

Agenda Item No:	5	
Committee:	Audit & Risk Management Committee	
Date:	17 February 2026	
Report Title:	Audit Results Report Year Ended 31 March 2025 - Statement of Accounts 2024/25	

## 1 Purpose / Summary

The purpose of this report is for members to review and approve the final Audit Results Report Year Ended 31 March 2025.

## 2 Key issues

- The annual accounts are prepared in accordance with the Code of Practice on Local Authority Accounting (The Code) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) and based on International Financial Reporting Standards (IFRS).
- The draft unaudited Statement of Accounts 2024/25 were published on 30 June 2025.
- The Annual Governance Statement (AGS) 2024/25 was approved by this Committee at the 28 July 2025 meeting and is included in the Statements for completeness.
- Under the Government's Reset and Recovery legislation, the 2024/25 Statement of Accounts is subject to a disclaimed audit report.
- The Final Statement of Accounts are still being amended to include the findings of the attached audit report and will be circulated to this Committee for note before the 28<sup>th</sup> February 2026 publishing date.
- Following approval by this Committee, and subject to EY having completed all outstanding work, it is anticipated that they will 'sign off' the accounts by 28 February 2026.
- Following the auditors' signature, the accounts will be published on our website and notice will be given by advertisement in the local papers and on our website, that the audit has been concluded.

### 3 Recommendations

**It is recommended:**

- (i) that the final Audit Results Report Year Ended 31 March 2025 presented be noted;
- (ii) that delegation be given to the Chairman of Audit & Risk Management Committee and the Corporate Director and Chief Finance Officer to agree any further amendments to the Statement of Accounts which may arise prior to the final 'sign off' by the external auditors.

<b>Wards Affected</b>	All
<b>Forward Plan Reference</b>	
<b>Portfolio Holder(s)</b>	Cllr Chris Boden, Leader and Portfolio Holder for Finance
<b>Report Originator(s)</b>	Peter Catchpole, Corporate Director and Chief Finance Officer Sian Warren, Chief Accountant
<b>Contact Officer(s)</b>	Peter Catchpole, Corporate Director and Chief Finance Officer Sian Warren, Chief Accountant
<b>Background Paper(s)</b>	Closure of accounts working papers 2024/25 EY Audit Completion Report – Year ended 31 March 2025

# Fenland District Council

Audit results report

Year ended 31 March 2025

9 February 2026



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



Shape the future  
with confidence



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

9 February 2026

Dear Committee Members,

### **2024/25 Audit results report**

We 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 2024/25 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 (the Council's) accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

The Audit and Risk Management Committee, as the Council's body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the Audit and Risk Management Committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements; and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so. We draw Audit and Risk Management Committee members' and officers' attention to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) which clearly sets out what is expected of audited bodies in preparing their financial statements.

This report is intended solely for the information and use of the Audit and Risk Management Committee and management, and 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 Committee meeting on 17 February 2026.

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

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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/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 – Context for the audit

## Context for the audit - Measures to address local audit delays

Timely, high-quality financial reporting and audit of local bodies is a vital part of the democratic system. It supports good decision making by local bodies and ensures transparency and accountability to local taxpayers. There is general agreement that the backlog in the publication of audited financial statements by local bodies has grown to an unacceptable level and there is a clear recognition that all stakeholders in the sector need to work together to address this. Reasons for the backlog across the system have been widely reported and include:

- Lack of capacity within the local authority financial accounting profession;
- Increased complexity of reporting requirements within the sector;
- A lack of auditors and audit firms with public sector experience; and
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG has worked collaboratively with the FRC and other system partners, to develop and implement measures to clear the backlog. The approach to addressing the backlog consists of three phases:

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024. This has now been delivered.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2024/25 financial statements is 27 February 2026. This process of rebuilding assurance will take several years to achieve. The NAO, supported by the MHCLG and the FRC, are responsible for issuing guidance and have been liaising with audit firms to understand the complexities involved and to seek to ensure a more consistent approach for restoring assurance for disclaimed periods. The NAO has now published its Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06 setting out considerations for rebuilding assurance following the issue of disclaimed audit opinions under the backstop arrangements. The guidance predominantly focuses on the rebuilding of assurance over reserves, where it is more difficult to obtain assurance because of the way in which they accumulate over successive years. It also continues to recognise that the approach needed to rebuild assurance will differ authority to authority and will need to be considered in the context of both inherent risk factors which all authorities subject to recently disclaimed opinions will share, and factors specific to each individual authority's system of internal control and financial reporting. We will continue to consider the impact of this on our audit approach. In 2024/25 we have continued to audit the closing balance sheet and in-year transactions, which allows the build back of assurances over a large number of balances within the financial statements where audit procedures can be completed for successive years.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our Audit Completion Report dated 31 January 2025, we issued a disclaimer of opinion on the Council's 2022/23 and 2023/24 financial statements under these arrangements to reset and recover local government audit. In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all 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 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.

Appendix A sets out the current position of Fenland District Council in rebuilding to return to a position of full assurance on its financial statements as compared with the timeline envisaged by the NAO's LARRIG 01. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

# Executive Summary

## Scope update

In our Audit Planning Report presented at the 12 May 2025 Audit and Risk Management Committee meeting, 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:

- In our Audit Planning Report, 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 consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure on services, we have updated our overall materiality assessment to £1.25 million. This results in updated performance materiality, at 75% of overall materiality, of £0.94 million, and an updated threshold for reporting misstatements of £0.06 million.

## Status of the audit

Our audit work in respect of the opinion is substantially complete. The following items relating to the completion of our audit procedures were outstanding at the date of this report.

- Agreement of final Statement of Accounts
- Management representation letter
- Subsequent events review
- Agreement of revaluation surplus
- REFCUS testing

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

## Value for Money

In our Auditors Annual Report presented at the 24 November 2025 Audit and Risk Management Committee, we reported that we had completed our value for money (VFM) risk assessment and that we had identified no risks of significant weaknesses in arrangements.

## Audit differences

- Management have corrected misstatements amounting to £0.67 million.
- We noted an uncorrected misstatement amounting to £0.45 million. This was in relation to a REFCUS item which the Council were unable to provide sufficient evidence for. This was uncorrected as it is below performance materiality.
- Various disclosure misstatements throughout the Statement of Accounts have been noted and corrected by management.

# Executive Summary (cont'd)

## Other reporting issues

We have reviewed the information presented in the Annual Governance Statement for consistency with our knowledge of the Council. We have no matters to report as a result of this work.

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts.

## Areas of audit focus

In our Audit Planning Report we identified a number of key areas of focus for our audit of the financial report of the 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 explained within the 'Areas of Audit Focus' section of this report and summarised below.

Where applicable we have identified those matters that we consider to be key audit matters. Key audit matters are selected from the matters we communicate to you that in our opinion are of most significance to the current period audit and required significant attention in performing the audit. In accordance with ISA (UK) 701 key audit matters are included in our auditor's report.

Risk	Status of our work
Fraud Risk 1 - Misstatements due to fraud or error	<ul style="list-style-type: none"><li>We have completed our work on this area and have not identified any misstatements.</li></ul>
Fraud Risk 2 - Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	<ul style="list-style-type: none"><li>We have completed our work on PPE Additions and have not identified any misstatements.</li><li>We have completed our work on REFCUS, pending final executive review. We have noted an uncorrected misstatement amounting to £0.45 million. This was in relation to a key item which the Council were unable to provide sufficient evidence for. This was uncorrected as it is below performance materiality.</li></ul>
Inherent Risk 1 - Valuation of land and buildings and investment property	<ul style="list-style-type: none"><li>We have completed our work on this area and have identified a misstatement of £0.42 million. This has been corrected by management.</li></ul>
Inherent Risk 2 - Pension liability valuation	<ul style="list-style-type: none"><li>We have completed our work on this area and have identified a misstatement of £0.10 million. This has been corrected by management.</li></ul>
Inherent Risk 3 - Implementation of IFRS 16	<ul style="list-style-type: none"><li>We have been unable to complete our work on this area as a thorough analysis of the Council's leases that required capitalisation under IFRS 16 had been undertaken by the Council.</li></ul>
Inherent Risk 4 - Change in payroll system	<ul style="list-style-type: none"><li>We have completed our work on this area and have not identified any misstatements.</li></ul>

# Executive Summary (cont'd)

## Areas of audit focus (cont'd)

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

- There are no 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; and
- 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 Board of Directors.

## Control observations

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

We did however identify two areas of improvement recommendations in relation to management's financial processes and controls. These relate to:

- Related parties - We have noted that the Council only obtain Declaration of Interest (DOI) forms for Cabinet members and not all Council members. The DOI forms do not include date of birth or addresses, meaning that Companies House searches are not possible. We therefore recommend that going forward the Council request Declaration of Interests for all Council members. The Declaration of Interests form should also be amended to ask members about any other companies where they are a Senior Officer/Director, as the form currently only asks about income directly received from Fenland DC. The form should also include details of date of birth and addresses.
- PPE depreciation - Individual asset useful lives are not included within the Council's Fixed Asset Register. Depreciation is calculated in individual excel spreadsheets whereas depreciation should be automatically calculated within the Fixed Asset Register. This makes it difficult for us to recalculate depreciation on an asset-by-asset basis. We recommend that going forward the Council adopt asset useful lives within the Fixed Asset Register so that depreciation can be automatically calculated.

## Independence

Please refer to Section 08 for our update on Independence.

# Executive Summary (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.
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

# Executive Summary (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			The value of identified misstatements is below performance materiality.	N/A
Volume of misstatements in disclosure	Requires Improvement			We have detected various misstatements in disclosure as a result of our work performed.	N/A

# Executive Summary (cont'd)

## Financial Statement reporting assessment (cont'd)

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.



# 02 Areas of Audit Focus

# Areas of Audit Focus

## Fraud Risk 1 - Presumptive risk of management override

 Fraud Risk

### What is the risk, and the key judgements and estimates?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error. We identified in ISA (UK) 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.

### What are our conclusions?

We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.

Our journal entry testing has not identified any instances of inappropriate posting of journals.

### Our response to the key areas of challenge and professional judgement

We undertook the following procedures to address this fraud risk:

- Identified other fraud risks during the planning stage.
- Inquired with management as to the risks of fraud and the controls put in place to address those risks.
- Understood the oversight given by those charged with governance of management's processes over fraud.
- Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector.
- Considered whether there were any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Reviewed accounting estimates for evidence of management bias.
- Undertook procedures to identify significant unusual transactions.
- Considered whether management bias was present in the key accounting estimates and judgements in the financial statements.

We utilised our data analytics capabilities to assist with our work, including journal entry testing. We also assessed journal entries for evidence of management bias and evaluated the business rationale.

# Areas of Audit Focus (cont'd)

## Fraud Risk 2 - Inappropriate capitalisation of revenue expenditure

 Fraud Risk

### What is the risk, and the key judgements and estimates?

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 assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure and inappropriate classification of expenditure as REFCUS.

### Our response to the key areas of challenge and professional judgement

We undertook the following procedures to address this fraud risk:

- Tested PPE and IP additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assessed whether the capitalised spend clearly enhances or extends the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Considered whether any development or other related costs that have been capitalised are reasonable to capitalise, i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Tested REFCUS to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- Identified and understood the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

### What are our conclusions?

We have not identified any material weaknesses in controls or evidence of material management override.

We have not identified any instances of inappropriate capitalisation being applied.

We have completed our work on REFCUS and noted an uncorrected misstatement amounting to £0.45 million. This was in relation to a key item which the Council were unable to provide sufficient evidence for. This was uncorrected as it is below performance materiality.

# Areas of Audit Focus (cont'd)

## Inherent Risk 1 - Valuation of land and buildings and investment property

### What is the risk, and the key judgements and estimates?

The fair value of land and buildings (including surplus assets) and investment properties represent significant balances in the Council's accounts (2024/25 value in the draft statement of accounts of £61.35 million for land and buildings and £6.49 million for investment properties) and are subject to valuation changes, impairment reviews and depreciation charges.

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

The valuation basis varies depending on the type of assets, and therefore subject to different input, estimation process and assumptions used.

ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### Our response to the key areas of challenge and professional judgement

We undertook the following procedures to address this risk:

- Considered the work performed by the valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Performed testing of key assumptions and methodologies on a sample of assets and considered the reasonableness of the estimation techniques employed.
- Sample tested key asset information used by the valuer in performing their valuation and agreed this to what has been recorded in the fixed asset register and general ledger.
- Considered if there are any specific changes to assets that have occurred and ensured that these have been communicated to the valuer.
- Considered changes to useful economic lives as a result of the most recent valuation.
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code (land and buildings only).
- Reviewed land and building assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated.
- Tested accounting entries have been correctly processed in the financial statements.
- Reviewed the disclosures to ensure they are adequate in relation to estimation uncertainty.

### What are our conclusions?

We have identified a corrected misstatement resulting in an increase of £0.42 million in the valuation of land and buildings. This was in relation to the incorrect floor area being used by the valuer in the valuation of a property. We are satisfied from our testing that this was an isolated incident.

We have not identified any other issues with the valuation of land and buildings and investment property.

# Areas of Audit Focus (cont'd)

## Inherent Risk 2 - Pension liability valuation

### What is the risk, and the key judgements and estimates?

The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Council.

The Council's pension fund liability is a material estimated balance, and the Code requires that this liability be disclosed on the Council's balance sheet. At the 31 March 2025 this totalled £10.15 million.

The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.

Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs (UK) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### Our response to the key areas of challenge and professional judgement

We undertook the following procedures to address this risk:

- Liaised with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the 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 considering any relevant reviews by the EY actuarial team.
- Undertook procedures to determine whether IFRIC 14 has been correctly considered in the pension asset valuation.
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model.
- Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

### What are our conclusions?

We have identified a corrected misstatement resulting in an increase of £0.10 million in the pension liability. This was in relation to a difference in the figures reported by the actuary and the financial statements.

We were unable to gain full assurance over this area as we do not have any assurance over the audit procedures carried out over the 2022 triennial valuation. As the 2025 triennial valuation will be audited in the 2025/26 financial year, we do not anticipate this being an issue in the subsequent year.

We have not identified any other issues with the pension liability valuation.

# Areas of Audit Focus (cont'd)

## Inherent Risk 3 - Implementation of IFRS 16

### What is the risk, and the key judgements and estimates?

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/25 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.

IFRS 16 eliminates the operating / finance lease distinction for leases and imposes a single model geared towards the recognition of all but low-value or short-term leases. Where the Council is the lessee, these leases will now be recognised on the Balance Sheet as a 'right of use' asset and lease liability reflecting the obligation to make lease payments.

Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments. The Council will also have had to develop systems for capturing cost information that are fit for purpose, can respond to changes in lease terms and the presence of any variable (e.g., RPI-based) lease terms where forecasts will need to be updated annually based on prevailing indices.

### Our response to the key areas of challenge and professional judgement

We undertook the following procedures to address this risk:

- Gained an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16.
- Reviewed management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.

### What are our conclusions?

We were unable to complete our procedures over the implementation of IFRS 16 as the Council had not completed an appropriate evaluation of those leases that would fall under the standard.

We therefore have no assurance over the related balances and disclosures in the financial statements for 2024/25.

# Areas of Audit Focus (cont'd)

## Inherent Risk 4 - Change in payroll system

### What is the risk, and the key judgements and estimates?

From 1 April 2024, the Council changed from using Zellis ResourceLink to using People XD for the Payroll IT system.

This presents an audit risk around completeness of data transferred, implementation of new controls, and accessibility of historical data. Incomplete data transfer or inadequate controls over the new system could present a risk of misstatement in employee costs, officer's remuneration and / or exit packages.

### Our response to the key areas of challenge and professional judgement

We undertook the following procedures to address this risk:

- Gained an understanding of the process by which the new system went live and the nature of any testing of the system transfer.
- Performed a walkthrough to gain an understanding of the design and implementation of new controls in the new system.
- Performed testing to gain assurance over the completeness of data transferred, where this impacts the 2024/25 financial year's transactions.

### What are our conclusions?

We did not identify any issues with the change in payroll system or the relative controls in place.

# Areas of Audit Focus (cont'd)

## Other matters

As set out in Appendix B, we have been unable to complete all planned procedures for the 2024/25 audit. When taking this along with our inability to complete the 2022/23 and 2023/24 audits, we will be disclaiming the 2024/25 audit opinion.

We set out in Appendix A the timeline for reaching an unqualified opinion.



# 03 Value for Money

# Value for Money

## The Council's responsibility 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 NAO Code of Audit Practice. This includes a requirement to provide commentary on its arrangements for securing value for money from their use of resources.

## Risk assessment and status of our work

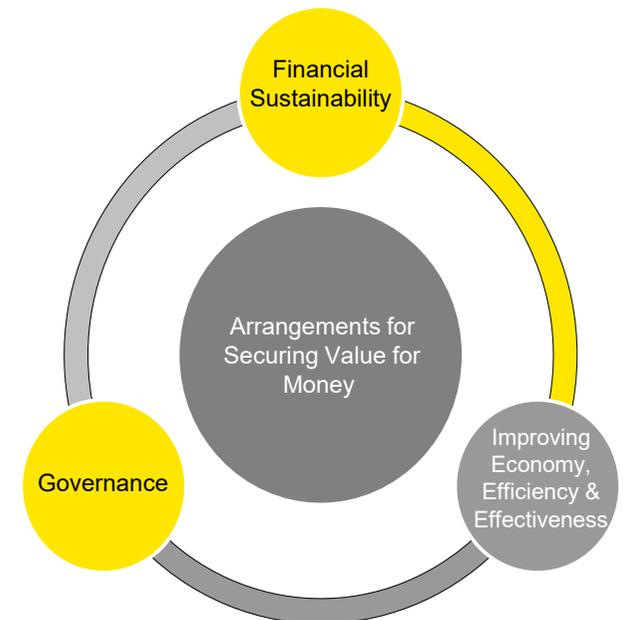
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations.

We will provide a commentary on the Council arrangements against three reporting criteria:

- 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.

In our Audit Planning Report, we noted that we had yet to complete our detailed value for money planning, but that one area of focus will be on the Council's governance arrangements, due to the late publication of the 2022/23 and 2023/24 Draft Statement of Accounts. Having completed our VFM risk assessment we have not identified any further risks of significant weaknesses in arrangements. Having completed our work to address the risk we had identified, as outlined on the next page, we have concluded that there is no significant weakness in arrangements and therefore expect to have no matters to report by exception in our audit report.



# Corporate Governance (cont'd)

## Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
Timely publication of the financial statements	<p><b>Governance:</b></p> <p>How the Council ensures that it makes informed decisions and properly manages its risks</p>	<p>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.</p> <p>To consider whether this was a significant weakness, we confirmed that the draft Statement of Accounts were published by the statutory deadline of 30 June. Upon receipt of the draft Statement of Accounts we considered the quality of those statements, and the level of errors noted on review of these. We also assessed the timeliness and quality of requested working papers and responses to audit queries.</p>

## Findings

We gave careful consideration as to whether the weaknesses in the financial statement procedures referred to in the table on Pages 9 and 10 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 for 2024/25. The value of misstatements within the Statement of Accounts is relatively low, and many of the requested working papers were provided within our deadline and were of suitable quality.

We do however note that there were still some issues in relation to the quality of the first draft of the Statement of Accounts, as well as with the quality of evidence provided by the Council to support key accounting estimates such as leases. As such, we are likely to again identify the financial statements process as a risk of significant weakness in 2025/26 and expect to see further improvements in the Council's processes in this area.

We have provided our VFM narrative commentary in our 2024/25 Auditor's Annual Report which was issued on 14 November 2025.



# 04 Audit Report

# Audit Report

## Draft audit report

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

#### Disclaimer of Opinion

We were engaged to audit the financial statements of Fenland District Council ('the Council') for the year ended 31 March 2025. The financial statements comprise the:

- Movement in Reserves Statement;
- Comprehensive Income and Expenditure Statement;
- Balance Sheet;
- Cash Flow Statement;
- The related notes 1 to 38 including material accounting policy information and including the Expenditure and Funding Analysis; 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 2024/25.

We do not express an opinion on the accompanying financial statements of the Council. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

#### Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 (Statutory Instrument 2024/907) ('the Regulations') which came into force on 30 September 2024 required the accountability statements for the year ended 31 March 2025 to be approved not later than 27 February 2026 ('the backstop date').

Our planned audit work in the current year was focused on transactions in the year and the current year balance sheet.

Due to the disclaimers of opinion on the financial statements in the prior years and delays in receiving associated audit evidence in advance of the backstop date, we have not been able to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2025.

In addition, the Council has not disclosed the impact of the transition and implementation of IFRS 16 and the associated disclosure requirements.

Therefore, we are disclaiming our opinion on the financial statements.

The audits of the financial statements for the years ended 31 March 2023 and 31 March 2024 for Fenland District Council were not completed for the reasons set out in our disclaimers of opinion on those financial statements dated 5 December 2024 and 26 February 2025 respectively.

#### Matters on which we report by exception

Notwithstanding our disclaimer of opinion on the financial statements we have nothing to report in respect of whether the annual governance statement is misleading or inconsistent with other information forthcoming from the audit, performed subject to the pervasive limitation described above, or our knowledge of the Council.

We report to you if:

- 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 Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in these respects.

#### Responsibility of the Chief Financial Officer

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities set out on page 26 of the financial statements, the Chief Financial 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 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Chief Financial 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 Financial Officer is responsible for assessing the Council'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 Council either intends to cease operations, or has no realistic alternative but to do so.

# Audit Report (cont'd)

## Draft audit report (cont'd)

The Council 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 responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of the Council 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 Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### ***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 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether Fenland District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. 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 2025.

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 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 Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Certificate**

We certify that we have completed the audit of the accounts of Fenland District Council 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.

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.

### **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 85 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 Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

***Debbie Hanson (Key Audit Partner)***  
***Ernst & Young LLP***



# 05 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 adjusted differences

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

- £0.42 million debit to property, plant and equipment and credit to the revaluation reserve in relation to an incorrect floor area being used in the valuation of a property.
- £0.10 million debit to the pension reserve and credit to the pension liability in relation to a difference in those figures reported by the actuary and the financial statements.
- £0.15 million debit to non-current assets and credit to earmarked reserves in relation to rental income that was not included in the financial statements.

We also noted an uncorrected misstatement amounting to £0.45 million. This was in relation to a REFCUS item that the Council were unable to provide sufficient evidence for. This was uncorrected as it is below performance materiality.

There were also various disclosure misstatements that were noted and corrected by management.



06

# Assessment of Control Environment

# Assessment of Control Environment

## Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
Related parties - We have noted that the Council only obtain Declaration of Interest (DOI) forms for Cabinet members and not all Council members. The DOI forms do not include date of birth or addresses, meaning that Companies House searches are not possible.		Moderate		We recommend that going forward the Council request Declaration of Interests for all Council members. The Declaration of Interests form should also be amended to ask members about any other companies where they are a Senior Officer / Director, as the form currently only asks about Income directly received from Fenland DC. This form should also include data on date of birth and addresses.	This was discussed with EY. It has been agreed that going forward the Council will ensure that this will be carried out.
PPE depreciation - Individual asset useful lives are not included within the Council's Fixed Asset Register. Depreciation is calculated in individual excel spreadsheets whereas depreciation should be automatically calculated within the Fixed Asset Register. This makes it difficult for us to recalculate depreciation on an asset-by-asset basis.		Low		We recommend that going forward the Council adopt asset useful lives within the Fixed Asset Register so that depreciation can be automatically calculated.	The Council will revisit this calculation and make it clearer how the depreciation is calculated and then added to the Fixed Asset Register.

Grading	Definition
High	Matters or issues considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within three months.
Moderate	Matters or issues considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within six months.
Low	A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.



# 07

## 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 Fenland District Council Statement of Accounts 2024/25 with the audited financial statements.

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.

Financial information in the Fenland District Council Statement of Accounts 2024/25 and published with the financial statements was consistent with the audited financial statements.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements, and we have no other matters to report.

## Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The extent of our review, and the nature of our report, is specified by the NAO.

We have not yet performed the procedures required by the NAO on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete, and the NAO has confirmed no further procedure are required.

## Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 (the Act) to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Council to consider it or to bring it to the attention of the public (i.e. "a report in the public interest"). We are also able to issue statutory recommendations under Schedule 7 of Section 27 of the Act. Statutory recommendations under Schedule 7 must be considered and responded to publicly and are shared with the Secretary of State,

We did not identify any issues which required us to issue a report in the public interest or issue statutory recommendations under Schedule 7.



# 08

# Independence

# Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and your company, and its directors and senior management and its affiliates, including all services provided by us and our network to your company, its directors 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 our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

## Relationships

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.

## Services provided by EY

There are no services provided by EY from 1 April 2024 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

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.

# Independence (cont'd)

The duty to prescribe fees is a statutory function delegated to Public Sector Audit Appointments Ltd (PSAA) by the Secretary of State for Housing, Communities and Local Government.

This is defined as the fee required by auditors to meet statutory responsibilities under the Local Audit and Accountability Act 2014 in accordance with the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

A breakdown of our fees is shown in the table to the right.

As set out in our Audit Planning Report the agreed fee presented was based on the following assumptions:

- ▶ Officers meeting the agreed timetable of deliverables;
- ▶ Our financial statement opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation being provided by the Council;
- ▶ The Council having an effective control environment; and
- ▶ The Council complying with PSAA's Statement of Responsibilities of auditors and audited bodies. See <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/>. In particular, the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. A narrative summary of the areas where we expect to raise scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	Current Year	Prior Year
Scale Fee - Code Work	£158,632	£72,003
Proposed scale fee variation	TBC Note 2	£193 Note 1
<b>Total audit</b>	<b>TBC</b>	<b>£72,196</b>
Other non-audit services not covered above	£0	£0
<b>Total non-audit services (Note 3)</b>	<b>£0</b>	<b>£0</b>
<b>Total fees</b>	<b>TBC</b>	<b>£72,196</b>

*All fees exclude VAT*

(1) PSAA have now determined the final fee for the 2023/24 audit, on which a disclaimed opinion was issued as set in our 2023/24 Audit Completion Report. The final fee is set out in the above table.

(2) We propose to submit a scale fee variation to PSAA for additional 2024/25 work covering the following areas:

- Work performed on the inherent risk on the change in payroll system.
- Initial work performed over the inherent risk on the implementation of IFRS 16.
- Work performed by our internal EY Pensions specialist in relation to the Council's 2022/23 and 2023/24 pension liability.
- Work performed on restarting the inspection period.
- Work performed over the review of version one of the Statement of Accounts and adjusting those errors.

(3) 2022/23 is the final year that EY will audit the Council's Housing Benefit subsidy claim. Therefore, we have not provided any non-audit services for 2023/24 or 2024/25.

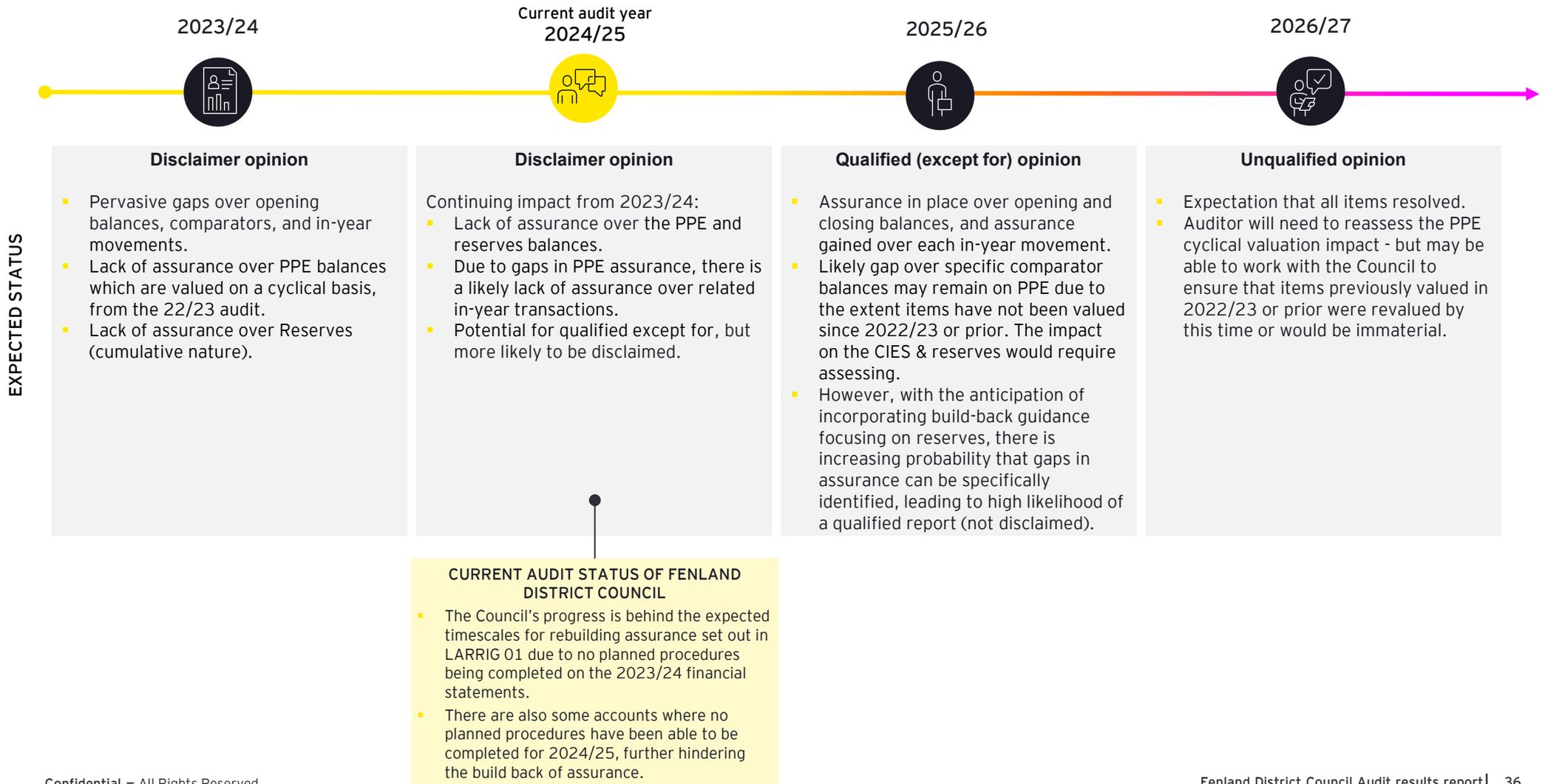


# 09 Appendices

# Appendix A - Progress to full assurance

## 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.



# Appendix B – Updated summary of assurances

## Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the Audit and Risk Management Committee the level of assurance that has been obtained as a result of the financial statements audit.

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment ('PPE')	None	Partial	We have completed testing of the 2024/25 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2024/25 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets. As the Council undertook a full revaluation in 2024/25, we have full assurance over the balance of PPE held at valuation at 31 March 2025, a net which have book value of £53.55 million. However, until we can rebuild assurance over any additions of PPE carried at historic cost in the disclaimed periods, totalling £6.37 million, we are unable to obtain substantial assurance over the completeness and valuation of PPE. We also do not have assurance over the £2.34 million of transfers out of assets under construction in 2024/25. We were unable to complete this procedure as the Council was unable to provide supporting evidence for our testing.
Infrastructure Assets	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Investment Property	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. As the Council undertook a full revaluation of their investment property in 2024/25, we have substantial assurance over this area.
Long Term & Short Term Investments	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term Debtors	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Debtors	None	None	We have completed some of our planned audit procedures in this area. However, we have been unable to complete procedures over the verification of existence of Short Term Debtors, and as such have not obtained assurance over the closing balance at 31 March 2025. This is due to us being unable to obtain a suitable year end population for us to test.
Cash and Cash Equivalents	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Creditors	None	None	We have completed some of our planned audit procedures in this area. However, we have been unable to complete procedures over the agreement of subledger or verification of existence of Short Term Creditors, and as such have not obtained assurance over the closing balance at 31 March 2025. This is due to us being unable to obtain a suitable year end population for us to test.

# Appendix B – Updated summary of assurances (cont'd)

## Summary of Assurances (cont'd)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Long Term Borrowings	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Provisions (short and long term)	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. We do not have assurance over any movements in provisions from the previous unaudited periods.
Grants received in advance	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Local Government Pension Scheme	None	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.  However, we were unable to gain substantial assurance over this area as we do not have any assurance over the audit procedures carried out over the 2022 triennial valuation. As the 2025 triennial valuation will be audited in the 2025/26 financial year, we do not anticipate this being an issue in the subsequent year.
Leases	None	None	We were unable to complete any of our planned audit procedures in this area as detailed in Section 02 of this report.
Collection Fund	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Comprehensive Income and Expenditure Statement (including Payroll and the Housing Benefit Account)	None	Partial	We have completed some of our planned testing on the Comprehensive Income and Expenditure Statement in 2024/25. We were however unable to complete our procedures on the testing of Other Income (£11.53 million) & Other Expenditure (£39.32 million). This is because we were unable to reconcile a suitable testing population back to the figures within the draft Statement of Accounts. In addition, due to the disclaimed opinion in 2023/24, we do not have assurance over comparative balances and movements and opening balances within the accounts. As such, we were unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Reserves	None	None	We have completed our work on the movements in reserves in 2024/25, However, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinion, we are unable to obtain substantial assurance over the usable and unusable reserves of the Council reported in the financial statements.
Cash Flow Statement	None	None	We were unable to complete any of our planned audit procedures in this area. This is due to the Council being unable to provide the requested working papers within a suitable timeframe.

# Appendix C – Required communications with those charged with governance

## Required communications with those charged with governance

There are certain communications that we must provide to those charged with governance. 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 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.	Audit planning report - Audit and Risk Management Committee - 12 May 2025
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▪ The planned scope and timing of the audit</li> <li>▪ Any limitations on the planned work to be undertaken</li> <li>▪ The planned use of internal audit</li> <li>▪ The significant risks identified</li> </ul> <p>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.</p>	Audit planning report - Audit and Risk Management Committee - 12 May 2025
Significant findings from the audit	<ul style="list-style-type: none"> <li>▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▪ Significant difficulties, if any, encountered during the audit</li> <li>▪ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▪ Written representations that we are seeking</li> <li>▪ Expected modifications to the audit report</li> <li>▪ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit results report - Audit and Risk Management Committee - 17 February 2026

# Appendix C – Required communications with those charged with governance (cont'd)

		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"> <li>▪ Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▪ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit results report - Audit and Risk Management Committee - 17 February 2026
Misstatements	<ul style="list-style-type: none"> <li>▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▪ The effect of uncorrected misstatements related to prior periods</li> <li>▪ A request that any uncorrected misstatement be corrected</li> <li>▪ Material misstatements corrected by management</li> </ul>	Audit results report - Audit and Risk Management Committee - 17 February 2026
Fraud	<ul style="list-style-type: none"> <li>▪ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▪ 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"> <li>▪ Management;</li> <li>▪ Employees who have significant roles in internal control; or</li> <li>▪ Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▪ Any other matters related to fraud, relevant to Audit Committee responsibility.</li> </ul>	Audit results report - Audit and Risk Management Committee - 17 February 2026
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"> <li>▪ Non-disclosure by management</li> <li>▪ Inappropriate authorisation and approval of transactions</li> <li>▪ Disagreement over disclosures</li> <li>▪ Non-compliance with laws and regulations</li> <li>▪ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit results report - Audit and Risk Management Committee - 17 February 2026

# Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where?
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, 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"> <li>▪ The principal threats</li> <li>▪ Safeguards adopted and their effectiveness</li> <li>▪ An overall assessment of threats and safeguards</li> <li>▪ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report - Audit and Risk Management Committee - 12 May 2025</p> <p>Audit results report - Audit and Risk Management Committee - 17 February 2026</p>
External confirmations	<ul style="list-style-type: none"> <li>▪ Management's refusal for us to request confirmations</li> <li>▪ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>	Audit results report - Audit and Risk Management Committee - 17 February 2026
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▪ 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</li> <li>▪ Enquiry of the audit 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 committee may be aware of</li> </ul>	Audit results report - Audit and Risk Management Committee - 17 February 2026
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▪ Significant deficiencies in internal controls identified during the audit</li> </ul>	Audit results report - Audit and Risk Management Committee - 17 February 2026

# Appendix C – Required communications with those charged with governance (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where?
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit results report - Audit and Risk Management Committee - 17 February 2026
System of quality management	<ul style="list-style-type: none"> <li>How the system of quality management (SQM) supports the consistent performance of a quality audit</li> </ul>	Audit results report - Audit and Risk Management Committee - 17 February 2026
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit results report - Audit and Risk Management Committee - 17 February 2026
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit results report - Audit and Risk Management Committee - 17 February 2026

# Appendix D – Outstanding matters

## 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
Agreement of final Statement of Accounts	Agreement of the final version of the Statement of Accounts, ensuring all adjustments have been made appropriately.	EY and management
Management representation letter	Receipt of signed management representation letter	Management and Audit and Risk Management Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management
Agreement of revaluation surplus	A minor query is with the Council to resolve	EY and management
REFCUS testing	Executive review is yet to be completed	EY

# Appendix E – Regulatory update

## The English Devolution and Community Empowerment Bill – Audit Measures

### Background

On 16 December 2024, the Government published the English Devolution White Paper. The White Paper outlines how England is one of the most centralised countries in the world and contends that over-centralisation is holding back the prosperity of the regions. As a result, there is an intention from Government to widen and deepen devolution to local areas across England. The English Devolution and Community Empowerment Bill (the Bill) is intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

- Part 1 introduces the new devolution architecture for England, centred around the new category of “strategic authorities” (SAs). These are organisations designated by Government to have responsibility for strategy development and programme delivery over larger functional economic areas.
- Part 2 outlines the powers and duties which existing and future SAs will have, and the new process by which new powers and duties can be conferred on SAs by Government in the future.
- Part 3 is focused on measures designed to strengthen local government and communities.
- Part 4 is intended to strengthen the accountability of the local government sector by reforming the local audit system, including the establishment of the Local Audit Office (LAO) as the body responsible for overseeing local audit.
- Part 5 concerns the banning of upwards only rent review clauses for commercial leases to prevent vacant shops and regenerate high streets in communities across England.
- Part 6 contains the technical sections related to the Bill, including on regulations, commencement and extent.

The draft legislation can be found in full at [English Devolution and Community Empowerment Bill](#).

### Part 4 of the Bill - Reforming local audit

The Bill is intended to overhaul the local audit system as is part of the wider measures to address the backlog in local government audit previously considered by this report. Specifically:

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate ‘lead individuals’ and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Audit Committees will be developed by LAO in conjunction with the Local Government Association, CIPFA and other relevant bodies.

We will continue to keep you updated as these arrangements develop.

# Appendix F – Management representation letter

## Management representation letter

Ernst & Young

One Cambridge Square, Cambridge, CB4 0AE

This letter of representations is provided in connection with your audit of the financial statements of Fenland District Council ("the Council") for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of Fenland District Council as of 31 March 2025 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority accounting in the United Kingdom 2024/25.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to

the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because they are below performance materiality.

6. We confirm the Council does not have securities (debt or equity) listed on a recognised exchange.

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or 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 improprieties;
  - 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. We have provided you 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;

# Appendix F – Management representation letter (cont'd)

## Management representation letter (cont'd)

- Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
  3. We have made available to you all minutes of the meetings of the Council, Cabinet, and Audit & Risk Management committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the audit period to the most recent meeting on the following date: 17 February 2026.
  4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council/Authority's related parties and all related party relationships and transactions of which we 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 period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
  5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority accounting in the United Kingdom 2024/25.
  6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
  7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in the notes to the financial statements all guarantees that we have given to third parties.

### E. Going Concern

1. Note 37 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

### F. Subsequent Events

1. Other than any events described in Note 38 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the narrative report and Annual Governance Statement within the Statement of Accounts.
2. We confirm that the content contained within the other information is consistent with the financial statements.

### H. Climate-related matters

1. We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered.
2. The key assumptions used in preparing the financial statements are, to the extent allowable under the requirements of CIPFA LASAAC Code of Practice on Local Authority accounting in the United Kingdom 2024/25 aligned with the statements we have made in the other information or other public communications made by us.

### I. Reserves

We have properly recorded or disclosed in the financial statements the useable and unusable reserves.

### J. Contingent Liabilities

We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of

# Appendix F – Management representation letter (cont'd)

## Management representation letter (cont'd)

recording a contingent loss (other than those disclosed or accrued in the financial statements).

We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.

### **K. Estimates**

1. We confirm that the significant judgments made in making the Property, Plant and Equipment valuation, and IAS19 Pensions estimate have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the above estimates.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates, including those describing estimation uncertainty, are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority accounting in the United Kingdom 2024/25.
4. We confirm that appropriate specialized skills or expertise has been applied in making the above estimates.

### **L. Use of the Work of a Specialist**

We agree with the findings of the specialists that we engaged to evaluate the valuation of the Pension Liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We 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 we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialist.

*Yours faithfully,*

\_\_\_\_\_  
(Chief Financial Officer)

\_\_\_\_\_  
(Chairman of the Audit Committee)

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