



**Cambridgeshire County
Council
Audit Results Report**

Year ended 31 March 2020

13 November 2020



EY

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13 November 2020

Dear Audit and Accounts 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 preliminary audit conclusion in relation to the audit of Cambridgeshire County Council for 2019/20.

We have substantially completed our audit of Cambridgeshire County Council for the year ended 31 March 2020. We have set out the current status of the audit in the Executive Summary and provided details of progress against each area of significant risk and areas of audit focus in Section 2.

Subject to concluding the outstanding matters listed in our report, we confirm that we expect to issue an unqualified audit opinion on the Council's 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 and 2018/19 VFM Conclusions 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 24 November 2020.

Yours faithfully

MARK HODGSON

Mark Hodgson

Associate Partner
For and on behalf of Ernst & Young LLP

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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).

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. 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 Hywel Ball, 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 30 July 2020 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 changes affecting our audit approach:

Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 No. 404, have been published and came into force on 30 April 2020. This announced a change to publication date for final, audited accounts from 31 July 2020 to 30 November 2020 for all relevant authorities.

Changes to our risk assessment as a result of Covid-19, in line with our discussions with you at the 30 July 2020 Audit and Accounts Committee:

- ▶ **Disclosures on going concern** - Financial plans for 2020/21 and medium term financial plans will need revision for Covid-19. We considered the unpredictability of the current environment gave rise to a risk that the Council may not appropriately disclose the key factors relating to going concern, underpinned by managements assessment with particular reference to Covid-19 and the Council's actual year end financial position and performance.
- ▶ **Valuation of land and buildings (part of the property, plant and equipment and investment property balance in the accounts)** - The Royal Institute of Chartered Surveyors (RICS), the body setting the standards for property valuations, has issued guidance to valuers highlighting that the uncertain impact of Covid-19 on markets might cause a valuer to conclude that there is a material uncertainty. Caveats around this material uncertainty have been included in the year-end valuation reports produced by the Council's external valuer. We consider that the material uncertainties disclosed by the valuer gave rise to an additional risk relating to disclosures on the valuation of land and buildings.
- ▶ **Pension Liability (IAS19)** - In our Audit Plan we included an Inherent Risk over the Council's Pension Liability (IAS 19). We have reconsidered the impact of this risk on the Councils Statement of Accounts and determined that due to the impact of COVID-19 on the availability and timings of market data on the pension fund's investments, in particular the Level 3 investments which require estimation as at the 31 March 2020, there is a higher likelihood of material misstatement and therefore increased this risk to a Significant Risk.
- ▶ **Events after the balance sheet date** - We identified an increased risk that further events after the balance sheet date concerning the current Covid-19 pandemic may need to be disclosed. The amount of detail required in the disclosure needed to reflect the specific circumstances of the Council.



Executive Summary

Scope update

Changes in materiality:

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

Group	Audit Plan £million	Final £million	Basis
Overall Materiality	17.21	19.58	1.8% of Gross Expenditure
Performance materiality	8.61	9.79	50% of overall materiality
Reporting threshold	0.86	0.98	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:

Council - Single Entity	Audit Plan £million	Final £million	Basis
Overall Materiality	17.14	19.58	1.8% of Gross Expenditure
Performance materiality	8.57	9.79	50% of overall materiality
Reporting threshold	0.86	0.98	5% of overall materiality



Executive Summary

Scope update

Information Produced by the Entity (IPE):

We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agree IPE to scanned documents or other system screenshots.

We are yet to conclude on some areas of this testing.

Additional EY consultation requirements concerning the impact on auditor reports because of Covid-19:

The changes to audit risks, audit approach and auditor reporting requirements changed the level of work we needed to perform. In addition, following the government's decision to enforce a lockdown, all audit firms implemented a moratorium on the majority of their auditor reports. Whilst the moratorium was lifted in mid-April, because of the ongoing uncertainty Covid-19 presents to the material accuracy of financial statements, EY (in common with other firms) introduced a rigorous consultation process for all auditor reports to ensure that we are providing the appropriate assurance to the readers of accounts.

We have noted the impact of the above issues on our audit fee at Section 07.

Executive Summary

Status of the audit

We substantially completed our audit of Cambridgeshire County Council's financial statements for the year ended 31 March 2020 and have performed the procedures outlined in our Audit Plan as set out in Section 2. We have also set out the areas that remain to be completed and the reasons. Based on the work completed to date, we have not identified any issues that would lead to a qualified audit opinion. However, until all of our work is complete we are not able to confirm the final form of our audit report, but have included a draft at Section 3.

The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- ▶ Property, Plant & Equipment valuations. Work is in progress, with a number of individual valuations to be concluded on by our internal valuers and the audit team;
- ▶ Procedures in relation to the 'material uncertainty' clause included within Management's Experts valuation report in relation to land and buildings. The Council's external valuers have followed the RICS guidance and included material uncertainty statements in their valuation reports for the year ended 31 March 20. We have yet to complete our procedures in relation to updated market reports from the Council's valuer. In addition, we have requested that the Council includes additional disclosures in regards to this material uncertainty within their accounts and we need to review those disclosures for appropriateness;
- ▶ Going Concern. We have received an updated going concern assessment from the Council and we are concluding our procedures on this assessment, including our mandatory internal consultation process;
- ▶ Group consolidation. We are awaiting group reporting from the Group component auditors (RSM);
- ▶ Cash and Cash Equivalents; We have not concluded on the Council's treatment of cash balances in relation to Schools. We are also awaiting one external confirmation;
- ▶ Borrowings. We are awaiting further information on how Short and Long term borrowings have been split within the Council's Balance Sheet;
- ▶ Payroll. We are awaiting information to support the Council's payroll expenditure; and
- ▶ Unrecorded liabilities. Top-up testing through to the audit opinion date.

Closing Procedures:

- ▶ Subsequent events review and Unrecorded liabilities testing which is required to be performed to the audit opinion date;
- ▶ Final Associate Partner review of audit work;
- ▶ Receipt of signed accounts, Annual Governance Statement and Statement of Responsibilities and Management's representation letter.



Executive Summary

Audit differences

Unadjusted Audit Differences

To date we have identified three unadjusted audit differences in the draft financial statements as set out in Section 4 - Unadjusted Audit Differences. We request that these unadjusted differences be corrected or a rationale as to why it is not corrected be considered and approved by the Accounts and Audit Committee and provided within the Letter of Representation.

Adjusted Audit Differences

We identified one material audit adjustment in regards to the classification of Grants within the Comprehensive Income and Expenditure Statement. We have identified a further five audit differences above our reporting threshold of £0.98 million, details are provided in Section 04 - Adjusted Audit Differences. We identified a number of audit disclosure differences in the draft financial statements, which we expect management to adjust for.

As the audit is not yet fully complete, further differences may be identified in relation to the outstanding areas noted above. An update will be provided to the Committee on any new differences identified subsequent to the release of this report.

Executive Summary

Areas of audit focus

Our Audit Plan identified key areas of focus for our audit of Cambridgeshire County Council's financial statements. This report sets out our observations and conclusions. We summarise our consideration of these matters, and any others identified, in the "Key Audit Issues" section of this report.

Risk	Findings & Conclusions
Fraud Risk - Misstatements due to fraud or error (management override)	We have completed our audit work in respect of journal entries, estimates and unusual transactions. We have not identified any indications of management override of controls.
Fraud Risk - Incorrect capitalisation of revenue expenditure	We have completed our audit work on capital additions and REFCUS and have not identified any audit differences.
Fraud Risk - Accounting adjustments made in the 'Movement in Reserves Statement	We have completed our audit work in regards to adjustments made to the Movement in Reserves Statement and have not identified any audit differences.
Significant Risk - Property, Plant & Equipment - Valuation of Land and Buildings and Investment Properties	We have not concluded our audit procedures in this areas. We employed the use of our own expert to support the work in relation to the valuation of land and buildings. Our expert has not finalised their findings at the time of issuing this report.
Significant Risk - Pensions Liability - IAS19	We have reviewed the accounting entries and disclosures in the draft financial statements and assessed the work of the actuary. We have received the IAS 19 assurances from the Pension Fund auditor. We have not concluded our procedures on the Council's pension fund liability.
Significant Risk - Accounting for Grants	We have completed our audit work on Grants. One material difference has been identified of £14.79 million in relation to the classification of grants within the Comprehensive Income and Expenditure Statement. Further explanation of this adjustment is included in Section 04 - Adjusted Differences.
Other Risk - Conversion of schools to Academies	We have completed our audit work on schools converting to Academies and have not identified any audit differences.
Other Risk - Sensitive disclosures	We have completed our audit work on the Sensitive disclosures with the Statement of Accounts and have not identified any audit differences.

Executive Summary

Areas of audit focus (Continued)

Risk	Findings & Conclusions
Other Risk - Private Finance Initiative (PFI)	We have completed our audit work on PFI. We identified one audit difference in regards to the Council's Street Lighting PFI, where the unadjusted error identified during the 2018/19 audit had not been updated in the 2019/20 Statement of Accounts. Further explanation of this adjustment is included in Section 04 - Adjusted Differences.
Other Risk - Valuation of heritage assets	We have completed our audit work on the Council's Heritage Assets and have not identified any audit differences.
Other Risk - Dedicated Schools Grant Deficit Accounting	We have completed our audit work on the accounting for Dedicated School grants and have not identified any audit differences.
Going concern disclosure	We have received the Council's Going Concern assessment and supporting documentation and are currently concluding our audit procedures, including the mandatory internal consultation process to support our conclusions.

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

Control observations

We have adopted a fully substantive audit approach, so have not tested the operation of controls. 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 and which is unknown to you.

Other reporting issues

We have not completed our review of the information presented in the Annual Governance Statement for consistency with our knowledge of the Council.

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, as the deadline has been deferred until December 2020.

We therefore expect to issue the Audit Certificate at a date subsequent to the audit opinion.

We have no other matters to report.

Independence

Please refer to Section 07 for our update on Independence.



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.

As part of our work to identify fraud risks during the planning stage, we have identified those areas of the accounts that involve management estimates and judgements as the key areas at risk of manipulation and where the risk may thus manifest itself.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Identified fraud risks during the planning stages.
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ Obtained an understanding of the oversight given by those charged with governance of management's processes over fraud.
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ Determined an appropriate strategy to address those identified risks of fraud.
- ▶ Performed mandatory procedures regardless of specifically identified fraud risks, including;
 - ▶ tested of journal entries and other adjustments in the preparation of the financial statements;
 - ▶ reviewed accounting estimates for evidence of management bias; and
 - ▶ evaluated 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.

We have not identified any material weakness in controls or evidence of material management override.

We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.

We have not identified any inappropriate journal entries or other adjustments to the financial statements.



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?

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 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?

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.

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 2019/20 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'.

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;

We did not identify any misstatements in regards to the 2019/20 depreciation charge;

We did not identify any material issues with the Council's policy and application of the Minimum Revenue Provision. We have raised a recommendation in regards the Council's Minimum Revenue Provision in Section 04 of this report; and

At the time of this report we have not yet concluded on the Council's revaluations and impairments.



Areas of Audit Focus

Significant Risk - Valuation of Land and Buildings and Investment Properties

What is the risk?

The Council has engaged a new external valuation specialist (Burton Knowles) for the 2019/20 valuations.

The external valuer will apply a number of complex assumptions and judgements assess the Councils 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.

There is also the potential for significant impact of Covid-19 on the estimations and assumptions applied to asset valuations. In particular, on those asset, such as Investment Properties, that are valued as Fair Value at the balance sheet date.

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?

We are concluding our standard procedures to address the risk, which include:

- ▶ 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.

What are our conclusions?

In addition to the audit teams work in this area, we employed the use of our own expert to support the work in relation to the valuation of land and buildings.

We have not completed our work in this area and our expert has not finalised their findings at the time of issuing this report.



Areas of Audit Focus

Significant Risk - Pensions liability - IAS19

What is the risk?

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.

An additional consideration in 2019/20 is the impact of Covid-19 on the valuation of complex (Level 3) investments held by Cambridgeshire Pension Fund, for example private equity investments where valuations as at 31 March 2020 will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability in the Council's accounts.

What did we do?

We are concluding our standard procedures to address the risk, which include:

- ▶ Liaising with the auditors of the Cambridgeshire Pension Fund to obtain assurances over the information supplied to the actuary in relation to Cambridgeshire County Council;
- ▶ Assessing the work of the Pension Fund actuary including the assumptions they have used by relying on the work of PWC, being the Consulting Actuaries commissioned by the National Audit Office for all Local Government sector auditors, and considering any relevant reviews by the EY Pensions actuarial team;
- ▶ Considering the movement in fund asset values between the actuary's estimate and year end; and
- ▶ Reviewing and testing the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

An additional consideration in 2019/20 will be the impact of Covid-19 on the valuation of complex (Level 3) investments held by Cambridgeshire Pension Fund, for example private equity investments where valuations as at 31 March 2020 will have to be estimated. This is likely to impact on the IAS19 reports provided by the actuary and the assurances over asset values that are provided by the pension fund auditor, and consequently the assurance we are able to obtain over the net pension liability in the Council's accounts.

What are our conclusions?

We have completed our work on the Pension Liability.

We set out our detailed findings on the next page.



Areas of Audit Focus

Significant Risk - Pensions liability - IAS19

What are our conclusions?

We have obtained the required assurances from the auditors of Cambridgeshire Pension Fund over the information supplied to the actuary in relation to Cambridgeshire County Council.

We did not identify any issues with 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.

We reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19, including the 31 March 2019 triennial valuation. No issues were identified by the Cambridgeshire Pension Fund auditor in relation to the 31 March 2019 triennial valuation and no issues were identified with the disclosures in the Council's financial statements.

We have considered the impact of Covid-19 on the valuation of complex (Level 3) investments held by Cambridgeshire Pension Fund, that were estimated as at 31 March 2020. The Cambridgeshire Pension Fund auditors compared the estimated value of these investments to actual valuations received post year end and identified an audit difference of £16.99 million. This has the impact of understating the Council's share of the pension liability by £6.86 million.

We have concluded on the impact of the McCloud and Goodwin legal cases and the treatment of these by the actuary in the Council's triannual valuation and IAS19 report. For 2019/20 there is an additional impact of McCloud as HM Treasury, on the 16 July 2020, issued a consultation regarding transitional arrangements for public sector pensions, to eliminate discrimination as identified through the McCloud case. This consultation had the effect of changing the assumptions used by the Actuary in their calculations for the impact on the liability. As a result, the Actuary re-ran their actuarial assumptions model which reduced the Council's share of the Pension Liability by £1.83 million.

Taking the two items together, the cumulative impact on the Council's Pension Liability is an increase of £5.03 million. Management have updated the revised financial statements for this cumulative difference.



Areas of Audit Focus

Significant risk

Significant Risk - Accounting for grants

What is the risk?

Our audit procedures on the Council's 2018/19 financial statements identified a number of material errors in regards to the accounting treatment and presentation of grants.

What did we do?

As set out in our Audit Plan we confirm that we have performed the following procedures:

- ▶ Performed sample testing over capital grants received in advance (held on balance sheet) and those posted through the Comprehensive Income & Expenditure Statement;
- ▶ Reviewed these for the underlying terms/conditions to ensure categorisation is appropriate; and
- ▶ Reconciled the primary statement balances to the detailed notes within the Statement of Accounts to ensure appropriate presentation grant income and consistency throughout.

What are our conclusions?

We have completed our work on the Council's grants.

Testing of Capital Grants Received in Advance and those posted through the Comprehensive Income and Expenditure Statement identified one material audit difference of £14.79 million relating to the incorrect classification of grants within 'Net Cost of Services' which should have been classified in 'Taxation and Non-specific Grant Income' within the Comprehensive Income and Expenditure Statement.

Testing of underlying terms/conditions did not identify any misstatements in regards to the categorisation of grants.

Reconciliation of the primary statements to the detailed notes within the Statement of Accounts did not identify any inappropriate presentation or inconsistency.

Areas of Audit Focus

What is the risk/area of focus?

Conversion of schools to Academies

Schools have continued to convert to 'Academy' status during 2019/20. 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.

Sensitive Notes

We reported in our 2018/19 Audit Results Report a number of audit adjustments required to the sensitive notes presented in the Council's draft Statement of Accounts. As such there remains a higher risk of misstatement on the following sensitive notes which have a lower materiality threshold as per section 4 of this plan

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

What did we do?

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 review of the arrangements for agreeing school assets, liabilities and balances for transfers did not identify any omissions.

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.

To address this risk we:

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

Our testing of the Related Parties note, the Exit packages note and the Senior Officers Remunerations note did not identify any audit differences.

Areas of Audit Focus

What is the risk/area of focus?

Private Finance Initiative

The Council operate three material PFI's 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.

Valuation of Heritage assets

The Council hold Heritage Assets on it's balance sheet of £18.6 million. This values has 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."

We reported in our 2018/19 Audit Results Report that the value was materially correct but given the length of time since the Council's previous valuation there remains a higher risk over the valuation of heritage assets.

What did we do?

To address this risk we:

- ▶ Performed testing to ensure that in year payments included in the PFI models are accurate and correctly accounted;
- ▶ Confirmed consistency of the PFI models to the financial statements; and
- ▶ Compared the PFI models to those we reviewed during 2018/19. We did not identify any changes and were therefore not required to engage EY specialists to perform a review of the models.

Our review and testing identified that for the Street Lighting PFI, an unadjusted audit difference identified during our 2018/19 audit had not been amended for in 2019/20. Management has now corrected for this audit difference, and further details of this audit difference can be found in Section 4 of this report; and

Our testing confirmed the consistency of the PFI models to the financial statements and to the models used in 2018/19.

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 testing of Heritage assets and the valuation methodology applied by Management to determine the valuations did not identified any audit differences.



Areas of Audit Focus

What is the risk/area of focus?

Dedicated Schools Grant

As of 1 April 2020, updated Department of Education regulations will come into effect, which impact on the way in which Dedicated Schools Grant is accounted for. However the Department of Education have updated regulations retrospectively, so the Council will need to ensure it complies with this new regulation and related accounting guidance.

What did we do?

To address this risk we:

- ▶ Reviewed the Council's response to the new regulation and accompanying guidance and performing procedures to confirm that these have been correctly applied in the Council's financial statements.

Our testing of the Dedicated Schools Grant shows that the Council has responded appropriately to the new regulations and accompanying guidance and these have been correctly applied to the Council's financial statements. We did not identify any audit differences.



Areas of Audit Focus

What is the risk/area of focus?

Going concern disclosures

This auditing standard has been revised in response to enforcement cases and well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard is effective for audits of financial statements for periods commencing on or after 15 December 2019, which for the Council will be the audit of the 2020/21 financial statements. The revised standard increases the work we are required to perform when assessing whether the Council is a going concern. It means UK auditors will follow significantly stronger requirements than those required by current international standards; and we have therefore judged it appropriate to bring this to the attention of the Audit Committee.

CIPFA LASAAC and the extant (IFRS based but adapted) Code of Practice for Local Authority accounting 2018/19 presume that organisations operate as a going concern until Central Government discontinues the services. There is a statutory prescription that operational services will continue to be provided for the foreseeable future. That presumption has not changed in light of C19. The Code para 2.1.2.6 states that local authority financial statements shall be prepared on a going concern basis.

However, the Financial Reporting Council's Statement of Recommended Practice - Practice Note 10 - Audit of financial statements of public sector bodies in the United Kingdom still requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting in the auditor's report. In particular where there is insufficient assurance from the entity's representations, stress testing, modelling and forecasting or the lack of third-party confirmations and guarantees. The auditor's report in respect of going concern covers a 12-month period from the date of the report, therefore the Council's assessment will also need to cover this period.

What did we do?

We have received the Council's updated Going Concern assessment and supporting documentation and are currently concluding our procedures:

- ▶ Challenging management's assessment of going concern using sensitivity analysis;
- ▶ Reviewing supporting evidence such as cash flow forecasts and post year-end valuation statements for evidence to support managements going concern assessment; and
- ▶ Ensuring sufficient disclosure within the financial statements.

We are concluding our judgements, including completing the mandatory internal consultation process.

We are consulting internally around whether an Emphasis of Matter in relation to going concern is merited based on the fact pattern.

We have included the Emphasis of Matter statement within our draft audit report - See Section 03. An Emphasis of Matter draws a readers attention to what we consider to be a key disclosure in enabling the understanding of the financial statements. It is not a qualification of said financial statements.



03

Audit Report

DRAFT



Our opinion on the financial statements

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

Opinion

We have audited the financial of Cambridgeshire County Council for the year ended 31 March 2020 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 2019/20.

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 2020 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 2019/20.

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.

Emphasis of matter - Disclosure in relation to the effects of COVID-19

We draw attention to Note 41 of the financial statements, which describes the economic consequences the Authority is facing as a result of COVID-19 which is impacting the financial and operation position and performance during 2020/21 and beyond. Our opinion is not modified in respect of this matter.



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 2019-2020", 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;
- ▶ 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.



Audit Report

DRAFT

Draft audit report

Our opinion on the financial statements

Responsibility of the Chief Finance Officer

As explained more fully in the “Statement of Responsibilities, Certificate and Approval of Accounts” set out on pages 31 and 32, 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 2019/20, 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.

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 2020 as the Authority has not yet received its conclusion in relation to the arrangements in place for the year ended 31 March 2018 or 31 March 2019.

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.



Audit Report

DRAFT

Draft audit report

Our opinion on the financial statements

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.

As the audit is not yet fully complete, further differences may be identified in relation to the outstanding areas noted above. An update will be provided to the Committee on any new differences identified subsequent to the release of this report.

Summary of adjusted differences

We highlight the following misstatements greater than £0.98 million which have been corrected by management that were identified during the course of our audit:

1. Classification of Interest Expense

Interest expense related to borrowing for capital purposes in 2019/20 had been incorrectly classified within ‘Cost of Services’ rather than in ‘Finance and Investment Income and Expenditure’ in the Comprehensive Income and Expenditure Statement.

- ▶ Debit: Comprehensive Income Statement and Expenditure - Cost of Services - £1.74 million
- ▶ Credit: Comprehensive Income Statement and Expenditure - Finance and Investment Income and Expenditure - £1.74 million

2. Classification of Creditors

A payment to HMRC for clearance of a PAYE creditor was incorrectly posted to Short-term Debtors rather than to the corresponding Short-term Creditor in the Balance Sheet.

- ▶ Debit: Balance Sheet - Short-term Creditors - £4.73 million
- ▶ Credit: Balance Sheet - Short-term Debtors - £4.73 million

3. Correction of prior year unadjusted audit differences in relation to the Street Lighting PFI

As reported in our 2018/19 Audit Results Report, audit differences in relation to the Street Lighting PFI were not amended for by the Council, these audit differences have been amended for in the 2019/20 Statement of Accounts.

- ▶ Debit: Balance Sheet - Long-term Finance Lease Liability - £1.10 million
- ▶ Debit: Balance Sheet - Short-term Finance Lease Liability - £0.83 million
- ▶ Credit: Balance Sheet - Capital Adjustments account - £1.18 million

4. Classification of Grant Income

Grant Income had been incorrectly classified within ‘Cost of Services’ rather than in ‘Taxation and Non-specific Grant Income’ within the Comprehensive Income and Expenditure Statement.

- ▶ Debit: Comprehensive Income and Expenditure Statement - Cost of Services - £14.79 million
- ▶ Credit: Comprehensive Income and Expenditure Statement - Taxation and Non-specific Grant Income - £14.79 million

Continued on next page.



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.

As the audit is not yet fully complete, further differences may be identified in relation to the outstanding areas noted above. An update will be provided to the Committee on any new differences identified subsequent to the release of this report.

Summary of adjusted differences (continued)

We highlight the following misstatements greater than £0.98 million which have been corrected by management that were identified during the course of our audit:

5. Pension Liability (IAS 19)

The Council’s Pension Liability was understated due to the impact of a decrease in the valuation of Pension Assets at the Pension Fund level and as a result of the impact of the McCloud consultation on the actuarial assumptions.

Debit: Comprehensive Income Statement - Remeasurement of net pension liability - £6.86 million

Credit: Comprehensive Income Statement - Cost of Services - £1.83 million

Credit: Balance Sheet - Other Long Term Liabilities - £5.03 million

6. Long term Debtors

Our audit enquiries, led to the identification that one long-term debtor (Guided Busway project) was overstated.

Debit: Comprehensive Income and Expenditure Statement - Taxation and Non Specific Grant Income - £2.42 million

Credit: Balance Sheet - Long-term Debtors - £2.42 million

7. Other Adjustments

We also identified through our initial review of the draft financial statements a number of disclosure adjustments which have been corrected by management, the most significant of which is in relation to the Going Concern Note.



Audit Differences

Summary of unadjusted differences

We highlight the following misstatements greater than £0.98 million which have not been corrected by management that were identified during the course of our audit:

1. Understatement of Accruals

One accounting accrual in relation to the compulsory purchase order of land as part of the Huntingdon West - Town centre link project was not included in the year end Short Term Creditors balance.

- ▶ Debit: Balance Sheet - Property, Plant and Equipment (Assets Under Construction) - £2.50 million
- ▶ Credit: Balance Sheet - Short Term Creditors - £2.50 million

2. Adult Social Care - payment in advance - Over statement

The payment in advance for Adult Social Care within Short-term Debtors has been overstated due to the calculation methodology incorrectly including elements of the 2019/20 expenditure.

- ▶ Debit: Comprehensive Income Statement - Cost of Services - £1.19 million
- ▶ Credit: Balance Sheet - Short term Debtors - £1.19 million

3. Understatement of Provisions

The insurance provision within the Statement of Accounts has been understated, as the evidence to support the 2019/20 estimate was not received until after the draft Statement of Accounts had been prepared.

- ▶ Debit: Comprehensive Income Statement - Cost of Services - £2.64 million
- ▶ Debit: Earmarked Reserves - £0.28 million
- ▶ Credit: Balance Sheet - Short term Provisions - £2.92 million

We request that these unadjusted differences be corrected or a rationale as to why they are not corrected be considered and approved by the Accounts and Audit Committee and provided within the Letter of Representation.



05 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 Statement of Accounts for the year 2019/20 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 Annual Financial Report 2019/20 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 and 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, as the submission deadline has been deferred until December 2020. 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 have not identified any relevant issues.

We have received one formal objection to the Council's financial statements as a result of the inspection period. We will perform the necessary work alongside our review of the 2018/10 objection. We are satisfied that the issue within the objection does not have a material impact on the financial statements or our audit report.

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 Authority'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; and
- Consideration of laws and regulations.

We have the following matter to bring to your attention.

Minimum Revenue Provision Review

We reported in our 2018/19 Audit Results Report - Addendum update, that work undertaken by our internal specialist over the Minimum Revenue Provision concluded that amounts charged in the 2018/19 Statement of Accounts were materially correct but the review identified a number of areas of improvement. We recommended within that report that the Council address these areas in the 2019/20 Statement of Accounts.

The Council have undertaken work in 2019/20 as recommended in our Audit Results Report - Addendum update and have made progress in a number of these areas. We have concluded that the Minimum Revenue Provision in 2019/20 is materially correct but there remains the following areas to address:

- ▶ The Council has started but not completed its review of 'Assets Under Construction' to determine the amount that has been funded through 'unsupported borrowing' versus that which has been funded through other means;
- ▶ The Council will need to review and identify any additional amounts necessary to fully reconcile the Minimum Revenue Provision to the Council's Capital Financing Requirement (CFR); and
- ▶ Update the Council's Minimum Revenue Provision policy to explain the treatment of Private Finance Initiative Schemes.

Recommendation: We recommend that the Council addresses the above considerations, in advance of the 2020/21 closedown process.



06

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.



07

Independence

Independence

Confirmation

We confirm that there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 28 May 2020.

We complied with the APB Ethical Standards. 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 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 24 November 2020.

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 Authority, 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 2019 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 2020 in line with the disclosures set out in FRC Ethical Standard and in statute.

We confirm that none of the services listed in have 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.

Fee Analysis

As part of our reporting on our independence, we set out below a summary of the fees paid for the year ended 31 March 2020.

We confirm that we have not undertaken non-audit work.

	Proposed Final Fee 2019/20	Scale Fee 2019/20	Final Fee 2018/19
	£'s	£'s	
Total Audit Fee - Code work (see note below)	72,427	72,427	72,427
Changes in work required to address professional and regulatory requirements and scope associated with risk (See Note 1)	53,915	-	-
Revised Proposed Scale Fee	126,337	72,427	72,427
Additional costs incurred during the audit (See Note 2)	To be confirmed (Note 3)	-	50,378 (Note 2)
Additional specific one-off work required for Covid-19 considerations (See Note 4)	To be confirmed	-	-
Total Fees	To be confirmed	72,427	122,805

All fees exclude VAT

Note 1 - For 2019/20 the scale fee has been re-assessed to take into account a number of risk factors as outlined below:

- Procedures performed to address the risk profile of Cambridgeshire County Council - £31,910
- Additional work to address increase in Regulatory standards - £19,625
- Client readiness and IT support for Data Analytics - £2,375

This additional fee has been discussed with management and is subject to approval by the PSAA Ltd. We will provide an update on the additional specific one off fee at the conclusion of the audit in the Annual Audit Letter.

Note 2 - 2018/19: As reported in our Audit Plan the scale fee variation relates to additional risks and procedures required in our audit of the Council's Statement of Accounts, for 2018/19 we have agreed with management a variation of £50,378 and is subject to approval by the PSAA Ltd.

Note 3 - 2019/20: Upon completion of our 2019/20 audit procedures we will consider the need for additional variation based on finding from our audit work, where additional audit resources have been required to gather sufficient appropriate audit evidence, over and above the factors set out in Note 1.

Note 4 - As set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to Covid-19. As we are concluding our work in relation to these areas, we can quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Annual Audit Letter.

New UK Independence Standards

The Financial Reporting Council (FRC) published the Revised Ethical Standard 2019 in December and it will apply to accounting periods starting on or after 15 March 2020. A key change in the new Ethical Standard will be a general prohibition on the provision of non-audit services by the auditor (and its network) which will apply to UK Public Interest Entities (PIEs). A narrow list of permitted services will continue to be allowed.

Summary of key changes

- Extraterritorial application of the FRC Ethical Standard to UK PIE and its worldwide affiliates
- A general prohibition on the provision of non-audit services by the auditor (or its network) to a UK PIE, its UK parent and worldwide subsidiaries
- A narrow list of permitted services where closely related to the audit and/or required by law or regulation
- Absolute prohibition on the following relationships applicable to UK PIE and its affiliates including material significant investees/investors:
 - Tax advocacy services
 - Remuneration advisory services
 - Internal audit services
 - Secondment/loan staff arrangements
- An absolute prohibition on contingent fees.
- Requirement to meet the higher standard for business relationships i.e. business relationships between the audit firm and the audit client will only be permitted if it is inconsequential.
- Permitted services required by law or regulation will not be subject to the 70% fee cap.
- Grandfathering will apply for otherwise prohibited non-audit services that are open at 15 March 2020 such that the engagement may continue until completed in accordance with the original engagement terms.
- A requirement for the auditor to notify the Audit Committee where the audit fee might compromise perceived independence and the appropriate safeguards.
- A requirement to report to the audit committee details of any breaches of the Ethical Standard and any actions taken by the firm to address any threats to independence. A requirement for non-network component firm whose work is used in the group audit engagement to comply with the same independence standard as the group auditor. Our current understanding is that the requirement to follow UK independence rules is limited to the component firm issuing the audit report and not to its network. This is subject to clarification with the FRC.

Next Steps

We will continue to monitor and assess all ongoing and proposed non-audit services and relationships to ensure they are permitted under FRC Revised Ethical Standard 2016 which will continue to apply 31 March 2020 as well as the recently released FRC Revised Ethical Standard 2019 which will be effective from 1 April 2020. We will work with you to ensure orderly completion of the services or where required, transition to another service provider within mutually agreed timescales.

We do not provide any non-audit services which would be prohibited under the new standard.

Other communications

EY Transparency Report 2020

Ernst & Young (EY) has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 2 November 2020:

https://www.ey.com/en_uk/who-we-are/transparency-report-2020



8

Appendices

Appendix A

Required communications with the Corporate Governance Committee

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

 Our Reporting to you		
Required communications	 What is reported?	  When and where
Terms of engagement	Confirmation by the Audit and Accounts 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.	Audit Plan - 30 July 2020 meeting of the Accounts and Audit Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.	Audit Audit Plan - 30 July 2020 meeting of the Accounts and Audit Committee Plan - 30 July 2020
Significant findings from the audit	<ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	At the time of this report, we have not completed our work on the Council's Going Concern Assessment.
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Material misstatements corrected by management 	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Asking the Audit and Accounts Committee where appropriate about whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee
Fraud	<ul style="list-style-type: none"> ▶ Asking the Audit and Accounts Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the Council ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ 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"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. ▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▶ Any other matters related to fraud, relevant to Audit and Accounts Committee responsibility. 	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the Authority's related parties including, when applicable:</p> <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the Council 	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee
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"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence <p>Communications whenever significant judgments are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - 30 July 2020 meeting of the Accounts and Audit Committee</p> <p>Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
External confirmations	<ul style="list-style-type: none"> ▶ Management's refusal for us to request confirmations ▶ Inability to obtain relevant and reliable audit evidence from other procedures. 	At the time of this report we are awaiting receipt of one external confirmation.
Consideration of laws and regulations	<ul style="list-style-type: none"> ▶ 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 ▶ Enquiry of the Audit and Accounts 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 and Accounts Committee may be aware of 	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"> ▶ Significant deficiencies in internal controls identified during the audit. 	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee
Group Audits	<ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ 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 ▶ 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 ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ 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. 	We are awaiting Group reporting from the component auditor.

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we request from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we request from management and/or those charged with governance 	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> ▶ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee
Auditors report	<ul style="list-style-type: none"> ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee
Fee Reporting	<ul style="list-style-type: none"> ▶ Breakdown of fee information when the audit planning report is agreed ▶ Breakdown of fee information at the completion of the audit ▶ Any non-audit work 	Audit Plan - 30 July 2020 meeting of the Accounts and Audit Committee Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee .
Certification work	<ul style="list-style-type: none"> ▶ Summary of certification work 	Audit Results Report - 24 November 2020 meeting of the Accounts and Audit Committee

Appendix B

Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item	Actions to resolve	Responsibility
Property, Plant and Equipment Valuations review.	Awaiting some outstanding responses to our request for support on PPE valuations. EY to complete review of the Council's asset valuations.	EY and management
Going Concern assessment.	EY to review Council's updated Going Concern assessment and supporting working papers.	EY and management
Review of updated disclosure in regards to the 'material uncertainty' of the Council's Land and Buildings valuations.	Awaiting updated disclosure from the Council. EY to review adequacy of that disclosure.	Management
Group Accounts.	Awaiting final group reporting from component auditor.	Component auditor and management
Review of McCloud and Goodwin treatment by the pension funds actuary, Hymans.	EY to complete review the treatment of McCloud and Goodwin and the impact on the Council's statement of accounts.	EY
Short and Long term Borrowings	Awaiting response to how the split between Short and Long term borrowings has been derived.	Management
Cash and Cash Equivalents	Awaiting one external confirmation. EY to complete review of the Council's treatment of cash balances in relation to Schools.	EY and Management
Payroll expenditure testing audit query.	Awaiting response to outstanding queries in regards to payroll expenditure.	Management
Completion of testing of other disclosures.	EY to complete audit procedures over other disclosures.	EY
Unrecorded Liabilities.	Management to provide bank statements to opinion date and EY to complete unrecorded liabilities testing to opinion date.	EY and management
Agreement of final set of accounts.	EY to review final set of accounts for consistency and agree adjustments identified during the course of the audit have been appropriately reflected in the revised accounts.	EY and management
Management representation letter.	Receipt of signed management representation letter	Management
Subsequent events review.	Completion of subsequent events procedures to the date of signing the audit report	EY



Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter



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INVESTURE IN PEOPLE

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

13 November 2020

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

Dear Chris,

**Cambridgeshire County Council & Group – 2019/20 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 Group and 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 financial statements of Cambridgeshire County Council and Group ("the Group and Council") for the year ended 31 March 2020.

That 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 financial statements give a true and fair view of the financial position of the Group and Council as of 31 March 2020 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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You understand that the purpose of our audit of your financial statements is to express an opinion thereon and that our audit is conducted in accordance with International Standards on Auditing (UK and Ireland), which involves an examination of the accounting system, internal control and related data to the extent 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. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.
2. That you acknowledge as members of management of the Group and Council, your responsibility for the fair presentation of the Group and Council's financial statements. You believe the Group 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 2019/20 and are free of material misstatements, including omissions. You have approved the Group and Council financial statements.
3. That the significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Group and Council, you believe that the Group and Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on your system of internal controls.
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).



Appendix C – Request for a Management Representation Letter (continued)

Request for a Management Representation Letter



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

1. That 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 you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.
2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of your assessment of the risk that the 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 Group and 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 Group and 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 and 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 we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
 - Additional information that we have requested from us 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. That all material transactions have been recorded in the accounting records and are reflected in the financial statements, including those related to the COVID-19 pandemic.



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3. That you have made available to us all minutes of the meetings of the Group and Council and its relevant 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: 24 November 2020.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Council 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 period 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 financial statements.
5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That 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 financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

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 financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the financial statements (please specify the Note) all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than the disclosure described in Note X (insert Note) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.



Appendix C – Request for a Management Representation Letter (continued)

Request for a Management Representation Letter



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F. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
2. In respect of accounting estimates recognised or disclosed in the financial statements:
 - That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
 - That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
 - That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
 - That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

G. Expenditure Funding Analysis

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

H. Going Concern

1. That the Group and Council has prepared the financial statements on a going concern basis and that Note 41 (insert note) to the financial statements discloses all of the matters of which you are aware that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Department of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

I. Ownership of Assets

1. That 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 Group and Council financial statements the useable and unusable reserves.



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K. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the values of the Group and Council's land and buildings and have adequately considered the qualifications of the experts in determining the amounts and disclosures included within the Group and Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. 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 2019/20.
3. You confirm that the significant assumptions used in making the valuation of assets appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Group 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 2019/20.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Group and Council financial statements due to subsequent events.
6. 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.
7. You confirm that for assets carried at historic cost, that no impairment is required.

L. Retirement benefits

1. That 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.
2. 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 Group 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.
3. 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 2019/20.



Appendix C – Request for a Management Representation Letter (continued)

Request for a Management Representation Letter



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4. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect your 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 Group 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 2019/20.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the consolidated and Group and Council financial statements due to subsequent events.

M. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the "Statement of Accounts 2019-2020".
2. You confirm that the content contained within the other information is consistent with the financial statements.

N. 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. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst council, subsidiary undertakings and associated undertakings.
3. You confirm that entities excluded from the consolidated financial statements are immaterial on a quantitative and qualitative basis.

O. 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.

P. 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 2019/20.
2. You confirm that the significant assumptions used in making the valuation of the pension liability appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.



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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.

Q. Specific Representations

We do not require any specific representations in addition to those above.

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 Accounts & Audit Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely

Mark Hodgson
Associate Partner
Ernst & Young LLP
United Kingdom

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