balance sheet category	Audit Approach in current year	Audit Approach in prior year	Explanation for change
<ul style="list-style-type: none"> <li>▶ Property, plant and equipment</li> <li>▶ Investment property</li> <li>▶ Long term debtors</li> <li>▶ Short term investments</li> <li>▶ Cash and cash equivalents</li> <li>▶ Short term debtors</li> <li>▶ Short term creditors</li> <li>▶ Short and long term borrowings</li> <li>▶ PFI liability (short and long term)</li> <li>▶ Liability related to Defined Benefit Pension Scheme</li> <li>▶ Provisions (short and long term)</li> <li>▶ Capital grants received in advance</li> <li>▶ Useable and unusable reserves</li> </ul>	Substantively tested all relevant assertions	Substantively tested all relevant assertions	N/A
<ul style="list-style-type: none"> <li>▶ Intangible assets</li> <li>▶ Heritage assets</li> <li>▶ Inventories</li> <li>▶ Assets held for sale</li> <li>▶ Long term investments</li> </ul>	Immaterial - Substantively tested assertion for presentation and disclosure	Immaterial - Substantively tested assertion for presentation and disclosure	N/A

## Appendix B

# Summary of communications

Date 	Nature 	Summary 
4 October 2018	Meeting	The partner in charge of the engagement, and Senior Manager, met with the management at the commencement of our engagement.
22 November 2019	Meeting	The partner in charge of the engagement attended the Audit and Accounts Committee in an observational capacity.
24 January 2019	Meeting	The partner in charge of the engagement attend the Audit and Accounts Committee in an observational capacity.
25 January 2019	Meeting	The partner in charge of the engagement met with the Chair of the Audit and Accounts Committee.
7 February 2019	Meeting	The partner in charge of the engagement and manager met with management to discuss the Audit Plan.
28 March 2019	Meeting / Report	The partner in charge of the engagement presented the Audit Plan to the Audit and Accounts Committee.
28 May 2019	Meeting / Report	The partner in charge of the engagement attended the Audit and Accounts Committee.
29 July 2019	Meeting	The partner in charge of the engagement, and Senior Manager, attended the Audit and Accounts Committee to provide an update on the status of the audit.
24 September 2019	Meeting	The partner in charge of the engagement attended the Audit and Accounts Committee and provided an update on the status of the audit.
24 October 2019	Report	The Audit Results Report, including confirmation of independence, was issued to the Audit and Accounts Committee.
31 October 2019	Meeting / Report	The partner in charge of the engagement attended the Audit and Accounts Committee and presented the Audit Results Report.

In addition to the above specific meetings and letters the audit team met with the management team multiple times throughout the audit to discuss audit findings. The partner in charge of the engagement, along with other senior members of the audit team also communicated with met with the external auditor for This Land Ltd to communicate group instructions work.

## Appendix C

# Required communications with the Audit Committee

There are certain communications that we must provide to the Audit Committees of UK clients. We have detailed these here together with a reference of when and where they were covered:

		 Our Reporting to you
<b>Required communications</b>	 <b>What is reported?</b>	 <b>When and where</b>
Terms of engagement	Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Plan - 28 March 2019
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - 31 October 2019
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>	No conditions or events were identified, either individually or together to raise any doubt about Cambridgeshire County Council's ability to continue for the 12 months from the date of our report.
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report - 31 October 2019

## Appendix C

		 Our Reporting to you
Required communications	 What is reported?	 When and where
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	No matters have been identified.
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the Council, any identified or suspected fraud involving:               <ol style="list-style-type: none"> <li>Management;</li> <li>Employees who have significant roles in internal control; or</li> <li>Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit Results Report - 31 October 2019
Related parties	<p>Significant matters arising during the audit in connection with the Council's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the Council</li> </ul>	Audit Results Report - 31 October 2019
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.

# Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Public Interest Entities	<p>For the audits of financial statements of public interest entities our written communications to the audit committee include:</p> <ul style="list-style-type: none"> <li>▶ A declaration of independence</li> <li>▶ The identity of each key audit partner</li> <li>▶ The use of non-member firms or external specialists and confirmation of their independence</li> <li>▶ The nature and frequency of communications</li> <li>▶ A description of the scope and timing of the audit</li> <li>▶ Which categories of the balance sheet have been tested substantively or controls based and explanations for significant changes to the prior year, including first year audits</li> <li>▶ Materiality</li> <li>▶ Any going concern issues identified</li> <li>▶ Any significant deficiencies in internal control identified and whether they have been resolved by management</li> <li>▶ Subject to compliance with regulations, any actual or suspected non-compliance with laws and regulations identified relevant to the audit committee</li> <li>▶ Subject to compliance with regulations, any suspicions that irregularities, including fraud with regard to the financial statements, may occur or have occurred, and the implications thereof</li> <li>▶ The valuation methods used and any changes to these</li> <li>▶ The scope of consolidation and exclusion criteria if any and whether in accordance with the reporting framework</li> <li>▶ The identification of any non-EY component teams used in the group audit</li> <li>▶ The completeness of documentation and explanations received</li> <li>▶ Any significant difficulties encountered in the course of the audit</li> <li>▶ Any significant matters discussed with management</li> <li>▶ Any other matters considered significant</li> </ul>	<p>Audit Plan - 29 March 2019, and</p> <p>Audit Results Report - 31 October 2019</p>

# Appendix C

		Our Reporting to you
Required communications	What is reported?	When and where
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2016:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Details of any contingent fee arrangements for non-audit services</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	<p>Audit Plan - 29 March 2019, and</p> <p>Audit Results Report - 31 October 2019</p>

## Appendix C

		 Our Reporting to you
Required communications	 What is reported?	  When and where
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Management have given consent for us to request external confirmations.
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▶ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - 31 October 2019
Group Audits	<ul style="list-style-type: none"> <li>▶ An overview of the type of work to be performed on the financial information of the components</li> <li>▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components</li> <li>▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work</li> <li>▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.</li> </ul>	Audit Plan - 29 March 2019, and  Audit Results Report - 31 October 2019
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>▶ Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 31 October 2019

## Appendix C

		 Our Reporting to you
<b>Required communications</b>	 What is reported?	 When and where
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 31 October 2019
Auditors report	<ul style="list-style-type: none"> <li>▶ Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 31 October 2019
Fee Reporting	<ul style="list-style-type: none"> <li>▶ Breakdown of fee information when the audit planning report is agreed</li> <li>▶ Breakdown of fee information at the completion of the audit</li> <li>▶ Any non-audit work</li> </ul>	Audit Plan - 29 March 2019, and Audit Results Report - 31 October 2019

# Appendix D - Request for a Letter of Representation

## Management Rep Letter



Ernst & Young LLP  
One Cambridge Business Park  
Cambridge  
CB4 0WZ  
Tel: +44 1223 394 400  
Fax: +44 1223 394 401  
ey.com

Chris Malyon  
Deputy Chief Executive & Chief Finance Officer  
Cambridgeshire County Council  
Shire Hall  
Castle Hill  
Cambridge  
CB3 0AP

24 October 2019

Ref:  
Your ref:  
Direct line: 01223 394547  
Email: MHodgson@uk.ey.com

Dear Chris

### Cambridgeshire County Council – 2018/19 financial year Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

#### General statement

That the letter of representations is provided in connection with our audit of the consolidated and council financial statements of Cambridgeshire County Council ("the Group and Council") for the year ended 31 March 2019.

You recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the Group and Council financial statements give a true and fair view of the Group and Council financial position of Cambridgeshire County Council as of 31 March 2019 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and Council CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

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2

You understand that the purpose of our audit of your consolidated and council financial statements is to express an opinion thereon and that our audit was conducted in accordance with International Standards on Auditing, which involves an examination of the accounting system, internal control and related data to the extent we 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, you make the following representations, which are true to the best of your knowledge and belief, having made such inquiries as you considered necessary for the purpose of appropriately informing ourselves:

#### A. Financial Statements and Financial Records

1. You have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the Council the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. You acknowledge, as members of management of the Group and Council, your responsibility for the fair presentation of the consolidated and council financial statements. You 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 Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and are free of material misstatements, including omissions. You have approved the consolidated and council financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, you believe that the Group and Council have 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 2018/19 for the Group and Council that are free from material misstatement, whether due to fraud or error.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, if relevant, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements);  
or,

6. That there are no unadjusted differences identified during the current audit and pertaining to the latest period presented.



# Appendix D – Request for a Letter of Representation (continued)

## Management Rep Letter



3

### B. Non-compliance with law and regulations, including fraud

1. You acknowledge that you are responsible to determine that the Group and Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. You have disclosed to us the results of your assessment of the risk that the consolidated and Council financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated or Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group or Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
  - Access to all information of which you are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that we have requested from you for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
3. You have made available to us all minutes of the meetings of the Group, Council, and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 31 October 2019.



4

4. You confirm the completeness of information provided regarding the identification of related parties. You have disclosed to us the identity of the Group and Council's related parties and all related party relationships and transactions of which you 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 year ended, 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. You believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. You have disclosed to us, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the consolidated and council financial statements.
2. You have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. You have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the consolidated and council financial statements all guarantees that we have given to third parties.

### E. Subsequent Events

1. Other than described in the relevant note to the consolidated and council financial statements, there have been no events subsequent to year end which require adjustment of or disclosure in the consolidated and council financial statements or notes thereto.

### F. Group audits

1. There are no significant restrictions on your ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. You confirm that all necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.



# Appendix D – Request for a Letter of Representation (continued)

## Management Rep Letter



5

3. You confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.
4. You confirm that the consolidation of 'This Land Ltd' is on the basis of a full financial year to the 31 March 2019 and all significant transactions post 31 December 2018 year end, as reflected in the formal 'This Land Ltd' audited accounts, have been brought to our attention.

### G. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the "Cambridgeshire County Council Statement of Accounts and Annual Governance Statement 2018-19" document.
2. You confirm that the content contained within the other information is consistent with the financial statements.

### H. Going Concern

1. You have made us aware of any issues that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, your plans for future action, and the feasibility of those plans

### I. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral. All assets to which the Group and Council has satisfactory title appear in the balance sheet(s).

### J. Reserves

1. You have properly recorded or disclosed in the consolidated and council financial statements the useable and unusable reserves.

### K. Use of the Work of a Specialist – Property, plant and equipment

1. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Property Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists 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 specialists.



6

### L. Valuation of Property, Plant and Equipment Assets

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
2. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA ASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.
7. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
8. You confirm that for assets carried at historic cost that no impairment is required.

### M. Retirement benefits

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

### N. Use of the Work of a Specialist – Pension Liabilities

1. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and council financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

### O. Valuation of Pension Liabilities

1. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.



## Appendix D – Request for a Letter of Representation (continued)

### Management Rep Letter



7

2. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. You confirm that the disclosures made in the consolidated and council financial statements with respect to the accounting estimate(s) are complete and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
4. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and council financial statements due to subsequent events.

#### **P. Expenditure Funding Analysis**

1. You confirm that the financial statements reflect the operating segments reported internally to the Council.

#### **Q. Specific Representations**

##### **1. Heritage Assets**

You confirm that, as management, you are assured that the carrying value of Heritage Assets is materially correct as at the 31 March 2019, based on the formal insurance valuations obtained in 2008.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit & Accounts Committee) on the proposed audit opinion date (actual date to be confirmed) on formal headed paper.

Yours sincerely

Mark Hodgson  
Associate Partner  
Ernst & Young LLP  
United Kingdom

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