

Fenland District Council

Draft Auditor's Annual Report
Year ended 31 March 2025

14 November 2025



The better the question. The better the answer. The better the world works.



Shape the future
with confidence



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

14 November 2025

Dear Audit and Risk Management Committee Members,

2024/25 Draft Auditor's Annual Report

We are pleased to attach our draft Auditor's Annual Report including the commentary on the Value for Money (VFM) arrangements for Fenland District Council. This report and commentary explains the work we have undertaken during the year and highlights any significant weaknesses identified along with recommendations for improvement. The commentary covers our findings for audit year 2024/25. As the financial statement audit is still in progress as of November 2025, this report has been issued as draft and will be finalised as part of issuing the 2024/25 Audit Results Report.

This report is intended to draw to the attention of Fenland District Council any relevant issues arising from our work up to the date of issuing the report. It is not intended for, and should not be used for, any other purpose.

We welcome the opportunity to discuss the contents of this report with you at the Audit and Risk Management Committee meeting on 24 November 2025.

The [EY UK 2025 Transparency Report | EY - UK](#) provides details regarding the firm's system of quality management, including EY UK's system of quality management annual evaluation conclusion as of 30 June 2025.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

Enc

Contents

01 Executive Summary

02 Audit of financial statements

03 Value for Money Commentary

04 Appendices

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.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>).

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 July 2021)” 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

Purpose

The Auditor's Annual Report summarises the year's audit work, including value for money commentary and confirmation of the financial statement opinion. It also references any use by the auditor of their additional powers and duties under the Local Audit and Accountability Act 2014. In line with the NAO Code of Audit Practice 2024 ("the 2024 Code") and Auditor Guidance Note 03 (AGN 03), this report provides an overview to Fenland District Council and the public, detailing current recommendations and a review of prior years' actions, including our assessment of whether they have been satisfactorily implemented.

Auditors must issue their draft Annual Report to Those Charged with Governance by 30 November each year, reflecting the audit position and value for money assessment at that time, even if the 2024/25 audit is ongoing.

Responsibilities of the appointed auditor

We have undertaken our 2024/25 audit work (which is still ongoing at the date of drafting this report) in accordance with the Audit Plan that we issued on 23 April 2025. We have complied with the 2024 Code, other guidance issued by the NAO and International Standards on Auditing (UK).

As auditors we are responsible for:

Expressing an opinion on:

- Whether the financial statements give a true and fair view of the financial position of the Council and its expenditure and income for the year; and
- Have been prepared properly in accordance with the relevant accounting and reporting framework.

Reporting by exception:

- If the Annual Governance Statement does not comply with relevant guidance or is not consistent with our understanding of the Council;
- The use of additional powers and duties, for example making written recommendations under Section 24 and Schedule 7 of the Act or making a report in the public interest; and
- If we identify a significant weakness in the Council's arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Council

The Council is responsible for the preparation of the financial statements, including the narrative statement and governance statement, in accordance with the CIPFA Code and for having internal controls in place to ensure these financial statements are free from material error. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Executive Summary (cont'd)

2024/25 Conclusions

Financial statements	<p>Disclaimed - As reported in our Audit Completion Reports of 4 November 2024 and 31 January 2025, we issued disclaimer of opinions on the Council's 2022/23 and 2023/24 financial statements under these arrangements to reset and recover local government audit.</p> <p>In 2024/25, we have started to audit the closing balance sheet and in-year transactions and expect to be able to complete most of our planned procedures, thus obtaining assurance over a number of, but not all, balances and transactions. We have however not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances.</p> <p>As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all of the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taken together with the requirement to conclude our work by the 2024/25 backstop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2024/25 financial statements are free from material and pervasive misstatement.</p> <p>We therefore anticipate issuing a disclaimed 2024/25 audit opinion.</p> <p>Given that this is the first substantive audit performed in the last three financial years, there were numerous challenges for both ourselves as the auditors and for the Council's finance team. These included the departure of the previous Chief Accountant who had a key role in the preparation of the financial statements in previous years, and the resulting need for the new Chief Accountant and other members of the finance team to take on new roles and responsibilities related to the accounts. Despite these challenges, both teams have worked effectively together, allowing us to start to gain assurance over several account areas. The Council have indicated that they are committed to the audit process and to the build back of assurance, taking on board feedback from our 2024/25 audit and associated reporting. While there are still numerous challenges to be faced for 2025/26 and improvements to be made, as outlined in this report, the Council has taken a step in the right direction with the 2024/25 audit and the knowledge gained by both the Council and EY will have a positive impact on the audit in future years.</p>
Going concern	<p>Where a disclaimer of opinion is issued on the financial statements, we do not conclude on whether the use of the going concern basis of accounting is appropriate.</p>
Consistency of the other information published with the financial statements	<p>As we have not yet completed our audit of the 2024/25 financial statements, we have yet to conclude on whether financial information in the narrative statement and published with the financial statements is consistent with the accounts. We will provide an update in the finalised version of this report.</p>

Executive Summary (cont'd)

2024/25 Conclusions (cont'd)

Value for money (VFM)	We had no matters to report by exception on the Council's VFM arrangements.
Consistency of the Annual Governance Statement (AGS)	We were satisfied that the AGS was consistent with our understanding of the Council. We did note that the AGS was not published alongside the Draft Statement of Accounts by the 30 June 2025 deadline and have considered this within our VFM commentary in Section 03.
Public interest report and other auditor powers	We had no reason to use our auditor powers.
Whole of Government Accounts	We have not yet concluded the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as the NAO have not yet confirmed the final reporting position and whether any questions will be raised on individual returns. We cannot issue our Audit Certificate until these procedures are complete. We currently have no issues to report.
Certificate	We will issue our certificate once our audit is completed and we have concluded on all procedures required by the NAO on the Whole of Government Accounts submission.

Executive Summary (cont'd)

Value for money scope

Under the 2024 Code, 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 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.

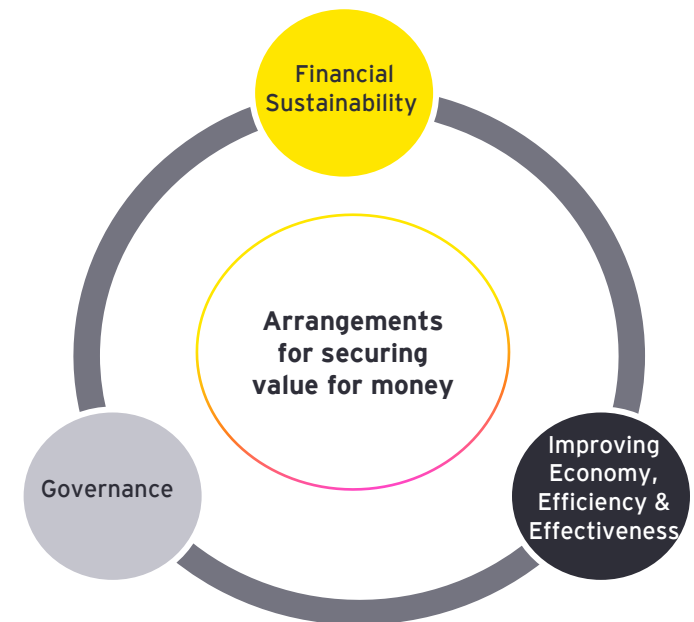
We do not issue a 'conclusion' or 'opinion', but where significant weaknesses are identified we will report by exception in the auditor's report on the financial statements.

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.
- 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.

In undertaking our procedures to understand the body's arrangements against the specified reporting criteria, we identify whether there are risks of significant weakness which require us to complete additional risk-based procedures. AGN 03 sets out considerations for auditors in completing and documenting their work and includes consideration of:

- Our cumulative audit knowledge and experience as your auditor;
- Reports from internal audit which may provide an indication of arrangements that are not operating effectively;
- Our review of Council committee reports;
- Meetings with the S151 Officer;
- Information from external sources; and
- Evaluation of associated documentation through our regular engagement with Fenland District Council management and the finance team.



Executive Summary (cont'd)

Reporting

Our VFM commentary for 2024/25 is presented in Section 03. This section provides a summary of our understanding of the arrangements at the Council, as determined from our evaluation of the evidence obtained in relation to the three reporting criteria (see table below) throughout 2024/25 and up to the date of issuing this draft Auditor’s Annual Report, which must be issued by 30 November. The recommendations we have agreed with the Council are included in Appendices A and B.

The final version of this report will be issued alongside the signed audit report concluding on the 2024/25 period.

In compliance with the 2024 Code, we are required to provide commentary against the three specified reporting criteria. The table below outlines these criteria, indicates whether a significant risk of weakness was identified during our planning procedures, and details our current conclusions regarding any significant weaknesses within your arrangements.

Reporting criteria	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability: How the Council plans and manages its resources to ensure it can continue to deliver its services	No significant risks identified.	No significant weakness identified.
Governance: How the Council ensures that it makes informed decisions and properly manages its risks	One significant risk identified in relation to the timely publication of the financial statements.	No significant weakness identified.
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	No significant risks identified.	No significant weakness identified.

Executive Summary (cont'd)

Independence

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 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

EY Transparency Report 2025

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 2025:

[EY UK 2025 Transparency Report | EY – UK](#)



02 Audit of financial statements

Audit of financial statements

Key findings

The Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

Our audit of the 2024/25 financial statements is currently in progress. We will report our findings in our Audit Results Report to the February 2026 Audit Committee.

At this stage of the audit, we have been unable to progress the audit as we initially planned. Although the Council was able to publish its draft accounts by the statutory deadline of 30 June 2025, we have encountered challenges during the course of the audit as outlined on the following pages.

These issues have impacted on us carrying out our planned audit work in some areas and we do not anticipate being able to complete all planned procedures for the 2024/25 audit.

Audit of financial statements (cont'd)

Financial statement reporting assessment

Management, and the Audit and Risk Management Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table below and over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

Where we have been unable to undertake all planned procedures, this is likely to extend the timetable to recover assurance on the Council's financial statements.

In addition, the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance is set out on Page 15. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 June 2025 deadline set out in the Accounts and Audit Regulations. However, the Annual Governance Statement (AGS) was not published alongside the financial statements are required per the regulations.	The Council were unaware of the requirement to publish the AGS along with the accounts by the deadline and have agreed to ensure the 2025/26 AGS is published prior to the statutory deadline. We have therefore deemed the process to be 'effective'.
Quality and completeness of the draft financial statements	Ineffective			The first version of the draft financial statements published by the Council had significant internal inconsistencies, typographical and arithmetic errors that should have been identified through internal quality review prior to publication.	The Council published a second version of the draft 2024/25 financial statements in July 2025. Whilst these were significantly improved, we have still identified various disclosure errors during the audit, which remains ongoing.
Delivery of working papers in accordance with agreed client assistance schedule	Requires Improvement			Working papers and requested evidence were often not provided in line with the agreed timetable.	N/A

Audit of financial statements (cont'd)

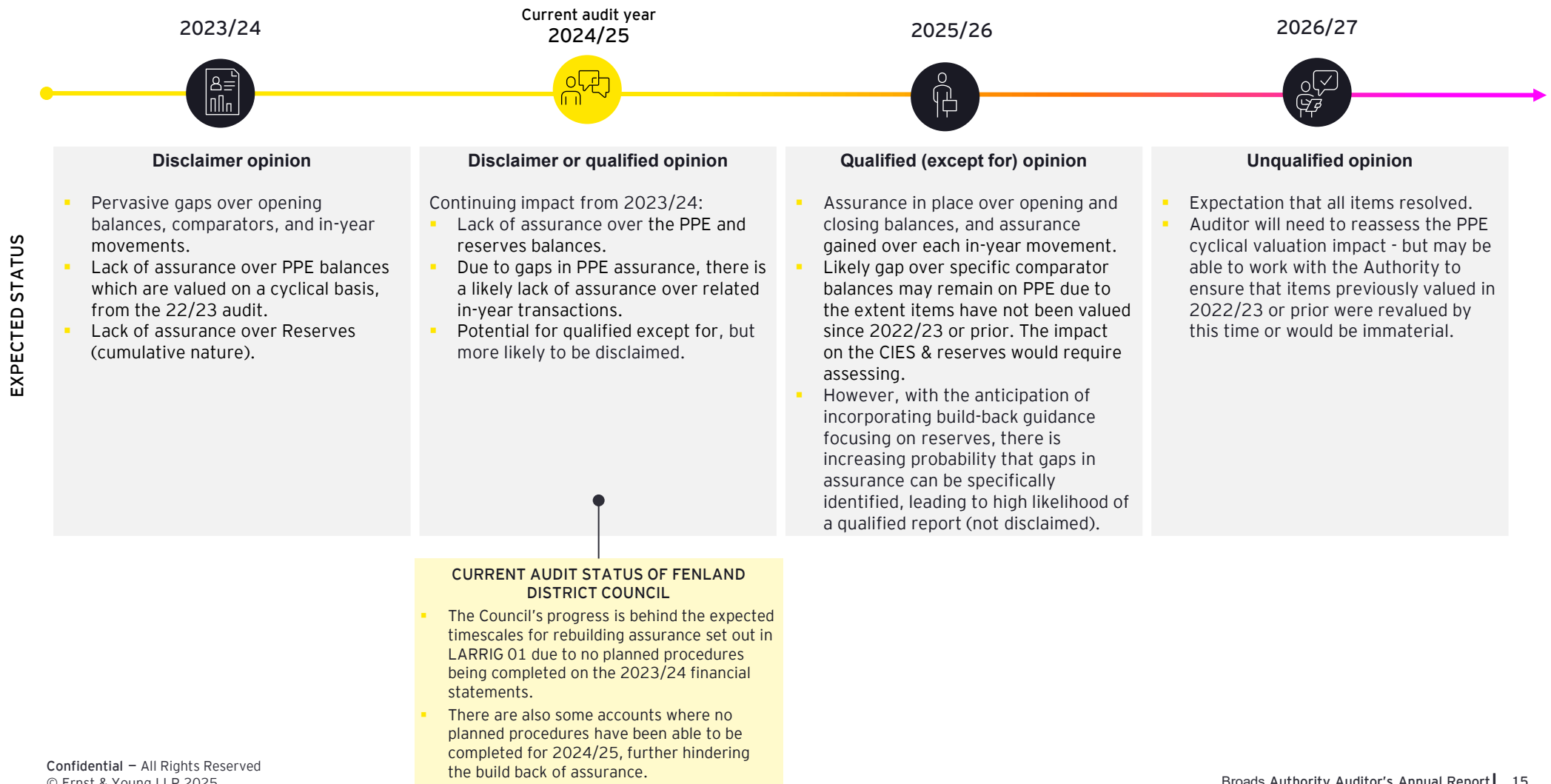
Financial Statement reporting assessment (cont'd)

Area	Status			Explanation	Further detail
	R	A	G		
Quality of working papers and supporting evidence	Requires Improvement			Whilst working papers and supporting evidence were generally of a good standard, there were instances where evidence provided did not satisfy all of the requested audit criteria.	The IFRS 16 leases working paper was of poor quality and had not assessed whether any of the Council's leases were required to be capitalised under the new standard.
Timeliness and quality of evidence supporting key accounting estimates	Ineffective			<p>Significant delays were experienced in the provision of supporting evidence from the Council's valuer (WHE) for the valuation of PPE and IP assets. There were also delays in responses from the Council and in sharing our queries with the Council's actuary (Hymans Robertson) in relation to IAS19 Pensions.</p> <p>In addition, we were unable to complete our planned procedures in relation to IFRS 16 leases due to the completeness of leases not being assessed appropriately as outlined above.</p>	The quality of evidence and explanations in relation to the valuation of PPE and IP assets were of a poor quality, resulting in requests for clarification and further evidence. This resulted in delays to the audit.
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires Improvement			The Chief Accountant endeavoured to support the audit to the best of their ability and was generally responsive to audit queries. We did however note that during the period when the Chief Accountant was on leave, responses to queries from the team were slower and this impacted on the completion of the audit. We recognise that, as we reported in the previous year, this is largely due to capacity issues in relation to both the Chief Accountant and the wider finance team, which impacts on their ability to respond to audit requests. Whilst we do not have any concerns in regard to access to the finance team or other key personnel, there are issues in relation to the overall capacity of the finance team to support the delivery of an audit in a timely manner, due to other competing priorities and business critical activities.	We have raised the capacity of the finance team as a Governance recommendation within Section 03 of this report.
Volume and value of identified misstatements	Effective			As of the date of this report, the value of identified misstatements is below performance materiality.	N/A
Volume of misstatements in disclosure	Requires Improvement			As of the date of this report, we have detected various misstatements in disclosure as a result of our work performed.	N/A

Audit of financial statements (cont'd)

Progress to full assurance

Set out below is the illustrative timescale for the process of re-building assurance set out in the NAO's Local Audit Reset and Recovery Implementation Guidance (LARRIG) 01, together with our view of the Council's actual progress against that timescale, the reasons for that and what still needs to be done to successfully rebuild assurance. The timetable set out in LARRIG 01 assumes that disclaimers for 2022/23 and all prior open audit years were issued by the statutory backstop date of 13 December 2024.





03 Value for Money commentary

Value for Money

The Council's responsibilities for value for money

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 the financial statements, the Council is required to bring together commentary on the governance framework and how this has operated during the period in a governance statement. In preparing the governance statement, the Council tailors the content to reflect its own individual circumstances, consistent with the requirements of the relevant accounting and reporting framework and having regard to any guidance issued in support of that framework. This includes a requirement to provide commentary on arrangements for securing value for money from the use of resources.

Our responsibilities

Under the revised NAO Code, 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 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 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. Our summary is below:

	Significant risk identified	Significant weakness identified	Recommendations identified
 Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.	<ul style="list-style-type: none"> No significant risk identified. 	<ul style="list-style-type: none"> No significant weakness identified. 	<ul style="list-style-type: none"> No recommendations identified.
 Governance How the Council ensures that it makes informed decisions and properly manages its risks.	<ul style="list-style-type: none"> One significant risk identified in relation to the timely publication of the financial statements. 	<ul style="list-style-type: none"> No significant weakness identified. 	<ul style="list-style-type: none"> Four recommendations identified. These are set out in Page 23 of this report.
 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.	<ul style="list-style-type: none"> No significant risk identified. 	<ul style="list-style-type: none"> No significant weakness identified. 	<ul style="list-style-type: none"> No recommendations identified.



VFM commentary: Financial Sustainability

Financial sustainability: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Financial Sustainability sub-criteria set out in AGN03:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Significant risks identified during planning procedures

Within our Audit Planning Report, we noted that we had yet to complete our detailed value for money planning. Having completed our risk assessment, we have not identified any risks of a significant weakness in the Council's arrangements for financial sustainability. In the prior year, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to financial sustainability are not significantly different in 2024/25 to in prior years.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 to plan and manage its resources to ensure it can continue to deliver its services.

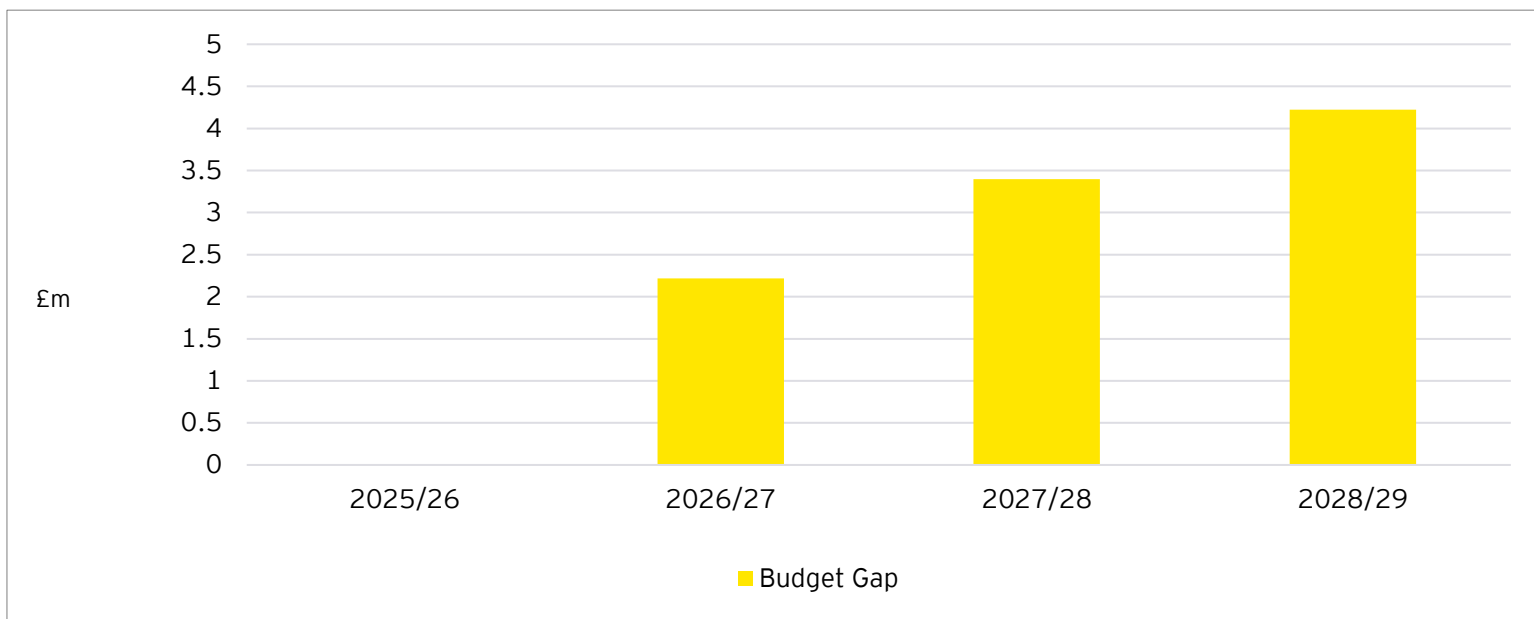


Financial Sustainability considerations

Medium Term Financial Strategy

In February 2025, the Council presented an updated Medium Term Financial Strategy for 2024/25 to 2028/29. The Strategy highlights the continuing levels of financial uncertainty across the sector and notes that there remains a significant structural deficit which the Council will need to address. Key challenges outlined within the Council's planning include pay and non-pay inflationary factors, ongoing uncertainty about future government funding and increasing levels of homelessness.

Exhibit A: The Council's MTFP outlines a cumulative gap of £4.22 million by 2028/29





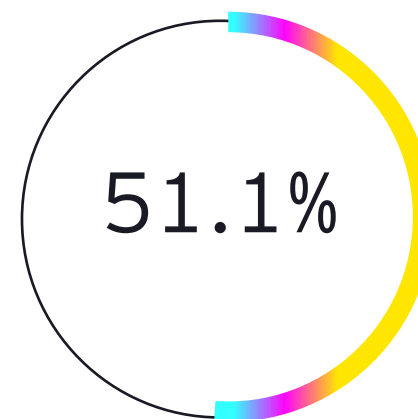
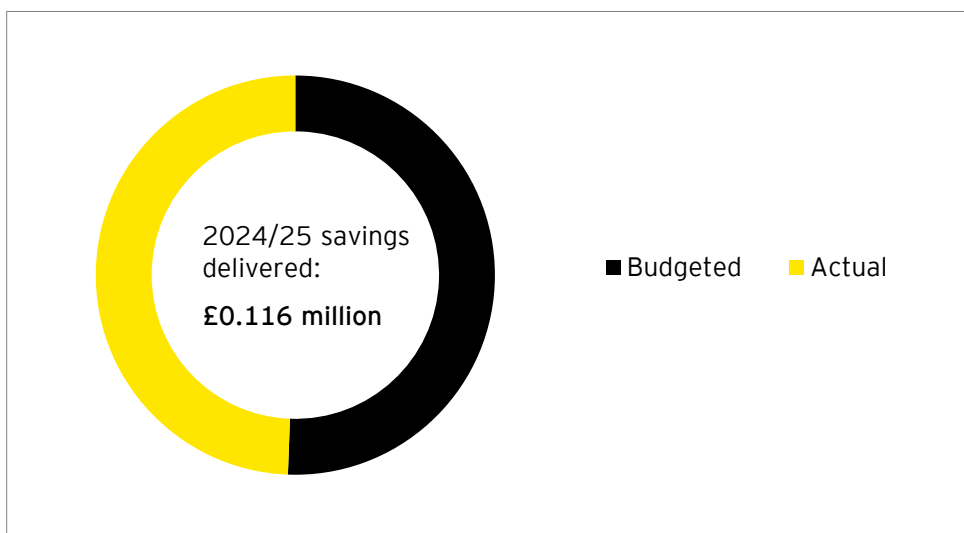
Financial Sustainability considerations (cont'd)

Savings plans

The Council's 2024/25 budget relied on the delivery of savings of £0.225 million. In the 2025/26 budget presented to the Council Committee in February 2025, the Council reported that it forecasted to only achieved £0.116 million, 51% of planned savings for 2024/25. The achievement of savings was reported to Audit & Risk Management Committee within regular budget monitoring reports.

The Council plan to deliver £0.550 million savings in 2025/26. As of September 2025, the Council is progressing on this target, with £0.125 million of savings made and a further £0.364 million of savings attributed to projects that are currently in progress. If the projects successfully complete by the end of the financial year, this would be a total of £0.489 million of savings made for 2025/26, 89% of the total target and thus a significant improvement in the achievement of the savings plan.

Exhibit B: The Council delivered 51% of planned £0.225 million of savings in 2024/25





Financial Sustainability considerations (cont'd)

Savings plans (cont'd)

As of 31 March 2025, the Budget Equalisation Reserve and General Fund Reserve stood at £1.654 million and £2 million respectively. However, the Council used £1.432 million of the Budget Equalisation Reserve in 2025/26 to achieve a balanced budget.

The updated shortfall places even more emphasis on achieving savings and additional income. The Council has put in place the Transformation Agenda 2 programme (TA2). The TA2 is constantly evolving in terms of what savings can be achieved and a Steering Group made up of senior officers has been put in place. In addition, the Council has commissioned the development of a Full Business Case in relation to its' future accommodation requirements with a preferred option of leaving Fenland Hall and securing more suitable accommodation, with the aim of achieving savings in running costs and also significant cost avoidance over the MTFS period. Additionally, the Council has used its Commercial and Investment Strategy to fund the purchase of properties, in conjunction with funding from the governments' Local Authority Housing Fund, to meet the rising demand and to reduce future costs relating to homelessness and temporary accommodation.

The TA2 project aims to deliver savings amounting to £2 million over the medium term, which includes the realisation of savings from staff, reduction in allowance payments, the reduction of fleet vehicles and reduction in overtime spending and agency costs.

Additionally, the Council is progressing with its Commercial and Investment Strategy, which involves the generation of additional sources of income to reduce the need for savings to be found. In particular, the Council recently concluded the land transfers of two sites (The Elms, Chatteris and the Nene Waterfront, Wisbech). These two projects include the delivery of a new electricity substation and affordable rent care facility, on which work has commenced. This will provide affordable rent opportunities for those with care needs and will also lead to further income to the Council, once complete.

The Council have not financed their commercial investment properties, which are all within Fenland District, from external borrowing. The Council carry out their commercial strategy through their subsidiary, Fenland Future Ltd (FFL). In 2024/25, the Council made a further £0.15 million loan to FFL to continue to progress these projects. The Council receives interest on these loans from FFL, receiving £0.147 in 2024/25.

Reserves position

Within the 2025/26 budget, the Council's reserves strategy outlines that the minimum reserves to be held as uncommitted general funds is £2 million. This is 9% of the Council's net expenditure for 2024/25 of approximately £22 million. The Council's current general fund balance is £2 million and is therefore very close to the minimum level. From April 2023 to April 2025, the Council's total earmarked reserves increased marginally by £0.061 million, to £11.186 million, while total usable reserves decreased by £0.427 million, to £16.551 million.

The Council used a significant portion of the Budget Equalisation Reserve to fund the shortfall within the 2025/26 budget, resulting in a reduction in this reserve to £1.654 million, from £2.111 million at 31 March 2025. The Council therefore needs to continue to focus on transformation savings and ways of increasing income.



VFM commentary: Governance

Governance: Our audit procedures

Our audit procedures obtained assurance over the arrangements in place for the Governance sub-criteria set out in AGN03:

- How the Council monitors and assesses risk and how the body gains assurance over the effective operations of internal controls, including arrangements to prevent and detect fraud;
- How the Council approaches and carries out its annual budget setting process;
- How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance; and
- How the Council monitors and ensures appropriate standards, such as meeting legislative / regulatory requirements and standards in terms of officer and member behaviour (such as gifts and hospitality declarations / conflicts of interest), and for example where it procures or commissions services.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified the Council's governance arrangements as an area of focus for our 2024/25 audit, in light of the late publication of the 2022/23 and 2023/24 draft Statement of Accounts, and the significant weakness regarding this reported in 2023/34. We also made a recommendation in relation to the Council's governance arrangements in 2023/24. We summarise our consideration of the Council's progress against that recommendation in Appendix B. The Council's underlying arrangements in relation to governance are not significantly different in 2024/25.

For 2024/25, while we did not identify any significant weakness in overall arrangements, we have made four governance recommendations that are detailed over-page. We gave careful consideration as to whether the weaknesses in the financial statement procedures referred to in the table on Pages 13 and 14 of this report indicated a significant weakness. On balance, we concluded that, due to the improvements in the timeliness of the production of the accounts in 2024/25 compared to prior years and the support provided by the finance team, along with the fact that we have not identified any issues with the Council's in year financial reporting or monitoring, the issues we have noted did not represent a significant weakness in overall governance arrangements. We do however note that we are likely to again identify the financial statements process as a risk of significant weakness in 2025/26 and will expect to see further improvements in the Council's processes in this area.



VFM commentary: Governance (cont'd)

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 to make informed decisions and properly manage its risks. However, we have made the below recommendations in regard to the Council's governance arrangements.

Recommendations

- The Council should review and assess the adequacy of the skills and capacity of the Council's finance team to ensure it is sufficient to support all the Council's business critical activities:
 - As outlined on Page 14, whilst working papers and supporting evidence were generally of a good standard, there were instances where evidence provided did not satisfy all of the requested audit criteria, which impacted our ability to complete all our planned procedures. Preparations for Local Government Reorganisation will also result in additional work for the finance team over the coming months.
- The Council consider the appointment of an independent member to the Audit & Risk Management Committee to ensure the Committee is operating independently and with the correct skill mix in place to support an effective layer of governance.
 - In December 2024, the Audit & Risk Management Committee rejected the recommendation to appoint an independent member to the Committee. Guidance within the CIPFA Position Statement on Audit Committees in Local Authorities and Police 2022, is that 'the audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation. Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise'. We therefore recommend that the Council reconsider appointing independent members to the Audit & Risk Management Committee.
- The Council should publish the Annual Governance Statement (AGS) by the 30 June 2026.
 - The 2024/25 AGS was published after the 30 June deadline set out in the Audit and Accounts Regulations. The Council have acknowledged their responsibility to publish prior to the accounts publication deadline and will ensure this requirement is met in future years.
- The Council should ensure actions is taken to progress the recommended actions in Internal Audit reports on a timely basis.
 - There are 29 agreed actions from Internal Audit reports that are overdue from 2023/24, including one high-risk action, and two further overdue actions from 2021/22, which also include a high-risk action. This is a significant number of outstanding actions and also indicates potential issues with the capacity of the finance team as well as in the Council more widely.



Governance considerations

Annual Governance Statement

We reviewed the framework for the preparation of the Annual Governance Statement (AGS). The process, as designed, is adequate to enable the Authority to report on the design and operation of arrangements that ensure sound governance, effective resource and risk management, and robust internal controls.

We noted that the 2024/25 AGS was published after the 30 June deadline set out in the Audit and Accounts Regulations. The Council have acknowledged their responsibility to publish prior to the accounts publication deadline and will ensure this requirement is met in future years. We have therefore made a recommendation within this report to ensure that the AGS is published in line with the statutory requirements.

Risk management

The Council has a Corporate Risk Register in place. The Head of ICT, Digital and Resilience has overall responsibility for the Corporate Risk Register. The register is considered at management level and taken to the Audit and Risk Management Committee quarterly, with elevation to full Council meetings for significant risks or issues identified.

The risk register focuses on project, directorate and strategic risks. Significant risks that could impact budgets are identified through the Risk Management Policy and raised as Strategic Risks to the Cabinet for review throughout the year. The Section 151 Officer is assigned the responsibility of setting and monitoring compliance with financial management standards including the securing of key financial controls.

Internal audit arrangements

The Council have a suitable Internal Audit function in place. The Internal Audit Plan for 2024/25 was presented and approved at the March 2024 Audit and Risk Management Committee. Internal Audit present regularly to the Committee throughout the year regarding their progress against the plan and the outcome of their audits, culminating in the Head of Internal Audit Opinion for the financial year, which as noted in the AGS was that of 'Reasonable' assurance. The Internal Audit Opinion was presented at the July 2025 Audit and Risk Management Committee.

Within the Internal Audit Opinion for 2024/25, the Head of Internal Audit noted that there are 20 agreed actions that are overdue in 2024/25, which are all allocated under medium risk. It is therefore crucial that the Council and Internal Audit continue to ensure that all outstanding actions are being monitored with the action owners on a regular basis, and that all overdue actions are reported to management.

There are also 29 agreed actions that are overdue from 2023/24 including a high-risk action, and two further overdue actions from 2021/22 which also comprise of a high-risk action. The 2023/24 high-risk action relates to the continuation of a phishing exercise for cyber security. While the original exercise is complete, a phishing re-check exercise was agreed upon and was still in progress as of the date of the Head of Internal Audit opinion. The 2021/22 overdue high-risk action is in relation to finalisation of formal lease documents. Given the Council failed to identify all leases that were required to be capitalised through the implementation of IFRS 16, it is recommended that the Council finalise this outstanding action in a timely manner so all the Council's leases can be considered ahead of the publication of the 2025/26 draft financial statements. This will also ensure that the Council has the necessary evidence to support the valuation and rights & obligations of their leases.

In light of the number of outstanding Internal Audit actions we have raised a recommendation within this report relating to this issue.



Governance considerations (cont'd)

Internal audit arrangements (cont'd)

Internal audit published two limited assurance reports in 2024/25. These two areas were related to 'Contract Monitoring - Leisure Services' and 'Debtors & Collection Agency'.

In respect of Contract Monitoring, nine medium risk actions were noted from this audit, including substantiation of annual outturns. The failure to substantiate annual outturns could potentially result in a loss of income for the Council, especially if the Council is not accurately reporting the income and expenditure in relation to its leisure centres. The Council should therefore prioritise this action.

Both 'Debtors & Collection Agency' and 'Port Berthings - Special Audit' were given limited assurance by Internal Audit in 2023/24. In the 2024/25 Internal Audit Report, the Port Berthings audit was given reasonable assurance as improvements had been made in respect of the previous recommendations.

For Debtors & Collection Agency however, the 2024/25 audit report still gave only limited assurance, as none of the agreed actions had been fully implemented at the time of follow-up, so the opinion remained unchanged. Since then, steps have been taken to complete these actions, including forming a new debt management group and updating the Debt Management Policy. The remaining actions however are still in progress and are being monitored by Internal Audit.

Whilst we are satisfied there is no significant weakness in arrangements to respond to Internal Audit recommendations in 2024/25, given the budgetary pressures the Council is facing, focus should be given to completing the remaining actions and ensuring the necessary controls are in place to support effective debt collection. Failure to do so may result in the Council losing potential income that it is due, resulting in further use of the Budget Equalisation Reserve to balance the budget.

The offence of failing to prevent fraud, as introduced by the Economic Crime and Corporate Transparency (ECCT) Act 2023, became effective on 1 September 2025. The Home Office has published statutory guidance (most recently updated in October 2025) which organisations must consider. This guidance outlines the core principles for establishing, reviewing, or enhancing anti-fraud procedures.

The Council has reviewed its existing fraud policy and procedures against the latest Home Office guidance to assess whether arrangements in place were sufficient to discharge its responsibilities under the Act. Based on this assessment, officers have concluded that although the Anti Fraud and Corruption Policy has not been amended to include reference to the ECCT Act, they are satisfied the arrangements in place adequately address the requirements. They have however identified some actions to further strengthen arrangements.



Governance considerations (cont'd)

Local Government Reorganisation

Local Government Reorganisation is expected to pose challenges for local authorities over the next year. During this period of change, the Council must maintain essential services and fulfil statutory duties. According to the Ministry of Housing, Communities, and Local Government (MHCLG) guidance issued in July 2025, decisions made by the Council prior to reorganisation regarding ongoing service delivery and the medium-term financial strategy should focus on providing value for money for taxpayers and avoid limiting future decisions or sustainability of new councils.

The government has stated that it will issue directions under section 24 of the 2007 Act after Structural Changes Orders are made, specifying a person authorised to give consent on relevant matters and outlining how this authority should be exercised. MHCLG has noted these directions will follow previous precedents, requiring written consent from the successor council for land disposals and contracts exceeding a specified value.

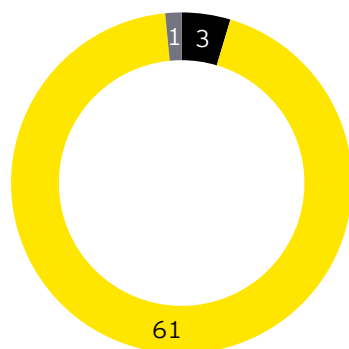
To comply with MHCLG guidance and forthcoming directions, councillors and statutory officers need to be aware of their responsibilities and ensure that appropriate accounting and governance systems are maintained.

Preparations for local government reorganisation will also result in additional work for the Council's finance team. In recent years, as well as the current year, we have reported concerns regarding the capacity of the finance team to prepare good quality accounts on a timely basis and support an effective audit. This is reflected in our assessment included within this report (Page 23), where we have noted a recommendation in relation to capacity of the finance team. With the increasing demands linked to local government reorganisation, it is critical that the Council ensures that it has sufficient skills and capacity to support both of these business-critical activities.



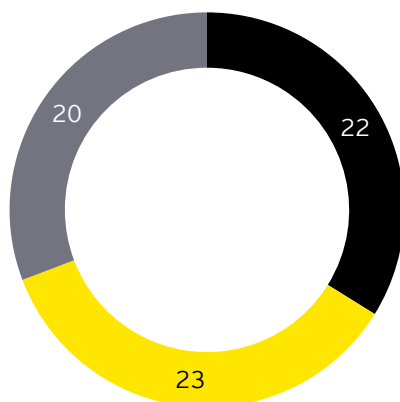
Governance considerations (cont'd)

Exhibit C: Internal audit's follow up of recommendations for 2024/25 noted that 22 of a total 65 were completed as planned, with 20 of recommendations overdue. The Council should ensure that they are addressing any internal audit findings in a suitable timeframe.



Rating of internal audit recommendations:

- High
- Medium
- Low



Progress of internal audit recommendations:

- Complete
- Outstanding
- Overdue



VFM commentary: Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness: Our audit procedures

Our audit procedures include:

- How financial and performance information has been used to assess performance to identify areas for improvement;
- How the Council evaluates the service it provides to assess performance and identify areas for improvement;
- How the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess where it is meeting its objectives; and
- Where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

Significant risks identified during planning procedures

Within our Audit Planning Report, we identified no risks of a significant weakness in the Council's arrangements for improving economy, efficiency and effectiveness. In the prior year, no significant weaknesses were identified and there are no outstanding recommendations relating to prior years. The Council's underlying arrangements in relation to improving economy, efficiency and effectiveness are not significantly different in 2024/25 to in prior years.

Overview of our conclusions

Based on the work performed, the Council had proper arrangements in place in 2024/25 in how it uses information about its costs and performance to improve the way it manages and delivers its services.



Improving economy, efficiency and effectiveness considerations

Financial and performance information

The Council's is operating in a challenging economic climate, with central government funding reductions. Within this environment the Council has determined not to increase its council tax charge. Over the period from 2018/19 to 2023/24 (adjusted to 2023/24 prices), Fenland's total net service spend per head dropped by 5.6%, reflecting tighter budgets and spending constraints, whilst total reserves as a percentage of net current expenditure increased slightly by 1.2%, and the council tax requirement fell by 12.4%. This indicates a modest strengthening of the financial position. The Council made significant efficiency gains in operations, with management and support service spending as a proportion of total service expenditure decreasing significantly. Overall, total spend per head decreased by 25.8%, highlighting the scale of financial tightening.

Overall, whilst in recent years the Council has managed to maintain or slightly improve its level of reserves, it still faces ongoing challenges from falling income, rising operational costs in some areas, and the need to deliver services with fewer resources.

Procurement and commissioning of services

The Council has a full-time Procurement Manager who reports to the Head of Legal and Governance. Officers are regularly reminded of the Council's procurement policies at management team meetings. The Procurement Manager actively reviews purchase orders to confirm procurement has been undertaken in line with Council policy and statutory requirements.

As noted from the Council's Code of Procurement, the Council have emphasised the importance of identifying the correct level of approval required at the commencement of any procurement exercise. This ensures that contract awards are not delayed and that the Council is fully compliant with its wider governance obligations. The Council's Monitoring Officer is authorised to make amendments as necessary to ensure that this Code is consistent with legislative requirements, best practice guidance issued from central Government and changes to the Council's policies, procedures and personnel.

Partnership working

The Council's most significant partnership is the Anglia Revenues Partnership (ARP) for the provision of the housing benefit service. There is a joint ARP Committee with representatives from each of the five Councils that constitute the Partnership. The Joint Committee meets quarterly and consider performance against key areas, as well as any other items of relevance to their service delivery.



04 Appendices

Appendix A – Recommendations from current year

Recommendations for 2024/25

The table below sets out the recommendations arising from the value for money work for the year 2024/25. All recommendations have been agreed by management.

Issue	Recommendation	Management response
Governance	The Council should review and assess the adequacy of the skills and capacity of the Council's finance team to ensure it is sufficient to support all the Council's business critical activities.	In May 2025, the Chief Accountant of over 40 years retired, and the Council changed the way they worked on the audit. The new Chief Accountant has involved more of the team in the process to help workload and development within the team. This has been successful and as such the finance team are happy with where they now are following this key event. The Chief Accountant and S151 Officer constantly review resources and are looking to develop existing team members through a combination of learning new areas of work and working towards professional qualifications. As S151 Officer I am delighted with the progress of the team and the leading role the Chief Accountant is taking in this exciting process.
Governance	The Council should consider the appointment of an independent member to the Audit & Risk Management Committee to ensure the Committee is operating independently and with the correct skill mix in place to support an effective layer of governance.	Two papers have been taken to the Audit & Risk Management Committee regarding an independent member, and this continues to stay on the current workplan. At present, there is no intention to appoint to this position.
Governance	The Council should publish the Annual Governance Statement (AGS) by the 30 June 2026.	Management have acknowledged their responsibility to publish the AGS prior to the accounts publication deadline and will ensure this requirement is met in future years.
Governance	The Council should ensure actions is taken to progress the recommended actions in Internal Audit reports on a timely basis.	Regular updates are taken to the Audit & Risk Management Committee and are shared internally on a regular basis with CMT and management team colleagues. It is agreed that this should be considered further and we will take action to ensure further progress is made.

Appendix B – Recommendations from previous years

Recommendations brought forward from previous years

The table below sets out the recommendations arising from the value for money work in the prior year, 2023/24, and progress made in the current year. All recommendations have been agreed by management.

Issue	Recommendation	Progress made in 2024/25
Governance	The Council need to continue to re-assess roles, responsibilities and resource requirement for financial reporting, including an assessment of the support required from other functions within the organisation for the financial reporting function to meet its objectives and the requirements of the Audit and Accounts Regulations.	<p>The Council has recognised the need to improve their financial reporting arrangements. This is evidenced by the fact that the Council published their 2024/25 draft financial statements by the 30 June 2025 deadline. There is however still more to be done by the Council to support the production of high quality accounts and an effective and efficient audit, as indicated by the comments in this report.</p> <p>We have included a recommendation within Appendix A related to the need for the Council to review and assess the capacity of their finance team.</p>

EY | Building a better working world

EY is building a better working world by creating new value for clients, people, society and the planet, while building trust in capital markets.

Enabled by data, AI and advanced technology, EY teams help clients shape the future with confidence and develop answers for the most pressing issues of today and tomorrow.

EY teams work across a full spectrum of services in assurance, consulting, tax, strategy and transactions. Fueled by sector insights, a globally connected, multi-disciplinary network and diverse ecosystem partners, EY teams can provide services in more than 150 countries and territories.

All in to shape the future with confidence.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young LLP

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

© 2025 Ernst & Young LLP. Published in the UK.
All Rights Reserved.

UKC-038566 (UK) 03/25. Creative UK.
ED None

Information in this publication is intended to provide only a general outline of the subjects covered. It should neither be regarded as comprehensive nor sufficient for making decisions, nor should it be used in place of professional advice. Ernst & Young LLP accepts no responsibility for any loss arising from any action taken or not taken by anyone using this material.

ey.com/uk