

South Cambridgeshire District Council

Year ending 31 March 2013

Annual Audit Letter

24 October 2013



EY

Building a better
working world

DELIBERATELY LEFT BLANK FOR PRINTING PURPOSES

The Members
South Cambridgeshire District Council
South Cambridgeshire Hall
Cambourne
Cambridge
CB23 6EA

24 October 2013

Dear Members,

Annual Audit Letter

The purpose of this Annual Audit Letter is to communicate to the Members of South Cambridgeshire District Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of South Cambridgeshire District Council in the following report:

2012/13 Audit results report for the South
Cambridgeshire District Council.

Issued 27 September 2013

The matters reported here are the most significant for the Council.

I would like to take this opportunity to thank the officers of South Cambridgeshire District Council for their assistance during the course of our work.

Yours faithfully



Mark Hodgson
Director
For and behalf of Ernst & Young LLP
Enc

DELIBERATELY LEFT BLANK FOR PRINTING PURPOSES

Contents

1. Executive summary	1
2. Key findings.....	3
3. Control themes and observations	5

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (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 Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

1. Executive summary

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan we issued on 19 March 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period. The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

Audit the financial statements of South Cambridgeshire District Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland).	On 27 September 2013 we issued an unqualified audit opinion in respect of the Council.
Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.	On 27 September 2013 we issued an unqualified value for money conclusion.
Issue a report to those charged with governance of the Council (the Audit Committee) communicating significant findings resulting from our audit.	On 27 September 2013 we issued and presented our report in respect of the Council to the Audit Committee.
Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.	We reported our findings to the National Audit Office on 27 September 2013.
Consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance.	No issues to report.
Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.	We did not issue such a report.
Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.	We did not take such action.
Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.	On 27 September 2013 we issued our audit completion certificate.

Issue a report to those charged with governance of the Council summarising the certification (of grants claims and returns) work that we have undertaken.

We plan to issue our annual certification report to those charged with governance with respect to the 2012/13 financial year by 31 January 2014.

1.1 Audit fees

The table below sets out the scale fee and our final proposed audit fees.

	Planned fee	Scale fee	Final
Code audit work	£68,400	£68,400	£68,400
Certification of claims and returns	£16,150	£16,150	see note below
Non-Code work	Nil	N/A	Nil

Our actual fee is in line with the agreed fee for the Code audit work.

Work on the certification of claims and returns is not yet complete. We will report our final fee for the certification work in our report to be issued by 31 January 2014.

We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

2. Key findings

2.1 Financial statement audit

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 25 July 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good, which was reflected in the low number of errors reported.

The main issues identified as part of our audit were:

Significant risk 1: Valuation of property assets and capital expenditure

We concluded that valuations of non-current assets are free from material misstatement and that non-current asset additions were capital in nature.

Other key findings:

We did not identify any material misstatements during our audit.

Management have corrected all misstatements we identified except for one projected error which was not material. None of the adjustments made impacted on useable reserves:

2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 25 July 2013. Our audit did not identify any significant matters.

The following is a brief summary of our findings against each of these criteria.

Criteria and findings

1. Financial resilience

The Council has robust arrangements in place to ensure its financial resilience. The Council has a history of good financial management and a strong record in the delivery of budgets.

The Council has been able to set balanced budget while maintaining its low council tax and debt free status. At 31 March 2013, the Council's general fund balance which is available to meet unforeseen circumstances stood at £7.5 million, while earmarked reserve balances were an additional £7.5 million. Although the majority of these are earmarked for specific purposes, they do provide the Council with enhanced flexibility to manage its financial position in the current economic environment.

In 2012/13 the council achieved a surplus of £0.1million on the general fund that was used to finance capital expenditure while maintaining reserve balances at the 2012/13 level. The Council also created an Earmarked Housing Revenue Account Reserve of £4.5million.

The Council has set a balanced budget for 2013/14 and 2014/15 with no planned drawdown of reserves and without increasing council tax. Efficiency savings of £1.7million have been identified for 2015/16 financial year. The Council will need to develop robust plans to achieve the delivery of these savings plans and monitor the progress of delivery

throughout the financial year to avoid the need to draw on general fund balances.

2. Securing economy efficiency and effectiveness

The Council has demonstrated that it has effective arrangements in place for securing economy, efficiency and effectiveness.

The Council uses cost and performance information to make decisions, including the use of comparative and benchmarking data to challenge economy, efficiency and effectiveness of services.

The Council continues to challenge its costs in order to reduce these without adversely affecting the quality of its services through a variety of means including improved procurement, internal restructuring and setting up new service delivery arrangements with other public bodies and with private sector organisations.

2.3 Whole of government accounts

We reported to the National Audit office on 3 October 2013 the results of our work performed in relation the accuracy of the consolidation pack the Council is required to prepare for the whole of government accounts. We did not identify any areas of concern.

2.4 Annual governance statement

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance.

We completed this work and did not identify any areas of concern

2.5 Certification of grants claims and returns

We have not yet completed our work on the certification of grants and claims.

We will issue the Annual Certification Report for 2012/13 in January 2014.

3. Control themes and observations

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. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to those charged with governance at the Council any significant deficiencies in internal control.

We had no such matters to report.

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All rights reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com