

(Letterhead of the Entity we audit)

KPMG LLP
1 Snow Hill Queensway
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[Date]

Dear Sarah

This representation letter is provided in connection with your audit of the Group and the Authority financial statements of Cambridgeshire County Council (“the Authority”), for the year ended 31 March 2025, for the purpose of expressing an opinion:

- i. as to whether these give a true and fair view of the financial position of the Groups and the Authority as at 31 March 2025 and of the Group’s and the Authority’s income and expenditure for the year then ended;
- ii. whether the Group and the Authority’s financial statements have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (“CIPFA/LASAAC Code”).

These financial statements comprise the following: the Group and the Authority Comprehensive Income and Expenditure Statements, Group and the Authority Balance Sheets, Group and the Authority Movement in Reserves Statements, Group and the Authority Statements of Cash Flows, and the notes, comprising material accounting policies and other explanatory information and the Expenditure and Funding Analysis.

The Authority confirms that the representations it makes in this letter are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial statements

1. The Authority has fulfilled its responsibilities, as set out in the Accounts and Audit Regulations 2015 and the Accounts and Audit (Amendment) Regulations 2024, for the preparation of financial statements that:
 - i. give a true and fair view of the financial position of the Group and the Authority as at year end and of the Group’s and the Authority’s income and expenditure for the year then ended;
 - ii. have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

The financial statements have been prepared on a going concern basis.

2. The methods, the data and the significant assumptions used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in the context of the applicable financial reporting framework.

3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.
4. The effects of uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to this representation letter.

Information provided

5. The Authority has provided you with:
 - access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from the Authority for the purpose of the audit; and
 - unrestricted access to persons within the Group and the Authority from whom you determined it necessary to obtain audit evidence.

6. All transactions have been recorded in the accounting records and are reflected in the financial statements.

7. The Authority confirms the following:

The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.

9. The Authority has disclosed to you all information in relation to:
 - a) Fraud or suspected fraud that it is aware of and that affects the Group and Authority and involves:
 - management;
 - members;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements; and
 - b) allegations of fraud, or suspected fraud, affecting the Group and Authority's financial statements communicated by employees, former employees, members, analysts, regulators or others. ,

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error, and we believe we have appropriately fulfilled those responsibilities.

10. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
11. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements, in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
12. The Authority has disclosed to you the identity of the Group and Authority's related parties and all the related party relationships and transactions of which it is aware. All related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.

Included in the Appendix to this letter are the definitions of both a related party and a related party transaction as we understand them and as defined in IAS 24 and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

13. The Authority confirms that:
 - a) The financial statements disclose all of the matters that are relevant to the Authority's and the Group's ability to continue as a going concern, including the key risk factors, assumptions made and uncertainties surrounding the Authority's and the Group's ability to continue as a going concern as required to provide a true and fair view and to comply with IAS 1 Presentation of Financial Statements.
 - b) No material uncertainties related to events or conditions exist that may cast significant doubt upon the ability of the Authority and the Group to continue as a going concern.
14. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 Employee Benefits.

The Authority further confirms that:

- a) all significant retirement benefits, including any arrangements that are:
 - statutory, contractual or implicit in the employer's actions;
 - arise in the UK and the Republic of Ireland or overseas;
 - funded or unfunded; and
 - approved or unapproved,have been identified and properly accounted for; and
 - b) all plan amendments, curtailments and settlements have been identified and properly accounted for.
15. The Authority has disclosed to you all relevant information in respect to the performance of its subsidiary entities and their performance for the year ended 31st March 2025 and their performance for the year ended 31st March 2026 to date.

This letter was tabled and agreed at the *meeting of the Audit Committee* on *[date]*.

Yours faithfully,

[Section 151 Officer]

**Appendix to the Authority Representation Letter of Cambridgeshire County Council:
Uncorrected audit misstatements:**

| Uncorrected audit misstatements (£'000s) | | | | |
|--|---|--------------|-----------------------|---|
| No. | Detail | CIES Dr/(cr) | Balance Sheet Dr/(cr) | Comments |
| 1 | Dr Impairment of fixed assets | £3,785,000 | -£3,785,000 | This is the difference in valuation between the upper end of KPMG's specialists acceptable range of values for the councils investment properties and the value as calculated by management's specialists. |
| | Cr Investment properties | | | |
| 2 | DR Impairment loss on restructuring of financial assets | £59,850,000 | | Following our challenge of management on the functional classification and treatment of the converted debt i.e. a capital contribution, a capital grant or a loan with contractual cashflows. We agree that management's classification of this as a capital grant is an appropriate treatment. |
| | CR Other Services Expenses | -£59,850,000 | | However, we do not consider this to be revenue expenditure funded from capital under statute (REFCUS) as in our view this is not new expenditure but instead a variation of an existing agreement. |
| | | | | This difference in treatment is presentational, has no net impact on the total comprehensive income and expenditure, general reserve or on the Minimum Revenue Provision (MRP) and we do not consider this to be material. However, we have raised this an uncorrected audit misstatement. |
| | | | | We note that in addition to the misstatement in the CIES due to treating this as REFCUS expenditure the Capital Financing Requirement note includes a £59.9m as increase to the capital financing requirement against Revenue Expenditure Funded from Capital under Statute and a decrease against Long-term capital debtors. Once again as there is no net impact on the CFR this is not considered to be a material misstatement. |
| 3 | Dr Long term debtors | - | | In a departure from the code the council has opted to record their long term debtor with This Land at historic cost as opposed to amortised cost. Recording them at amortised cost would result in an increase in the long term debtor balance. Management considers historic cost a more prudent and transparent approach despite it departing from the requirements of the Code. As it is not a material departure no adjustment would be required. |
| | Cr Gain on modification | -£6,800,000 | £5,400,000 | |
| | DR Interest receivable | £1,400,000 | | |
| 4 | Dr Reserves | | £3,597,000 | As part of KPMG's work over cash we identified that the Council's cash balance was £3,597k overstated based on the cash held in the bank. From our inquires with management this appears to be the result of historic transactions with maintained schools to provide capital funding where the cash balance had not been reduced to match the amounts spent. KPMG note that due to the backstop date we have not performed specific work over this explanation by management or the debit side of this transaction |
| | Cr Cash | | -£3,597,000 | |

In addition, we have identified a potentially material prior year misstatement in respect to the Expected Credit Loss provision (ECL) for the This Land £114m intercompany debtor. Due to the complexities and timelines involved management have been unable to reliably quantify what the value of the ECL should have been as of 31st March 2024. However, given that it is potentially material to the users of the accounts we would draw the attention to this prior year adjustment by referencing it in our opinion and ISA 260. We note that, given the £59.9m write down of the intercompany debtor during the period, we do not consider there to be a material ECL remaining at 31 March 2025.

Furthermore, in the current year, the Council provided This Land with an additional £5m in cash as part of ensuring that This Land would be able to continue its operations. KPMG are still considering this funding as part of our response to an objection made against the Council. Given the size of the balance we do not consider this to be a material issue to the accounts but note that there are potential regulatory and classification implications if it is determined that this additional funding is not revenue expenditure funded from capital under statute.

Appendix to the Authority Representation Letter of Cambridgeshire County Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- A Comprehensive Income and Expenditure Statement for the period;
- A Balance Sheet as at the end of the period;
- A Movement in Reserves Statement for the period;
- A Cash Flow Statement for the period; and
- Notes, comprising a summary of significant accounting policies and other explanatory information and the Expenditure and Funding Analysis.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

A housing authority must present a Housing Revenue Account Statement.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund.

A pension fund administering authority must prepare Pension Fund accounts in accordance with Chapter 6.5 of the Code of Practice.

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit or loss and other comprehensive income. D

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state that:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- c) dissimilar items, transactions or other events are inappropriately aggregated;
- d) similar items, transactions or other events are inappropriately disaggregated; and
- e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena.”

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue; and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to “management” should be read as “management and, where appropriate, those charged with governance”.

Related Party and Related Party Transaction

Related party:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

- A person or a close member of that person’s family is related to a reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity; or
 - is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- An entity is related to a reporting entity if any of the following conditions applies:
 - The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - Both entities are joint ventures of the same third party.
 - One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - The entity is controlled, or jointly controlled by a person identified in (a).
 - A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a government that has control or joint control of, or significant influence over the reporting entity; and
- another entity that is a related party because the same government has control or joint control of, or significant influence over, both the reporting entity and the other entity.

Related party transaction:

A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

