


Agenda Item No:	5	
Committee:	Audit & Risk Management Committee	
Date:	26 September 2023	
Report Title:	Appointed Auditor – Audit Results Report Year Ended 31 March 2022	

Cover sheet:

1 Purpose / Summary

To consider the Audit Results Report for Year Ended 31 March 2022 from the Council's appointed independent external auditor - EY (Ernst and Young).

2 Key issues

- EY will present their Audit Results Report arising from their duties under International Auditing Standard 260, following the completion of their audit of the Council's Statement of Accounts 2021/22.
- The Draft Audit Results Report for Year Ended 31 March 2022 is attached. EY are currently finalising their work as detailed on page 5 of their report and will provide a verbal update to Members at the meeting.

3 Recommendations

- It is recommended that Members note the content of the report.

Wards Affected	All
Forward Plan Reference	N/A
Portfolio Holder(s)	Cllr Chris Boden, Leader and Portfolio Holder for Finance
Report Originator(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Contact Officer(s)	Peter Catchpole, Corporate Director and Chief Finance Officer Mark Saunders, Chief Accountant
Background Paper(s)	

Fenland District Council Audit Results Report

Year ended 31 March 2022

5 September 2023

The EY logo consists of the letters 'EY' in a bold, white, sans-serif font. A yellow triangle is positioned above the 'Y', pointing downwards towards the letters.

Building a better
working world



Audit and Risk Management Committee Members
Fenland District Council
Fenland Hall, County Road
March, Cambridgeshire
PE15 8NQ

5 September 2023

Dear Audit and Risk Management Committee Members

2021/22 Audit Results Report

We are pleased to attach our Audit Results Report, summarising the status of our audit for the forthcoming meeting of the Audit and Risk Management Committee.

The audit is designed to express an opinion on the 2021/22 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Fenland District Council's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included an update on our work on the Council's Value for Money arrangements.

This report is intended solely for the information and use of the Audit and Risk Management Committee, other members of the Council and senior management. It is not intended to be and should not be used by anyone other than these specified parties.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Risk Management Committee meeting on the 26 September 2023.

Yours faithfully

MARK HODGSON

Mark Hodgson
Partner
For and on behalf of Ernst & Young LLP
Encl

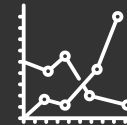
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities 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 and further guidance (updated April 2018)" issued by the 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 in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Risk Management Committee and management of Fenland District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Risk Management Committee, and management of Fenland District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Risk Management Committee and management of Fenland District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01 Executive Summary

Executive Summary

Scope update

In our Initial Audit Plan, dated 18 July 2022, 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 exceptions:

- ▶ **Changes in materiality:** In our Initial Audit Plan, we communicated that our audit procedures would be performed using a materiality of £1.15 million. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £1.30 million. This results in updated performance materiality, at 75% of overall materiality, of £0.975 million, and an updated threshold for reporting misstatements of £0.065 million.

Status of the audit

Our audit of the Fenland District Council financial statements for the year ended 31 March 2022 is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report:

- ▶ Completion of procedures in relation to the restatement of Grant income notes (Notes 7,12 and 35)

Audit final closing procedures are:

- ▶ Subsequent events review;
- ▶ Agreement of the final set of financial statements;
- ▶ Receipt of signed management representation letter; and
- ▶ Final Manager and Engagement Partner reviews.

Details of each outstanding item, actions required to resolve and responsibility is included in Appendix B.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Narrative Report and Accounts which could influence our final audit opinion, a current draft of which is included in Section 3.

Executive Summary

Auditor responsibilities under the Code of Audit Practice 2020

Under the Code of Audit Practice 2020 we are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. The 2020 Code requires the auditor to design their work to provide them with sufficient assurance to enable them to report to the Council a commentary against specified reporting criteria (see below) on the arrangements the Council has in place to secure value for money through economic, efficient and effective use of its resources for the relevant period.

The specified reporting criteria are:

- Financial sustainability
How the Council plans and manages its resources to ensure it can continue to deliver its services;
- Governance
How the Council ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness
How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Status of the audit - Value for Money

We have completed our Value for Money (VFM) risk assessment and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

We will need to update our assessment through to the completion of the audit of the financial statements, including additional queries in relation to the Council's response to challenges during the 2021/22 financial year, in order to remain satisfied that we have not identified a risk of significant weakness.

We plan to issue the VFM commentary by the end of October 2023 as part of issuing the Auditor's Annual Report. See Section 5 for more details on Value for Money procedures.

Executive Summary

Audit differences

Uncorrected differences

There are no uncorrected audit differences as a result of our audit procedures at the time of this report.

Corrected differences

At the date of this report, we have identified the following audit differences which are to be adjusted for by Management within the revised financial statements.

- 1. Balance Sheet – Property Plant and Equipment** – Accumulated depreciation of £0.088 million was incorrectly charged to Community Assets thereby understating the value of Property, Plant and Equipment.

Balance Sheet – Net Pension Liability – We reviewed the assurance report provided by the Pension Fund Auditor regarding the pension fund assets of Cambridgeshire Pension Fund. There was an understatement difference in the fair value of the Fund's plan assets, of which the Council's share was £0.296 million. As a result the Council's Pension Liability was overstated by of £0.296 million. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared.

Separate to the adjustment above, the Council requested a revised IAS 19 Actuarial following the completion of the Pension Fund Triennial Valuation at the 1 April 2022 (reported in March 2023). This resulted in a further change in the Council's Pension Liability at the 31 March 2022 balance sheet date, as a result of an update to assumptions underpinning the triennial valuation and their consequential impact on the Pension Liability at the 31 March 2022. The Net Pension Fund Liability was overstated by a further £6.926 million. The cumulative impact of these corrected differences is a total reduction in liability by £7.222 million from the balance reported within the draft financial statements.

Disclosure Differences

We also identified a limited number of audit disclosure differences in the financial statements, which have been adjusted by Management. We do not deem any of the disclosure differences to be so significant as to require reporting to you with the exception of the following two items:

- 1. Balance Sheet – Pension Scheme Assets** – We reviewed the report provided by the Pension Fund Auditor regarding the pension fund asset of Cambridgeshire pension Fund who handles the fund assets of the council. There was a difference in the fair value of plan assets. Plan assets were understated by of £0.296 million
- 2. Comprehensive Income & Expenditure Statement – Grant Income** – The draft Statement of Accounts had a restatement on the grant income prior year figures on Note 35. The adjustments related to Covid-19 Grant Income which was not recognised in the prior year Statement of Accounts. The adjustment was below the overall materiality level and therefore it is now reflected in the current year financial statements as additional Grant Income of £0.62 million, as it did not meet the definition of a Prior Year Adjustment (under IAS 8).

Executive Summary

Areas of audit focus

In our Initial Audit Plan we identified a number of key areas of focus for our audit of the financial report of Fenland District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised within the "Areas of Audit Focus" section of this report.

Management Override: Misstatements due to fraud or error

- *We have completed our work in this area and we have no matters to report.*

*Management Override: Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)**

- *We have completed our work in this area and we have no matters to report.*

Significant Risk :Accounting for Infrastructure Assets

- *We have completed our work in this area and we have no matters to report.*

Inherent Risk: Accounting for Covid-19 related grant funding

- *We have completed our work in this area and have no matters to report.*

Inherent Risk: Pension Liability Valuation & Pension disclosures

- *We have completed our work in this area and have identified a difference to report:*

We reviewed the assurance report provided by the Pension Fund Auditor regarding the pension fund assets of Cambridgeshire Pension Fund. There was an understatement difference in the fair value of the Fund's plan assets, of which the Council's share was £0.296 million. As a result the Council's Pension Liability was overstated by of £0.296 million. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared.

Separate to the adjustment above ,the Council requested a revised IAS 19 Actuarial following the completion of the Pension Fund Triennial Valuation at the 1 April 2022 (reported in March 2023). This resulted in a further change in the Council's Pension Liability at the 31 March 2022 balance sheet date, as a result of an update to assumptions underpinning the triennial valuation and their consequential impact on the Pension Liability at the 31 March 2022. The Net Pension Fund Liability was overstated by a further £6.926 million. The cumulative impact of these corrected differences is a total reduction in liability by £7.222 million from the balance reported within the draft financial statements.

Inherent Risk: Valuation of Land & Buildings and Investment Property

- *We have completed our work in this area and have no matters to report.*

Inherent Risk: National Non-Domestic Rates Appeals Provision

- *We have completed our work in this area and have no matters to report.*

Inherent Risk: Bad debt provision and recoverability of Debtors

- *We have completed our work in this area and have no matters to report.*

Executive Summary

Areas of audit focus (Continued)

We request that you review these and other matters set out in this report to ensure:

- ▶ There are no residual further considerations or matters that could impact these issues
- ▶ You concur with the resolution of the issue
- ▶ There are no further significant issues you are aware of to be considered before the financial report is finalised.

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

Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have identified two disclosure matters which we have raised with Management for consideration and amendment. We will review the changes on the final Annual Governance Statement .

We have completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. The Council falls below the threshold (Threshold - £2 billion) for full review procedures, so we will submit an assurance statement verifying this position. We do not expect therefore to have any issues to report.

Independence

Please refer to Section 7 for our update on Independence.

Control observations

During the audit, we did not identify any significant deficiencies in internal control.



02

Areas of Audit Focus



Areas of Audit Focus

Significant 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 and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

We identify and respond to this fraud risk on every audit engagement. Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that only those procedures included under 'Inappropriate capitalisation of revenue expenditure (including REFCUS)' are required, as set out on the following page.

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

In order to address this risk we undertook the following audit 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.
- ▶ Documented our 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.
- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.
- ▶ Reviewed the accounting estimates for evidence of management bias.
- ▶ Evaluated the business rationale for significant unusual transactions

ISA 240 mandates we perform procedures on: accounting estimates, significant unusual transactions and journal entries to ensure they are appropriate and in line with expectations of the business.

What are our conclusions?

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

Significant risk

Incorrect capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)

What is the risk?

Under ISA 240 there is a presumed risk that revenue may be misstated due to improper revenue recognition. In the public sector, this requirement is modified by Practice Note 10 issued by the Financial Reporting Council, which states that auditors should also consider the risk that material misstatements may occur by the manipulation of expenditure recognition.

We have identified an opportunity and incentive to capitalise expenditure under the accounting framework, to remove it from the General Fund. In arriving at this conclusion we have considered the continuing pressure on the revenue budget and the financial value of its annual capital programme which is many times out materiality level.

This could then result in funding of that expenditure, that should properly be defined as revenue, through inappropriate sources such as capital receipts, capital grants, or borrowing.

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

In order to address this risk we undertook the following audit procedures:

- ▶ Obtained a listing of REFCUS for the year and confirmed that total REFCUS is not material;
- ▶ Obtained an analysis of capital additions in the year, reconciled it to the Fixed Assets Register (FAR), and reviewed the descriptions to identify whether there are any potential items that could be revenue in nature;
- ▶ Sample tested additions to Property, Plant and Equipment to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised. There were no Investment Property additions; and
- ▶ Used our data analytics tool to identify and test journal entries that move expenditure from revenue codes into capital codes.

What are our conclusions?

Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value.

Our sample testing did not identify any revenue items that were incorrectly classified.

Our data analytics procedures did not identify any journal entries that incorrectly moved expenditure into capital codes.



Areas of Audit Focus

Significant risk

Accounting for Infrastructure Assets

What is the risk?

An issue has been raised via the NAO's Local Government Technical Group that some local authorities are not writing out the gross cost and accumulated depreciation on infrastructure assets when a major part/component has been replaced or decommissioned.

This matter is currently under consideration by CIPFA and given the Council hold material Infrastructure Assets Net Book Value of £5.06 million at 31 March 2021, (£5.4 million at 31 March 2022 we have raised a significant risk in this area.

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

In order to address this risk we undertook the following audit procedures:

- ▶ Discussed the matter with the Council as guidance on accounting for Infrastructure Assets is updated;
- ▶ Understood the Infrastructure Assets balance and the individual assets comprising this balance; and
- ▶ Understood the Council's process for writing out gross cost and accumulated depreciation on the Infrastructure Assets balance to determine whether this is materially correct at the Balance Sheet date.

What are our conclusions?

We have completed our work on above procedures and based on the work carried out, we have obtained reasonable assurance that infrastructure assets are free from material misstatement due to components not being derecognised as and when they are replaced or decommissioned.



Areas of Audit Focus

Inherent risk

Accounting for Covid-19 related grant funding - Inherent Risk

What is the risk?

In response to the COVID-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these. We are aware of new COVID-19 grant income in 2021/22 for example the COVID-19 Additional Relief Fund (CARF) where the Council has received £1.9 million.

Given the volume of these grants, the new conditions for the Council to understand the accounting impact of, there is an inherent risk that these may be misclassified in the financial statements or inappropriately treated from an accounting perspective.

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

In order to address this risk we undertook the following audit procedures:

- ▶ Sample tested Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature.
- ▶ Sample tested Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body.
- ▶ Reviewed the instructions and conditions of a sample of grants to corroborate the Council's assessment of whether they were acting as an Agent or Principal in disbursing the grants.

What are our conclusions?

Our sample testing of Covid related grant funding did not identify any grants that were incorrectly classified, or any grants where the incorrect accounting treatment was applied.

The draft Statement of Accounts had a restatement on the grant income prior year figures on Note 35. The adjustments related to Covid-19 Grant Income which was not recognised in the prior year Statement of Accounts. The adjustment was below the overall materiality level and therefore it is now reflected in the current year financial statements as additional Grant Income of £0.62 million, as it did not meet the definition of a Prior Year Adjustment (under IAS 8).



Areas of Audit Focus

Inherent risk

Pension valuations and disclosures - Inherent Risk

What is the risk?

The Authority makes extensive disclosures within its financial statements regarding its membership of Cambridgeshire Pension Fund Scheme administered by Cambridgeshire County Council. At 31 March 2021 the liability totalled £66.17 million.

The information disclosed is based on the IAS 19 report issued to the Authority by the actuary to the Cambridgeshire Pension Fund.

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

We undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

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

In order to address this risk we undertook the following audit procedures:

- ▶ Liaised with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Fenland District Council;
- ▶ Assessed the work of the Pension Fund actuary including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within Fenland District Council's financial statements in relation to IAS 19, considering Fund assets and the Council's liability.

What are our conclusions?

We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have undertaken the work and we identified issues as set out below.

We reviewed the assurance report provided by the Pension Fund Auditor regarding the pension fund assets of Cambridgeshire Pension Fund. There was an understatement difference in the fair value of the Fund's plan assets, of which the Council's share was £0.296 million. As a result the Council's Pension Liability was overstated by of £0.296 million. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared.

Separate to the adjustment above, the Council requested a revised IAS 19 Actuarial following the completion of the Pension Fund Triennial Valuation at the 1 April 2022 (reported in March 2023). This resulted in a further change in the Council's Pension Liability at the 31 March 2022 balance sheet date, as a result of an update to assumptions underpinning the triennial valuation and their consequential impact on the Pension Liability at the 31 March 2022. The Net Pension Fund Liability was overstated by a further £6.926 million. The cumulative impact of these corrected differences is a total reduction in liability by £7.222 million from the balance reported within the draft financial statements.

We have agreed the Council's IAS 19 disclosures to the Actuaries' report to ensure these are fairly stated in the accounts.



Areas of Audit Focus

Inherent risk

Valuation of Other Land & Buildings

What is the risk?

The fair value of Property, Plant and Equipment (PPE) and Investment Properties (IP) represents a significant balance in the Council's accounts and is subject to valuation changes, impairment reviews and depreciation charges.

At 31 March 2021 the net book value of PPE was £51.78 million, and the fair value of Investment Properties was £5.0 million. We note that within PPE, our focus is on Land and Buildings and Surplus Assets.

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the Balance Sheet.

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

In order to address this risk we undertook the following audit procedures:

- ▶ Considered the work performed by the Council's valuers, 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);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE, and that any changes were communicated to the valuer
- ▶ Reviewed assets not subject to valuation in 2021/22 to confirm that the remaining asset base was not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

What are our conclusions?

An external independent valuer was engaged by Management to provide valuations on their Property Plant and Equipment, based on our review, we have not noted any issues associated with capabilities and competence of the management expert. We were able to rely on the work of the valuer.

Our review of assets not subject to valuation in 2021/22 to confirmed that the remaining asset base was not materially misstated and considered changes to useful economic lives as a result of the most recent valuation.

Our sample testing of valuations and their associated accounting entries found that they have been correctly processed in the financial statements.

Our sample testing of key asset information used by the valuer in performing their valuation did not identify any errors or inconsistencies and considered the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code for PPE.



Areas of Audit Focus

Inherent risk

National Non-Domestic Rates Appeals Provision- Inherent Risk

What is the risk?

The calculation of the NNDR Appeals Provision is estimate based. Given the impact of Covid-19 on businesses seeking reductions in rateable values, there is a risk of material misstatement of the appeals provision due to the nature of the provision and the uncertainty around the full impact of Covid-19.

In light of this we consider there to be an inherent risk of misstatement of the Council's NNDR appeals provision.

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

In order to address this risk we undertook the following audit procedures:

- ▶ Reviewed the assumptions made by the Council's NNDR appeals provision specialist; and
- ▶ Assessed the reasonableness of any local adjustments made by the Council on the NNDR appeals provision;

What are our conclusions?

Our work did not identify any issues with the assumptions used by Council's specialist in the calculation of the NNDR appeals provision.

We have no matters to report.



Areas of Audit Focus

Inherent risk

Bad debt provision and recoverability of debtors

What is the risk?

As a result of the long term impact of Covid-19 and other market uncertainties there may be increased uncertainty around the recoverability of receivables. This includes large value debtors with subsidiary companies. The provision for these bad debts is an estimate, and calculation requires management judgement. We would expect the Council to revisit their provision for bad debt calculation in light of Covid-19 and assess the appropriateness of this estimation technique. Given that there might be some subjectivity to the recoverability of debtors the Council will need to consider the level of any provision for bad debts. We have therefore raised as an inherent risk in our audit strategy.

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

In order to address this risk we undertook the following audit procedures:

- ▶ Reviewed the calculation of the bad debt provision for reasonableness and accuracy; and
- ▶ Considered the recoverability of debts in testing a sample of trade receivables;

What are our conclusions?

Our work did not identify any issues.



03

Audit Report

DRAFT



Our proposed opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FENLAND DISTRICT COUNCIL

Opinion

We have audited the financial statements of Fenland District Council ('the Authority') for the year ended 31 March 2022 under the Local Audit and Accountability Act 2014 (as amended). The financial statements comprise the Movement in Reserves Statement, Comprehensive Income and Expenditure Statement, Balance Sheet, Cash Flow Statement, Expenditure and Funding Analysis and the related notes 1 to 42, and Collection Fund and the related notes 1 to 6.

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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Fenland District Council as at 31 March 2022 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022).

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. We are independent of the Authority 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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period to 30 September 2023.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Authority's ability to continue as a going concern.



Our proposed opinion on the financial statements

Other information

The other information comprises the information included in the 'Statement of Accounts 2021-22', other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the 'Statement of Accounts 2021-22'.

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.

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 course of 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 themselves. 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.

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 Authority
- ▶ we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ 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 (as amended)
- ▶ we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- ▶ we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in these respects.

**Our proposed opinion on the financial statements****Responsibility of the Chief Finance Officer**

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 28, 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 2021/22 as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022), and for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 has 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. Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant are:

- ▶ Local Government Act 1972,
- ▶ Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- ▶ Local Government Act 2003,
- ▶ The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,



Our proposed opinion on the financial statements

- ▶ The Local Government Finance Act 2012,
- ▶ The Local Audit and Accountability Act 2014, and
- ▶ The Accounts and Audit Regulations 2015.

In addition, the Authority has to comply with laws and regulations in the areas of anti-bribery and corruption, data protection, employment Legislation, tax Legislation, general power of competence, procurement and health & safety.

We understood how Fenland District Council is complying with those frameworks by understanding the incentive, opportunities and motives for non-compliance, including inquiring of management, the Head of Internal Audit, those charged with governance and obtaining and reading documentation relating to the procedures in place to identify, evaluate and comply with laws and regulations, and whether they are aware of instances of non-compliance.

We corroborated this through our reading of the Council's committee minutes, Council policies and procedures and other information. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures had a focus on compliance with the accounting framework through obtaining sufficient audit evidence in line with the level of risk identified and with relevant legislation.

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise.

Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks. To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

To address our fraud risk of management override of controls, we tested specific journal entries identified by applying risk criteria to the entire population of journals. For each journal selected, we tested the appropriateness of the journal and that it was accounted for appropriately. We assessed accounting estimates for evidence of management bias and evaluated the business rationale for significant unusual transactions.

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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice 2020, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in December 2021, as to whether Fenland District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness.



Our proposed opinion on the financial statements

The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Fenland District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Fenland District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until the NAO as group auditor has confirmed that no further assurances will be required from us as component auditors of Fenland District Council. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

In addition, we cannot formally conclude the audit and issue an audit certificate until we have issued our Auditor's Annual Report for the year ended 31 March 2022. We have completed our work on the value for money arrangements and will report the outcome of our work in our commentary on those arrangements within the Auditor's Annual Report.

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 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

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



04 Audit Differences





Audit Differences

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

Summary of unadjusted differences

There are no uncorrected audit differences identified as part of our audit at the date of this report.

Summary of adjusted differences

We highlight misstatements which have been corrected by management that were identified during the course of our audit.

At the date of this report, we have identified the following audit differences which are to be adjusted for by Management within the revised financial statements.

Corrected differences

- 1. Balance Sheet - Property Plant and Equipment** - Accumulated depreciation of £0.088 million was incorrectly charged to Community Assets thereby understating the value of Property, Plant and Equipment.
- 2. Balance Sheet - Net Pension Liability** - We reviewed the assurance report provided by the Pension Fund Auditor regarding the pension fund assets of Cambridgeshire Pension Fund. There was an understatement difference in the fair value of the Fund's plan assets, of which the Council's share was £0.296 million. As a result the Council's Pension Liability was overstated by of £0.296 million. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared.
Separate to the adjustment above, the Council requested a revised IAS 19 Actuarial following the completion of the Pension Fund Triennial Valuation at the 1 April 2022 (reported in March 2023). This resulted in a further change in the Council's Pension Liability at the 31 March 2022 balance sheet date, as a result of an update to assumptions underpinning the triennial valuation and their consequential impact on the Pension Liability at the 31 March 2022. The Net Pension Fund Liability was overstated by a further £6.926 million. The cumulative impact of these corrected differences is a total reduction in liability by £7.222 million from the balance reported within the draft financial statements.



Audit Differences

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

Summary of adjusted differences (continued)

We highlight misstatements which have been corrected by management that were identified during the course of our audit.

Disclosure Differences

We also identified a limited number of audit disclosure differences in the financial statements, which have been adjustment by Management.

We do not deem any of the disclosure differences to be so significant as to require reporting to you with the exception of the following two items:

1. Balance Sheet – Pension Scheme Assets – We reviewed the report provided by the Pension Fund Auditor regarding the pension fund asset of Cambridgeshire pension Fund who handles the fund assets of the council. There was a difference in the fair value of plan assets. Plan assets were understated by of £0.296 million
2. Comprehensive Income & Expenditure Statement - Grant Income - The draft Statement of Accounts had a restatement on the grant income prior year figures on Note 35. The adjustments related to Covid-19 Grant Income which was not recognised in the prior year Statement of Accounts. The adjustment was below the overall materiality level and therefore it is now reflected in the current year financial statements as additional Grant Income of £0.62 million, as it did not meet the definition of a Prior Year Adjustment (under IAS 8).



05

Value for Money



Value for money

The Council's responsibilities for value for money (VFM)

The Council is required to maintain an effective system of internal control that supports the achievement of its policies, aims and objectives while safeguarding and securing value for money from the public funds and other resources at its disposal.

As part of the material published with its financial statements, the Council is required to bring together commentary on its governance framework and how this has operated during the period in a governance statement. In preparing its governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements set out in the CIPFA code of practice on local authority accounting. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

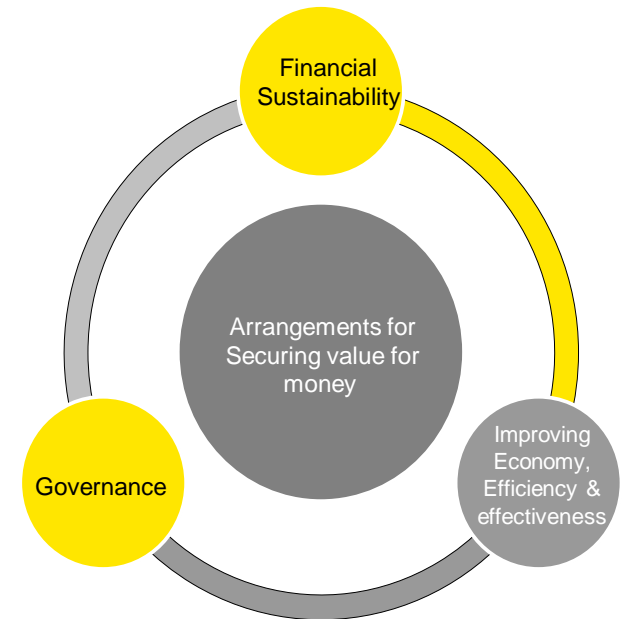
Risk assessment

We have completed our Value for Money (VFM) risk assessment and have not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code.

Status of our VFM work

We have completed our planned VFM procedures and have no matters to report 'by exception' in our Auditor's Report (See Section 3). We will keep this under review up to the date of our audit report.

We will include our detailed VFM commentary in the Auditor's Annual Report, which we plan to issue by the end of October 2023.





06 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 Narrative Report with the audited financial statements. Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements, subject to completion of our final audit procedures.

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. We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements, however we identified two disclosure matters which we raised with the Management for their consideration and amendment. We will review the changes on the final Annual Governance Statement.

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.

As the Council falls below the £2 billion threshold for review as per the NAO's group instructions, we are not required to undertake detailed procedures on your consolidation schedule. We are able to submit the required Assurance Statement to the NAO confirming this. We therefore have no matters to report to you.

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 Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

We have not received any formal questions or objections to the Council's financial statements, following the required Inspection Period.

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

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

Other reporting issues

Other 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;
- ▶ Consideration of laws and regulations; and

We have no matters to report



07

Independence

Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members 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 1st April 2021 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

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2022 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are in the next page. Further detail of all fees has been provided to the Audit and Risk Management Committee.

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.

In addition to our audit of the accounts, we will also be performing the Reporting Accounting role for the certification of Fenland District Council 2021/22 Housing Benefits claim. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO. We confirm that we have not undertaken any other non-audit work.

Other communications

EY Transparency Report 2022

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 30 June 2022:

[ey-uk-transparency-report-2022.pdf](#)

Relationships, services and related threats and safeguards

Services provided by Ernst & Young

	Planned fee 2021/22	Scale fee 2021/22	Final Fee 2020/21
	£'s	£'s	£'s
Total Fee - Code work	37,873	37,873	31,873
Changes in work required to address professional and regulatory requirements and scope associated with risk & Additional Procedures required and as reported within the Annual Audit Letter (Note 1)	-		29,984
Revised Scale Fee	TBC	37,873	67,857
Additional work:			
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 2)	28,362		
Additional Procedures required in response to the additional risks identified in in 2021/22 and set out in this Audit Results Report, in respect of: <ul style="list-style-type: none"> Accounting for Covid-19 related Government Grant income, NDR Appeals provision, Accounting for Infrastructure assets , Recoverability of Receivables, Going Concern, Valuation of Other Land and Buildings , Updates for Triennial Pension Valuations and resulting Audit Adjustments 	Note 3	-	-
Total fees	TBC	37,873	67,857

All fees exclude VAT

Note 1 - PSAA Ltd determined the Fee Variation for 2020/21 on 30 June 2022.

Note 2 - For 2020/21 we proposed an increase to the scale fee to reflect the increased level of audit work required which has been impacted by a range of factors, as detailed in previous Audit Results Reports - which led to the increase in the Scale Fee as set out. For 2021/22 the scale fee has again been re-assessed to take into account the same recurring risk factors and is subject to determination by PSAA Ltd.

Note 3 - As set out in this report, we have had to perform additional audit procedures to respond to the associated audit risks and audit adjustments identified. As we are concluding our work in relation to these areas, we cannot 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 Auditor's Annual Report.





A close-up photograph of a person's hand reaching into a filing cabinet to touch a folder. The cabinet is filled with numerous folders of various colors (yellow, blue, white) and sizes, each containing stacks of papers. The background is a textured, light-colored wall.

08 Appendices




Appendix A

Required communications with the Audit and Risk Management Committee

There are certain communications that we must provide to the those charged with governance of UK entities. 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 Risk Management 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.	Initial Audit Plan - 18 July 2022 - Audit and Risk Management Committee
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Initial Audit Plan - 18 July 2022 - Audit and Risk Management Committee
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 - 5 September 2023 - Audit and Risk Management 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 related to going concern ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The appropriateness of related disclosures in the financial statements 	Audit Results Report - 5 September 2023 - Audit and Risk Management Committee
Misstatements	<ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ 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 - 5 September 2023 - Audit and Risk Management Committee
Subsequent events	<ul style="list-style-type: none"> ▶ Enquiry of the Audit and Risk Management Committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements. 	Audit Results Report - 5 September 2023 - Audit and Risk Management Committee





Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> ▶ Enquiries of the Audit and Risk Management Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ 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 entity, any identified or suspected fraud involving: <ul 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 the Audit and Risk Management Committee responsibility. 	Audit Results Report - 5 September 2023 - Audit and Risk Management Committee
Related parties	<p>Significant matters arising during the audit in connection with the entity'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 entity 	Audit Results Report - 5 September 2023 - Audit and Risk Management 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>Initial Audit Plan - 18 July 2022 - Audit and Risk Management Committee</p> <p>Audit Results Report - 5 September 2023 - Audit and Risk Management Committee</p>

Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Independence (continued)	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> ▶ Relationships between EY, the company and senior management, its affiliates and its connected parties ▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence ▶ Related safeguards ▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees ▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit ▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard ▶ The Audit and Risk Management Committee should also be provided an opportunity to discuss matters affecting auditor independence 	
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. 	Audit Results Report - 5 September 2023 - Audit and Risk Management Committee
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 Risk Management 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 Risk Management Committee may be aware of 	Audit Results Report - 5 September 2023 - Audit and Risk Management Committee




Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
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 - 5 September 2023 - Audit and Risk Management Committee
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> ▶ Written representations we are requesting from management and/or those charged with governance 	Audit Results Report - 5 September 2023 - Audit and Risk Management 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 - 5 September 2023 - Audit and Risk Management Committee
Auditors report	<ul style="list-style-type: none"> ▶ Key audit matters that we will include in our auditor's report ▶ Any circumstances identified that affect the form and content of our auditor's report 	Audit Results Report - 5 September 2023 - Audit and Risk Management 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:

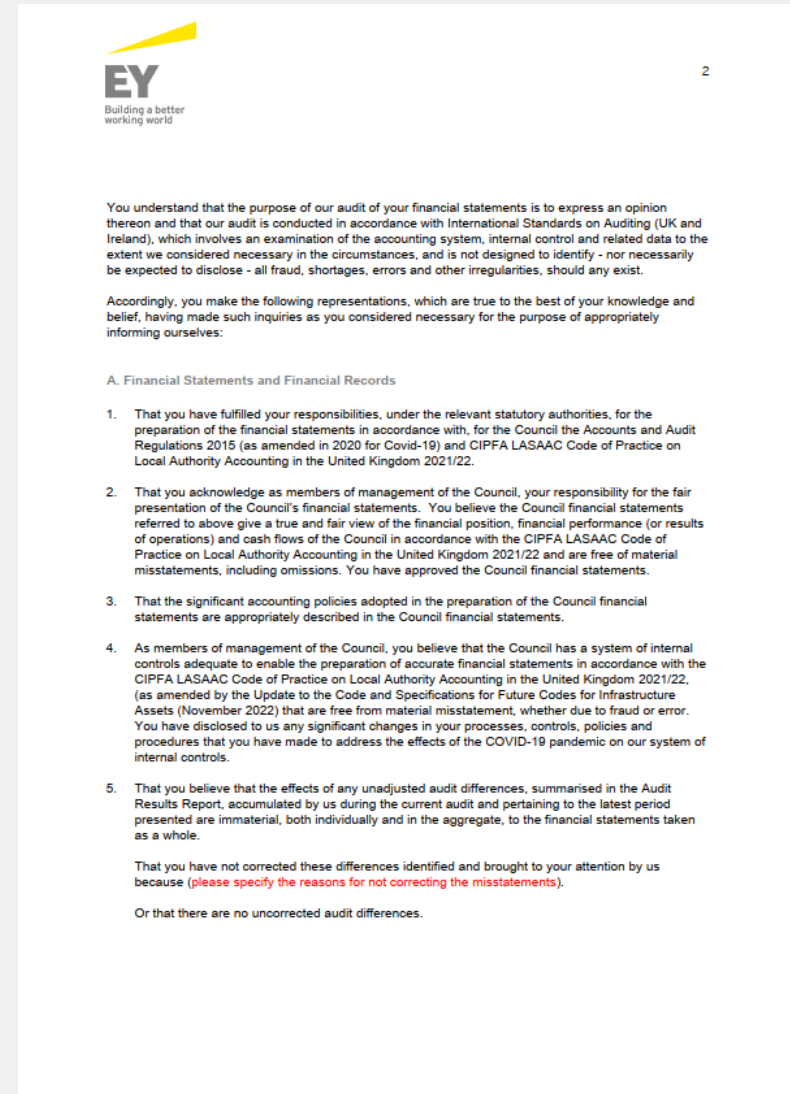
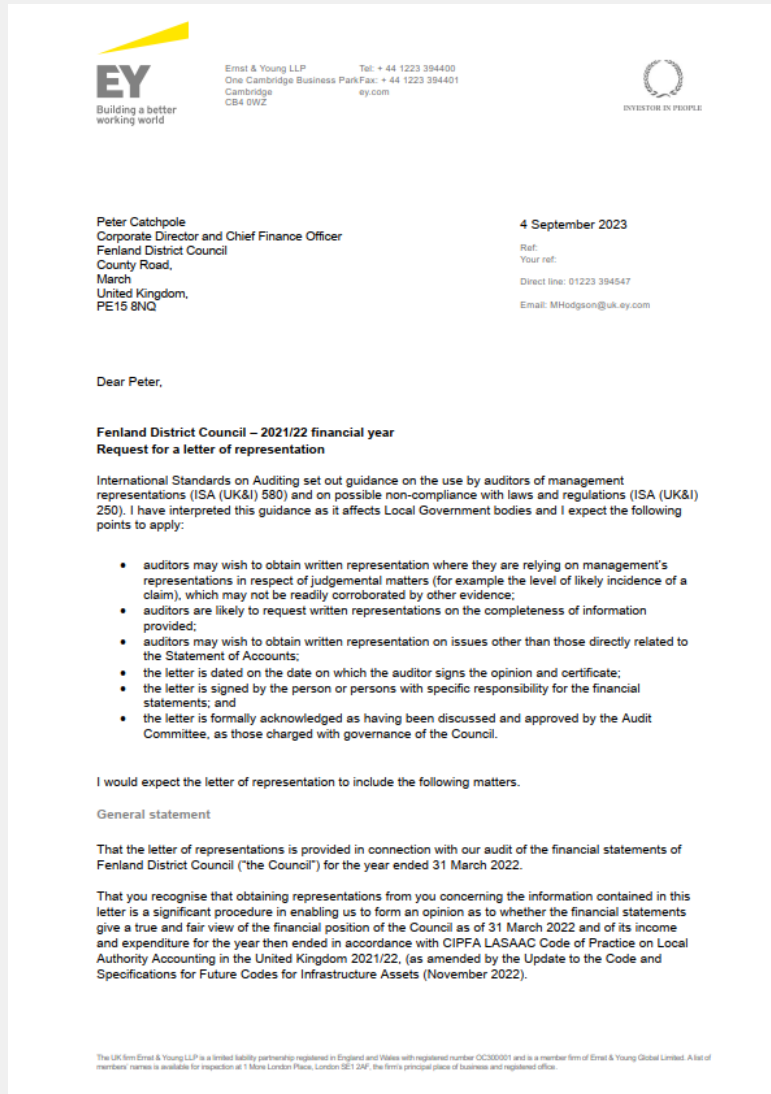
Item 	Actions to resolve 	Responsibility 
Grant Income notes	Conclude our review procedures	EY and management
Final Manager and Partner review	EY to conclude the final review procedures in relation to the latest information received from Management	EY
Receipt of management representation letter	Management to prepare and provide us with their representation letter for the 2021/22 audit	Management
Subsequent events procedures	Extension of some audit procedures like review of minutes and testing for unrecorded liabilities and provisions up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern remain to be finalised and audited. A draft of the current opinion (with outstanding areas highlighted) is included in Section 3.



Appendix C - Request for a Management Representation Letter

Request for a Management Representation Letter





Appendix C – Request for a Management Representation Letter

Request for a Management Representation Letter



3

6. That you have disclosed to us any significant changes in our processes, controls, policies and procedures that you have made to address the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on your system of internal controls. That you do not believe that there are any significant changes.

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

1. That you acknowledge that you are responsible to determine that the 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 our assessment of the risk that the Council financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the 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 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 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.



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2. That all material transactions, events and conditions have been recorded in the accounting records and are reflected in the Group and Council financial statements, including those related to the COVID-19 pandemic and to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
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: 28 September 2023.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the 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 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 Council's 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 Council has complied with, all aspects of contractual agreements that could have a material effect on the Council's 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 Council's 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 Council's financial statements (please specify the Notes) all guarantees that you have given to third parties.

E. Subsequent Events

1. That other than the disclosure described in Note 42 (Events after the balance sheet date) to the Group and Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial



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statements or notes thereto.

F. 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 2021-22.

2. You confirm that the content contained within the other information is consistent with the financial statements.

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 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.

H. Expenditure Funding Analysis

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

I. Going Concern

1. That the Council has prepared the financial statements on a going concern basis and that Note 41 - Going Concern (note reference to be inserted) to the financial statements discloses all of the matters of which you are aware that are relevant to the 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 for Levelling Up, Housing and Communities, the sufficiency of cash flows to support those financial plans.

J. Ownership of Assets

1. That except for assets recognised as right-of-use assets in accordance with IFRS 16 Leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.



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K. Reserves

1. You have properly recorded or disclosed in the Council's financial statements the useable and unusable reserves.

L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the valuation of the Council's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the 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 2021/22.

3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment 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 Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

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.

M. 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 pension 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 Council's 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.



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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 2021/22.
4. You confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 Pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

N. Other Estimates – NDR Appeals provision

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the assumptions underlying the NDR Appeals provision are consistent with your knowledge of the business.
2. You agree with the findings of the specialists that you engaged to evaluate the NDR Appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's 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 2021/22.
4. You confirm that the significant assumptions used in making the valuation of the NDR Appeals provision appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic, on the NDR Appeals Provision and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 Pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.



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O. Other Estimates – Expected Credit Losses

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the assumptions underlying the Expected Credit Losses are consistent with your knowledge of the business.
2. You agree with the findings of the specialists that you engaged to evaluate the Expected Credit Losses and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's 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 2021/22.
4. You confirm that the significant assumptions used in making the valuation of the Expected Credit Losses appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Expected Credit losses and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 Pandemic, or related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.

P. 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 Corporate Governance Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely


Mark Hodgson
Partner
Ernst & Young LLP
United Kingdom

Appendix D

Implementation of IFRS 16 Leases

In previous reports to the Audit and Risk Management Committee, we have highlighted the issue of new accounting standards and regulatory developments. IFRS 16 introduces a number of significant changes which go beyond accounting technicalities. For example, the changes have the potential to impact on procurement processes as more information becomes available on the real cost of leases. The key accounting impact is that assets and liabilities in relation to significant lease arrangements previously accounted for as operating leases will need to be recognised on the balance sheet. IFRS 16 requires all substantial leases to be accounted for using the acquisition approach, recognising the rights acquired to use an asset.

IFRS 16 does not come into effect for the council until 1 April 2024. However, officers should be acting now to assess the council's leasing positions and secure the required information to ensure the council will be fully compliant with the 2024/25 Code. The following table summarises some key areas officers should be progressing.

IFRS 16 theme	Summary of key measures 
Data collection	<p>Management should:</p> <ul style="list-style-type: none"> ▶ Put in place a robust process to identify all arrangements that convey the right to control the use of an identified asset for a period of time. The adequacy of this process should be discussed with auditors. ▶ Classify all such leases into low value; short-term; peppercorn; portfolio and individual leases ▶ Identify, collect, log and check all significant data points that affect lease accounting including: the term of the lease; reasonably certain judgements on extension or termination; dates of rent reviews; variable payments; grandfathered decisions; non-lease components; and discount rate to be applied.
Policy Choices	<p>The council needs to agree on certain policy choices. In particular:</p> <ul style="list-style-type: none"> ▶ Whether to adopt a portfolio approach ▶ What low value threshold to set and agree with auditors ▶ Which asset classes, if any, are management adopting the practical expedient in relation to non-lease components ▶ What is managements policy in relation to discount rates to be used?
Code adaptations for the public sector	<p>Finance teams should understand the Code adaptations for the public sector. The Code contains general adaptations, (e.g. the definition of a lease); transitional interpretations (e.g. no restatement of prior periods) and adaptations that apply post transition (e.g. use of short-term lease exemption).</p>
Transitional accounting arrangements	<p>Finance teams should understand the accounting required on first implementation of IFRS 16. The main impact is on former operating leases where the authority is lessee. However, there can be implications for some finance leases where the council is lessee; and potentially for sub-leases, where the council is a lessor, that were operating leases under the old standard.</p>
Ongoing accounting arrangements	<p>Finance teams need to develop models to be able to properly account for initial recognition and subsequent measurement of right of use assets and associated liabilities. This is more complex than the previous standard due to more regular remeasurements and possible modifications after certain trigger events.</p>
Remeasurements and modifications	<p>Finance teams need to familiarise themselves with when the 'remeasurement' or 'modification' of a lease is required and what to do under each circumstance. A modification can lead to an additional lease being recognised. It is also important to know when remeasurements require a new discount rate is to be applied to the lease.</p>

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