

14 September 2015

Ref: MH/2014-15 LoR Request

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Alex Colyer  
Executive Director (Corporate Services)  
South Cambridgeshire District Council  
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CB23 6EA

Dear Alex

**South Cambridgeshire District Council - 2014/15 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 representations you provide extend to the Council's single entity financial statements, the fire-fighters' pension fund financial statements and the consolidated financial statements;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

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

**Introduction**

That your representation letter is provided in connection with our audit of the consolidated and parent financial statements of South Cambridgeshire District Council ("the Authority") for the year ended 31 March 2015. 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 consolidated and parent financial statements give a true and fair view of the financial position of the Authority as of 31 March 2015 and of its income and expenditure for the year then ended in accordance with, for the Group and the Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

Accordingly, 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 Group and Council financial statements in accordance with the Accounts and Audit Regulations (England) 2011 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
2. That you acknowledge your responsibility as members of management of the Group and Council for the fair presentation of the consolidated and council financial statements. You believe the consolidated and council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the flows of the Group and Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and are free of material misstatements, including omissions. You have approved the consolidated and council financial statements.
3. You confirm that the Responsible Officer has:
  - Reviewed the consolidated and council financial statements;
  - Reviewed all relevant written assurances relating to the consolidated and council financial statements, and
  - Made other enquiries as appropriate.
4. That the significant accounting policies adopted in the preparation of the consolidated and council financial statements are appropriately described in the consolidated and council financial statements.
5. As members of management of the Group and the Council, that 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 2014/15 that are free from material misstatement, whether due to fraud or error.
6. You believe that the effects of any unadjusted audit differences, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and council financial statements taken as a whole. Please specify the reasons for not correcting these misstatements - see Appendix 1 for details.

## **B. Fraud**

1. You acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud
2. You have disclosed to us the results of our assessment of the risk that the consolidated and council financial statements may be materially misstated as a result of fraud.
3. That you have disclosed to us all significant facts relating to any frauds, suspected frauds or allegations of fraud known to you that may have affected the Group or Council (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), whether involving management or employees who have significant roles in internal control. Similarly, you have disclosed to us your knowledge of frauds or suspected frauds affecting the entity involving others where the fraud could have a material effect on the consolidated and council financial statements. You have also disclosed to us all information in relation to any allegations of fraud or suspected fraud communicated by employees, former employees, analysts, regulators or others, that could affect the consolidated and council financial statements.

## **C. Compliance with Laws and Regulations**

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

## **D. Information Provided and Completeness of Information and Transactions**

1. You have provided us with:
  - Access to all information of which you are aware that is relevant to the preparation of the consolidated and council financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that we have requested from you for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the consolidated and council financial statements.
3. That you have made available to us all minutes of the meetings of the 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: 25 September 2015.

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's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the year ended 31 March 2015, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and council financial statements.
5. 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 consolidated and council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **E. Liabilities and Contingencies**

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the consolidated and council 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 consolidated and council financial statements all guarantees that you have given to third parties.

#### **F. Subsequent Events**

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

#### **G. Accounting Estimates**

1. 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 consolidated and council 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 consolidated and council financial statements.

#### **H Going Concern**

1. That you have made us aware of any issues that are relevant to the Group and Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.
2. That 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 accounts.
3. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent, subsidiary undertakings and associated undertakings.

#### **I Segmental reporting**

1. That you have reviewed the operating segments reported internally to the Cabinet and that you are satisfied that it is appropriate to aggregate these as, in accordance with IFRS 8: Operating Segments, they are similar in each of the following respects :
  - The nature of the products and services
  - The nature of the production processes
  - The type or class of customer for their products and services
  - The methods used to distribute their products

#### **J 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. That all significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

#### **K Use of management experts**

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 consolidated and council 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.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated on the proposed audit opinion date (25 September 2015), on formal headed paper.

Yours sincerely



Mark Hodgson  
Director  
Ernst & Young LLP  
United Kingdom

## Appendix 1 Summary of Audit Differences schedule

We highlight the following misstatements which are currently not corrected by management:

Item of account	Nature	Type	Balance sheet	Comprehensive income and expenditure statement
	Description	F, P, J	Debit/(credit)	Debit/(credit)
1. Current Liabilities – Short Term Creditors	Recycling credits had been included in creditors, however this is a debtor balance at year end.	F	(170,000)	
2. Current Assets – Short Term Debtors			170,000	
Cumulative effect of uncorrected misstatement			0	