

Fenland District Council

Audit planning report

Year ended 31 March 2026

28 April 2026



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28 April 2026



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

Dear Committee Members,

Audit Planning Report 2025/26

We are pleased to attach our Audit Planning Report for the forthcoming meeting of the Audit and Risk Management Committee. The purpose of this report is to provide the Committee of Fenland District Council (the Council) with a basis to review our proposed audit approach and scope for the 2025/26 audit, in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2024 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards, and other professional requirements.

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 this report with you on 11 May 2026 as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Debbie Hanson

Partner

For and on behalf of Ernst & Young LLP

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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 October 2025)' issued by the PSAA (<https://www.psa.co.uk/managing-audit-quality/contract-monitoring-2023-24-to-2027-28/terms-of-appointment-from-2023-24/terms-of-appointment-and-further-guidance-from-1-october-2025>) sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice 2024 (the NAO 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**. 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.



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Overview of our 2025/26 audit strategy

2025/26 audit strategy overview: Rebuilding Assurance

The purpose of this report

As the Council's body charged with governance, the Audit and Risk Management Committee plays a crucial role in ensuring assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support a timely and efficient audit. Failure to achieve this will significantly increase the level of resources required to fulfil our respective responsibilities.

As part of our responsibilities, we assess and report on the adequacy of the Council's external financial reporting arrangements, as well as the effectiveness of the Audit and Risk Management Committee in fulfilling its role within those arrangements as part of our Value for Money assessment. 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. Wherever necessary, we will consider invoking other statutory reporting powers to highlight any weaknesses in these arrangements. We direct Audit and Risk Management Committee members and officers to the Public Sector Audit Appointment Limited's Statement of Responsibilities (paragraphs 26-28) for expectations on preparing financial statements (see Appendix A).

Our shared strategy to rebuild assurance

We are now in Phase 2 of the implementation of the Ministry for Housing, Communities and Local Government's (MHCLG) measures to address the backlog facing local government audit. Throughout 2023/24 and 2024/25 we have applied a structured, risk-based prioritisation approach to local government audits to support a return to unqualified audit opinions wherever feasible, while still meeting statutory backstop requirements. Our approach recognises that recovery depends heavily on the Council's own capacity and preparedness and that audit effort must be targeted where it can deliver meaningful assurance.

Management has overall responsibility for leading and sustaining the Council's recovery from a disclaimed audit opinion. This includes ensuring that the financial statements are prepared in accordance with proper practices and supported by complete, accurate and timely audit evidence.

To deliver this, it is essential that management:

- Provide high quality working papers and ensure that all audit evidence is complete, consistent and readily accessible;
- Allocate sufficient, knowledgeable resources throughout the audit cycle;
- Actively engage with auditors, promptly addressing findings and resolving weaknesses in financial reporting arrangements; and
- Communicate transparently with the Audit and Risk Committee, as Those Charged with Governance, ensuring that Committee members have clear visibility of risks, progress and emerging issues.

In line with the National Audit Office's Local Audit Reset and Recovery Implementation Guidance (LARRIGs) - and specifically the guidance on rebuilding assurance following a disclaimed opinion - management must support the restoration of reliable opening balances and enable a phased progression from disclaimed to qualified and ultimately unmodified audit opinions. Achieving this requires sustained delivery of the "natural rebuild," through the completion of all planned audit procedures across successive annual cycles, alongside targeted work to rebuild assurance over historical balances, including both usable and unusable reserves, where cumulative gaps in evidence present the most significant challenges.

2025/26 audit strategy overview: Rebuilding Assurance

Our shared strategy to rebuild assurance (cont'd)

Appendix A explains the expected timeline to full assurance set out within the NAO's LARRIG 01 guidance, along with our assessment of the Council's status. During 2023/24 and 2024/25, the focus of the rebuild process has been on this "natural" rebuild, to complete all planned audit procedures for each respective audit year. As we set out in Appendix A, and in our Audit Results Report dated 9 February 2026, we were unable to complete any audit procedures for 2023/24. Although all planned audit procedures for 2024/25 could not be completed, due to the Council being unable to provide suitable evidence over certain accounts, the delivery of some of our planned procedures means that the Council has now commenced the "natural" rebuild process to some degree.

As part of our interim audit procedures for 2025/26, we will undertake a detailed risk assessment to evaluate the risk of material misstatement in the opening reserves balances at 1 April 2025, and to assess management's readiness to support the historic rebuild process over transactions and balances in 2023/24 and 2022/23 that were not subject to audit. This work is expected to be completed by 30 June 2026 and is essential to determining whether the pre-2024/25 gaps in assurance - particularly those relating to reserves and other cumulative balances - can be sufficiently addressed to support future progression towards qualified or unmodified audit opinions.

We will discuss the outcome of our risk assessment over the opening reserves balances with management to confirm our planned approach for 2025/26. However, because we were unable to complete all planned audit procedures for 2024/25 due to the reasons outlined above, it is unlikely that we will commence any rebuilding of assurance over the historic position during the 2025/26 audit cycle. In line with our established prioritisation principles, we will focus our audit resources on rebuilding assurance for those bodies where planned audit procedures were completed in 2023/24 and 2024/25, in order to support the sector wide objective of returning to unmodified audit opinions as quickly and sustainably as possible.

It is therefore critical that management ensure they can provide high quality working papers, robust audit evidence, and resolve the underlying issues identified in prior years as part of the 2025/26 audit cycle. This will be essential to avoid any further delay in the eventual process for rebuilding assurance over the Council's historic position.

Preparedness for 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. Our 2024/25 reporting included our assessment of the effectiveness of the Council's arrangements to support the external audit process across a range of relevant measures (reproduced in Appendix A). We concluded that improvements were required in relation to the quality of the financial statements and the timeliness of evidence in relation to key accounting estimates and sample testing.

We will continue to report on our assessment of the quality of the Council's financial statements' preparation and support, to support ongoing transparency of the audit process to those charged with governance, and to facilitate benchmarking and tracking of progress in future years.

Scope of our audit

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We will issue an Audit Results Report that summarises our opinion on the financial statements by 31 January 2027 and other procedures required by the Code. This includes our assessment of the control environment, including our follow up of the recommendations that we made in 2024/25 (refer to Appendix C). In addition, our Auditor's Annual Report will conclude on whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

2025/26 audit strategy overview: Rebuilding Assurance

Timeline

An audit timetable has been agreed with management. In Section 07 we include a provisional timeline for the audit. It is essential that all parties collaborate to ensure compliance with this timeline.

Our independence considerations

Please refer to Appendix B for our update on independence. We have no independence issues to report.

2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus

The purpose of our audit is to obtain reasonable assurance to express an opinion about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. There are two significant changes to the scoping for the audit of the 2025/26 financial statements. The first relates to the implementation of CIPFA's Bulletin 22 in relation to the valuation of Property, Plant and Equipment. The second relates to the transfer of GL data which took place in 2025/26, which we have identified as a new inherent risk.

The following 'dashboard' summarises the significant accounting and auditing matters outlined in this report. It seeks to provide the Audit and Risk Management Committee with an overview of our initial risk identification for the upcoming audit and any changes in risks identified in the current year.




Risk/area of focus	Risk identified	Change from PY	Details
Presumptive risk of management override of controls	Fraud risk	No change in risk or focus	There is a risk that the financial statements as a whole are not free from material misstatement whether caused by fraud or error. We perform mandatory procedures regardless of specifically identified fraud risks.
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	Fraud risk	No change in risk or focus	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.
Implementation of IFRS 16	Inherent risk	No change in risk or focus	The Council did not perform a thorough risk assessment of the leases that would fall under IFRS 16 adoption in 2024/25. As we were unable to gain assurance in 2024/25, the risk around implementation remains for the 2025/26 audit.
Valuation of pension liability	Inherent risk	No change in risk or focus	Accounting for the Council's participation in the Cambridgeshire Pension Fund involves significant estimation and judgement, including financial and demographic assumptions. There is a risk that the net pension asset/liability recognised is materially misstated, as its recognition and measurement is subject to significant management judgement, including the application of the IAS 19 asset ceiling and the assessment of the Council's ability to realise future economic benefits. The Council 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.

2025/26 audit strategy overview: Audit risks and materiality

Audit risks and areas of focus (cont'd)

Risk/area of focus	Risk identified	Change from PY	Details
Valuation of land & buildings and investment property	Inherent risk	No change in risk or focus	In the 2025/26 financial statements, the Council will be required to apply CIPFA Bulletin 22 which reassesses the current regime of valuation for non-investment assets across the public sector. The guidance mandates a quinquennial revaluation or a five-year rolling programme for formal valuations, supported by annual indexation in the intervening years. We understand that the Council plans to undertake a full revaluation of all its property assets for 2025/26. This will mean that in future years indices will need to be applied and successful implementation will depend on the Council ensuring that appropriate indices are selected in intervening years between the quinquennial valuations.
Change in general ledger system	Inherent risk	New risk	During February 2026, the Council transferred its general ledger data to the web. We have identified an inherent risk associated with this, focusing on the completeness of data transferred, the controls around the transfer and accessibility of historical data.

Materiality

 <p>Planning materiality £1m</p>	<p>Materiality has been set at £1 million, which represents 2% of total gross expenditure in 2025/26. This represents the first 10 months of 2025/26 data, which has then been annualised (2024/25: £1.15 million, 2%).</p>	 <p>Performance materiality £0.75m</p>	<p>Performance materiality has been set at £0.75 million, which represents 75% of planning materiality.</p>	 <p>Audit differences £0.05m</p>	<p>We will report all uncorrected misstatements relating to the income statement and balance sheet that have an effect on income and misstatements in the OCI over £0.05 million. Other misstatements identified will be communicated to the extent that they merit the attention of the Audit and Risk Management Committee.</p>
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2025/26 audit strategy overview: Value for Money

Our risk assessment

Under the NAO Code we are required to:

- Satisfy ourselves that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources, having regard to [NAO AGN 03](#);
- Design work to provide sufficient assurance to support reporting against the Code's specified reporting criteria outlined below; and
- Apply a risk-based approach to our work, informed by sector knowledge, the annual governance statement, evidence from the financial statements audit and relevant work of other bodies.

In undertaking our risk assessment, we obtain an understanding of the key processes the Council has in place, including financial management, risk management and partnership working arrangements. Our Auditor's Annual Report, which will be issued before 30 November 2026 will include a summary of our commentary on the arrangements in place against each of the three value for money criteria and recommendations raised as a result of any significant weaknesses identified. A key part of our work will be the follow up of previous recommendations to provide the Committee with assurance on the pace of planned improvements.

	Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.	Governance How the Council ensures that it makes informed decisions and properly manages its risks.	Improving economy, efficiency and effectiveness How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
Risks of significant weaknesses in arrangements identified in 2025/26:	<ul style="list-style-type: none"> ▪ No risks of significant weakness identified in 2025/26. 	<ul style="list-style-type: none"> ▪ In light of the late publication of the 2022/23 and 2023/24 draft Statement of Accounts, and the fact that we were unable to complete all planned procedures in 2024/25, we have assessed that there remains a risk related to the timely production of good quality accounts and arrangements to support an effective audit. ▪ We have noted a lack of progress on our previous recommendation of addressing Internal Audit action points. We have therefore identified a risk of significant weakness in relation to the timely implementation of the recommended actions made in Internal Audit reports. 	<ul style="list-style-type: none"> ▪ No risks of significant weakness identified in 2025/26.

2025/26 audit strategy overview: Value for Money

Our risk assessment (cont'd)

	Financial sustainability How the Council plans and manages its resources to ensure it can continue to deliver its services.	Governance How the Council ensures that it makes informed decisions and properly manages its risks.	Improving economy, efficiency and effectiveness How the Council uses information about its costs and performance to improve the way it manages and delivers its services.
Recommendations identified in 2024/25 (refer to Appendix C):	<ul style="list-style-type: none"> No recommendations identified in 2024/25. 	<ul style="list-style-type: none"> The Council should review and assess the adequacy of the skills and capacity of the Council's finance team to ensure it is sufficient to support all the Council's business critical activities. The Council consider the appointment of an independent member to the Audit and Risk Management Committee to ensure the Committee is operating independently and with the correct skill mix in place to support an effective layer of governance. The Council should publish the Annual Governance Statement (AGS) by the 30 June 2026. The Council should ensure actions is taken to progress the recommended actions in Internal Audit reports on a timely basis. 	<ul style="list-style-type: none"> No recommendations identified in 2024/25.



02 Audit risks

Our response to significant risks

We have set out the significant risks (including fraud risks denoted by*) identified for the current year audit along with the rationale and expected audit approach. The risks identified below may change to reflect any significant findings or subsequent issues we identify during the audit.

Presumptive risk of management override of controls*

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

In accordance with ISA 240, the presumptive risk of management override of controls is present at every entity and we design the appropriate procedures to consider such risk.

- Management has the primary responsibility to prevent and detect fraud. It is important that management, with the oversight of those charged with governance, has put in place a culture of ethical behaviour and a strong control environment that both deters and prevents fraud.
- Our responsibility is to plan and perform audits to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatements whether caused by error or fraud.

We consider this risk to be relevant to the Council.

Our response: Key areas of challenge and professional judgement

To address the risks outlined we will carry out a range of procedures including:

- Identifying fraud risks during the planning stages;
- Inquiry of management about risks of fraud and the controls put in place to address those risks;
- Understanding the oversight given by those charged with governance of management's processes over fraud;
- Discussing with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector;
- Considering whether there are 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;
- Considering the effectiveness of management's controls designed to address the risk of fraud and determining an appropriate strategy to address those identified risks of fraud;
- Performing mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements;
- Undertaking procedures to identify significant unusual transactions; and
- Considering whether management bias was present in the key accounting estimates and judgements in the financial statements.

Having evaluated this risk, we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' are required.

Our response to significant risks

Inappropriate capitalisation of revenue expenditure*

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
<p>We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:</p> <ul style="list-style-type: none"> Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger. Expenditure being classified as revenue expenditure funded as capital under statute (REFCUS) when it is inappropriate to do so. Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year. <p>If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE)/Investment Property (IP) additions and/or REFCUS in the financial statements.</p> <p>PPE additions totalled £5.93 million in 2024/25.</p>	<p>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.</p> <p>We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.</p> <p>We consider this risk to be relevant to the Council.</p>	<p>To address the risks outlined we will carry out a range of procedures including:</p> <ul style="list-style-type: none"> Testing Property, Plant and Equipment (PPE) and Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature; Assessing 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; Considering whether any development or other related costs that have been capitalised are reasonable to do so; Testing REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources; and Seeking to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

Other areas of audit focus

We have identified other areas of the audit, that have not been classified as significant risks but are still important when considering the risks of material misstatement to the financial statements and disclosures.

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
<p>Valuation of pension liability</p> <p>The Council's net pension liability is measured as the sum of the long-term payments due to members as they retire against the Council's share of the Cambridgeshire Pension Fund investments.</p> <p>At 31 March 2025 the Council's net liability totalled £10.05 million. This included an unfunded liability of £0.82m.</p>	<p>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.</p> <p>The Council's pension fund deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet. The information disclosed is based on the IAS 19 report issued to the Council by the actuary to the Council.</p> <p>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.</p>	<p>In response to the risk, we will:</p> <ul style="list-style-type: none"> ▪ Liaise with the auditors of Cambridgeshire Pension Fund to obtain assurance over the information supplied to the actuary and confirm joint assurances in respect of employer and employee contributions; ▪ Liaise with the auditors of the Pension Fund over their testing of the data provided for the 2025 triennial valuation; ▪ Engage our actuarial specialists to assess the work of the actuary. This will involve a consideration of the net asset/liability and any calculation of the asset ceiling in accordance with IFRIC 14 where relevant; ▪ Assess the work of PwC, appointed to consider actuarial assumptions used at the year end for all local government sector bodies; ▪ Review and test the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19; ▪ Engage our EY Pensions Consulting team to perform roll-forward procedures and consider the calculation of the asset ceiling if applicable. <p>As part of our audit procedures, we will request that the Council obtain an asset ceiling report from its actuary. Our actuarial specialists will review the asset ceiling report to satisfy themselves that it is materially correct. Following review, we will also ensure that pension liabilities are appropriately recorded within the Council's financial statements.</p>

Other areas of audit focus

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
<p>Valuation of land & buildings and investment property</p>		
<p>The fair value of land and buildings included in Property, Plant and Equipment (PPE) represents a significant balance in the Authority's accounts and is subject to valuation changes, impairment reviews and depreciation charges.</p> <p>At 31 March 2025, the net book value of land and buildings was £50.83 million and investment property £6.49 million.</p> <p>Management is required to make material judgemental inputs and apply estimation techniques to calculate the year end balances recorded in the Balance Sheet.</p> <p>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.</p>	<p>In the 2025/26 financial statements the Council will be required to apply CIPFA Bulletin 22 which reassesses the current regime of valuation for non-investment assets across the public sector. The guidance mandates a quinquennial revaluation or a five-year rolling programme for formal valuations, supported by annual indexation in the intervening years.</p> <p>We understand that the Council plans to undertake a full revaluation of all its property assets for 2025/26. This will mean that in future years indices will need to be applied and successful implementation will depend on the Council ensuring that appropriate indices are selected in intervening years between the quinquennial valuations.</p> <p>These changes do not impact investment property which is still required to be revalued in full each year.</p>	<p>In response to the risk, we will:</p> <ul style="list-style-type: none"> ▪ Review and assess management's assessment and planned approach to CIPFA Bulletin 22, in the context of other challenges in the application; ▪ Review and appraise the work performed by the Council's valuer, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work; ▪ Sample test key asset information used, and assumptions made by the valuers in performing their valuation (e.g. floor plans to support price per square metre, yields and future rental income); ▪ Consider the involvement of EY internal specialists to challenge the work performed by the Council's valuers; ▪ Assess any changes to useful economic lives against the most recent valuer assessments; ▪ Test accounting entries have been correctly processed in the financial statements; and ▪ Review and assess management's impairment assessment of ongoing and completed capital projects to ensure assets are held at an appropriate value.

Other areas of audit focus

Financial statement impact	What is the risk, and the key judgements and estimates?	Our response: Key areas of challenge and professional judgement
Implementation of IFRS 16		
<p>Misstatements that occur in relation to this risk would affect the Council's right of use assets and lease liability balances.</p>	<p>The Council did not perform a thorough risk assessment of the leases that would fall under IFRS 16 adoption in 2024/25. As we were unable to gain assurance in 2024/25, the risk around implementation remains for the 2025/26 audit.</p> <p>Successful transition will depend on the Council having captured additional information about leases, both new and existing, especially regarding future minimum lease payments.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▪ Gain an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete; ▪ Review the discount rate that is used to calculate the right of use asset and assess its reasonableness; ▪ Review 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; ▪ Gain assurance over the right of use asset included in the 2025/26 financial statements; ▪ Sample test leases to ensure that transition arrangements have been correctly applied; AND ▪ Consider the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.
Change in general ledger system		
<p>Misstatements that occur in relation to this risk could pervasively affect the completeness of the Council's balances.</p>	<p>During February 2026, the Council transferred its general ledger data to the web. We have identified an inherent risk associated with this, focusing on the completeness of data transferred, the controls around the transfer, and accessibility of historical data.</p>	<p>We will:</p> <ul style="list-style-type: none"> ▪ Gain an understand of the process by which the new system went live and the nature of any testing of the data transfer; ▪ Perform a walkthrough to gain an understanding of the design and implementation of new controls in the new system; and ▪ Perform testing to gain assurance over the completeness of data transferred.



03 Value for money

Value for money

Council's responsibilities for value for money

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

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

Auditor responsibilities

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

The specified reporting criteria are:



Financial sustainability

How the Council plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the Council ensures that it makes informed decisions and properly manages its risks.



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.

Value for money

Planning and identifying risks of significant weakness in value for money arrangements

The NAO's guidance notes require us to conduct a risk assessment that collects sufficient evidence to document our evaluation of the Council's arrangements, allowing us to draft a commentary under the three reporting criteria. This involves identifying and reporting on any significant weaknesses in those arrangements and making appropriate recommendations. In considering the Council's arrangements, we consider:

- The annual governance statement;
- Evidence of arrangements during the reporting period;
- Evidence obtained from our audit of the financial statements;
- The work of inspectorates and other bodies; and
- Any other evidence that we deem necessary to facilitate the performance of our statutory duties.

We then evaluate whether there is evidence indicating significant weaknesses in arrangements. According to the NAO's guidance, determining what constitutes a significant weakness and the extent of additional audit work required to address the risk is based on professional judgment. The NAO indicates that a weakness can be considered significant if it:

- Exposes, or could reasonably be expected to expose, the council to significant financial loss or risk;
- Leads to, or could reasonably be expected to lead to, significant impact on the quality or effectiveness of service or on the council's reputation or unlawful actions; or
- Identifies a failure to take action to address a previously identified significant weakness, such as failure to implement or achieve planned progress on action/improvement plans.

When planning work identifies a risk of significant weakness, the NAO's guidance requires us to consider the additional evidence needed to verify whether there is a significant weakness in arrangements. This involves conducting further procedures as necessary. We are required to report our planned procedures to the Audit and Risk Management Committee.

Reporting on value for money arrangements

If we determine that the Council has not made proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, the NAO Code mandates that we reference this by exception in the audit report on the financial statements.

Additionally, we are required to provide a commentary on the value for money arrangements in the Auditor's Annual Report. The NAO Code specifies that this commentary should be clear, readily understandable, and highlight any issues we wish to draw to the Council's or the wider public's attention. This may include matters that are not considered significant weaknesses in arrangements but should still be brought to the Council's attention. It will also cover details of any recommendations from the audit and the follow-up of previously issued recommendations, along with our assessment of their satisfactory implementation. Our 2025/26 Auditor's Annual Report must be issued by 30 November 2026 to comply with the revised requirements of the NAO Code.

Value for money

Value for money risk assessment

We have completed our initial value for money planning, where we have considered:

- Our entity level controls and understanding the business assessment;
- The Council's Risk Register and 2024/25 Annual Governance Statement;
- Council meeting minutes and our planning meetings with management;
- Key financial and budget information; and
- Key performance and Internal Audit reports.

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing value for money that we needed to perform further procedures on. We have noted these below.

Criteria	2024/25 judgements on arrangements	2025/26 risk assessment	2025/26 expected procedures to respond
Financial sustainability	No significant weaknesses were identified.	<ul style="list-style-type: none"> ▪ No risks of significant weakness identified in 2025/26. 	<ul style="list-style-type: none"> ▪ Not applicable.
Governance	No significant weaknesses were identified.	<ul style="list-style-type: none"> ▪ In light of the late publication of the 2022/23 and 2023/24 draft Statement of Accounts, and the fact that we were unable to complete all planned procedures in 2024/25, we have assessed that there remains a risk related to the timely production of good quality accounts and arrangements to support an effective audit. ▪ We have noted a lack of progress on our previous recommendation of addressing Internal Audit action points. We have therefore identified a risk of significant weakness in relation to the timely implementation of the recommended actions made in Internal Audit reports. 	<ul style="list-style-type: none"> ▪ We will confirm whether the Council has complied with the Audit and Accounts Regulations and published the draft financial statements and Annual Governance Statement by the 30 June 2026 deadline. ▪ We will also consider the timeliness and quality of the working papers and evidence provided by the Council during the year end audit. ▪ We will seek to understand further the nature of the outstanding recommendations and reasons for delays, as well as progress that has been made on the Internal Audit recommendations.
Improving economy, efficiency and effectiveness	No significant weaknesses were identified.	<ul style="list-style-type: none"> ▪ No risks of significant weakness identified in 2025/26. 	<ul style="list-style-type: none"> ▪ Not applicable.

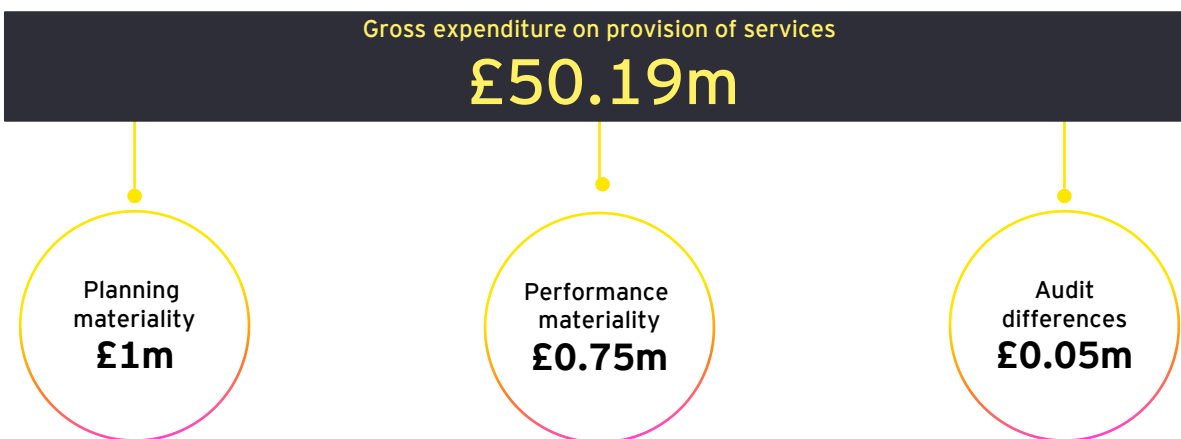


04 Audit materiality

Materiality

Council materiality

For planning purposes, Council materiality for 2025/26 has been set at £1 million. This represents 2% of the Council's 2025/26 gross expenditure on provision of services. This is based on month 10 figures for 2025/26, which has then been annualised. It will be reassessed throughout the audit process. The rationale for basing materiality on gross expenditure is that, for a public sector entity, users of the accounts expectations are focused on measuring expenditure and meeting planned targets. We have provided supplemental information about audit materiality in Appendix F.



We request that the Audit and Risk Management Committee confirm its understanding of, and agreement to, these materiality and reporting levels.

Key definitions

Planning materiality – The amount over which we anticipate misstatements would influence the economic decisions of a user of the financial statements.

Performance materiality – The amount we use to determine the extent of our audit procedures. We have set performance materiality at £0.75 million which represents 75% of planning materiality. Per our initial assessment, we do not believe there are errors that are indicative of pervasive errors throughout the financial statements or a higher likelihood of misstatement in other areas and have therefore used the higher end of 75% of our planning materiality

Audit difference threshold – We will report to you all uncorrected misstatements over £0.05 million, relating to the income statement and balance sheet that have an effect on income and misstatements in the OCI.

Other uncorrected misstatements, such as reclassifications and misstatements in the cashflow or disclosures and corrected misstatements will be communicated to the extent that they merit the attention of the Audit and Risk Management Committee or are important from a qualitative perspective.



05 Scope of our audit

Audit process and strategy

Objectives of our audit scoping

In accordance with the NAO Code, our primary objectives are to conduct work that supports the delivery of our audit report to the Council. Additionally, we aim to ensure that the Council has established proper arrangements for securing economy, efficiency, and effectiveness in its use of resources, as mandated by relevant legislation and the requirements of the NAO Code. We will issue an audit report that covers:

1. Financial statement audit

Our opinion on the financial statements:

- Whether the financial statements give a true and fair view of the financial position of the council and its expenditure and income for the period in question; and
- Whether the financial statements have been prepared properly in accordance with the relevant accounting and reporting framework as set out in legislation, applicable accounting standards or other direction.

Our opinion on other matters:

- Whether other information published together with the audited financial statements is consistent with the financial statements.

Other procedures required by the Code:

- Examine and report on the consistency of the Whole of Government Accounts schedules or returns with the body's audited financial statements for the relevant reporting period in line with the instructions issued by the National Audit Office.

2. Arrangements for securing economy, efficiency and effectiveness (value for money)

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources and report a commentary on those arrangements.

Internal audit

We will review internal audit plans and the results of their work. We will reflect the findings from these reports, together with reports from any other work completed in the year, in our detailed audit plan, where they raise issues that could have an impact on the financial statements.

In 2024/25, the Council's Internal Audit Annual Report gave an opinion of reasonable assurance over the arrangements in place.



06 Audit team

Audit team

Audit team leadership

The global engagement team is led by Debbie Hanson, who has overall responsibility for the performance of the audit and for the auditor's report issued on behalf of EY.

Our approach to the use of specialists

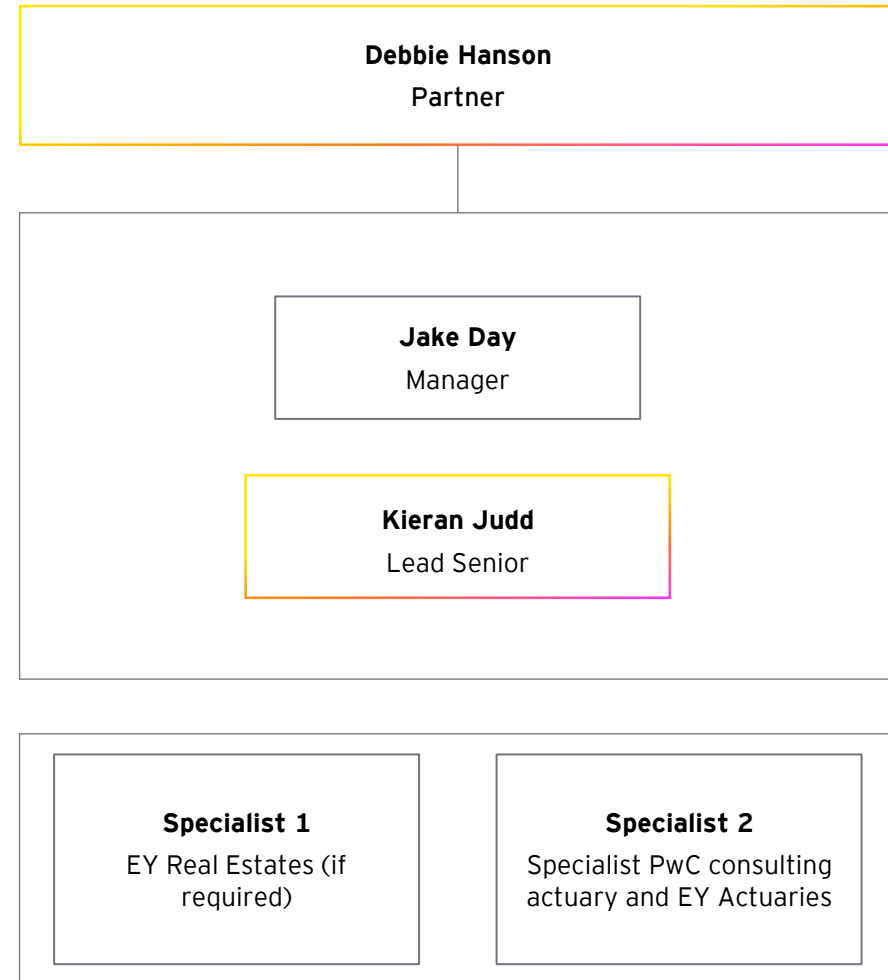
When auditing key judgements, we are often required to use the input and advice provided by specialists who have qualifications and expertise not possessed by the core audit team. The areas where EY specialists are expected to provide input for the current year audit are:

Area	Specialists
Valuation of land and buildings	EY Valuations team (if required)
Pensions disclosure	EY Actuaries

In accordance with Auditing Standards, we will evaluate each specialist's professional competence and objectivity, considering their qualifications, experience and available resources, together with the independence of the individuals performing the work.

We also consider the work performed by the specialist in light of our knowledge of the Council's business and processes and our assessment of audit risk in the particular area. For example, we would typically perform the following procedures:

- Analyse source data and make inquiries as to the procedures used by the specialist to establish whether the source data is relevant and reliable;
- Assess the reasonableness of the assumptions and methods used;
- Consider the appropriateness of the timing of when the specialist carried out the work; and
- Assess whether the substance of the specialist's findings are properly reflected in the financial statements.





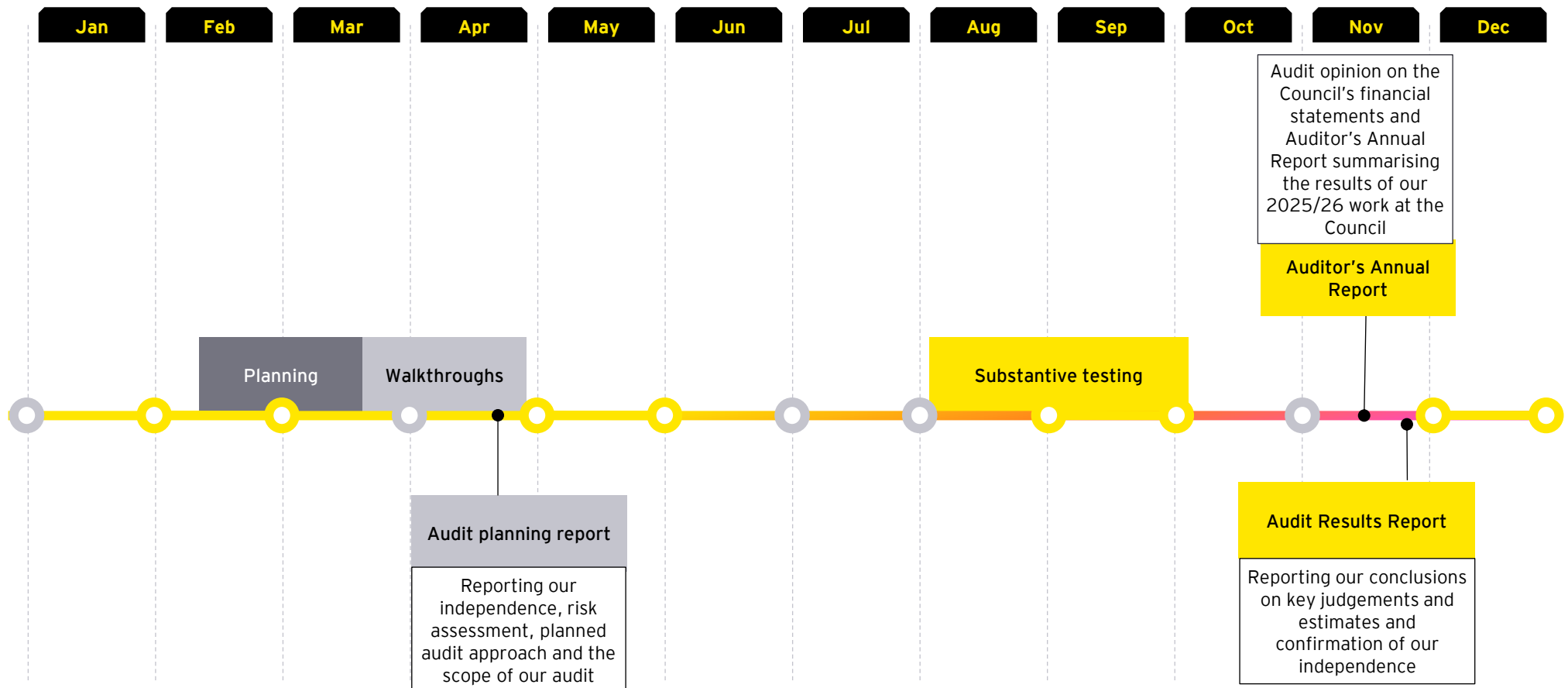
07 Audit timeline

Timetable of communication and deliverables

Timeline

Below is a timetable showing the key stages of the audit and the deliverables we have agreed to provide to you through the audit cycle in 2025/26.

From time to time matters may arise that require immediate communication with the Audit and Risk Management Committee and we will discuss them with Committee Chair as appropriate. We will also provide updates on corporate governance and regulatory matters as necessary.





08 Appendices

Appendix A – Rebuilding assurance: Responsibilities

The Council's responsibilities

As set out in Appendix B our fee is based on the assumption that the Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <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/>. In particular, the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly set out what is expected of audited bodies in preparing their financial statements. We set out these paragraphs in full below:

Preparation of the statement of accounts

26. Audited bodies are expected to follow Good Industry Practice and applicable recommendations and guidance from CIPFA and, as applicable, other relevant organisations as to proper accounting procedures and controls, including in the preparation and review of working papers and financial statements.

27. In preparing their statement of accounts, audited bodies are expected to:

- Prepare realistic plans that include clear targets and achievable timetables for the production of the financial statements;
- Ensure that finance staff have access to appropriate resources to enable compliance with the requirements of the applicable financial framework, including having access to the current copy of the CIPFA/LASAAC Code, applicable disclosure checklists, and any other relevant CIPFA Codes.
- Assign responsibilities clearly to staff with the appropriate expertise and experience;
- Provide necessary resources to enable delivery of the plan;
- Maintain adequate documentation in support of the financial statements and, at the start of the audit, providing a complete set of working papers that provide an adequate explanation of the entries in those financial statements including the appropriateness of the accounting policies used and the judgements and estimates made by management;
- Ensure that senior management monitors, supervises and reviews work to meet agreed standards and deadlines;
- Ensure that a senior individual at top management level personally reviews and approves the financial statements before presentation to the auditor; and
- During the course of the audit provide responses to auditor queries on a timely basis.

28. If draft financial statements and supporting working papers of appropriate quality are not available at the agreed start date of the audit, the auditor may be unable to meet the planned audit timetable, and the start date of the audit will be delayed.

Observations from 2024/25

As we have outlined in prior years, 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. We presented our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures as part of our 2024/25 Audit Results Report.

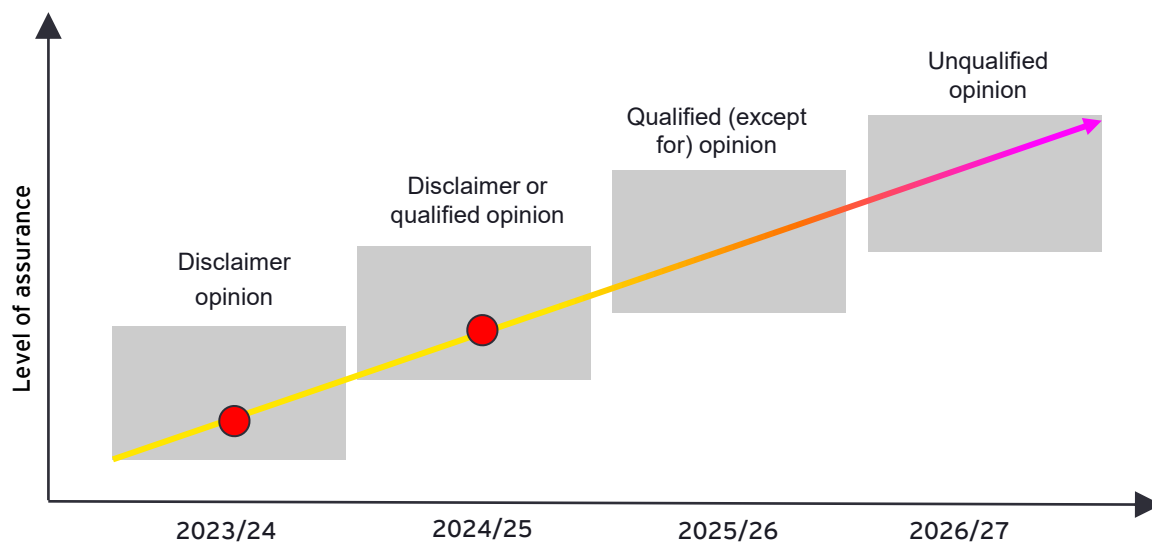
We have provided this assessment on Page 32. Where we have been unable to undertake all planned procedures, this is likely to extend the timetable to recover assurance on the Council's financial statements, see Page 31 for further details.

Appendix A – Rebuilding assurance: Responsibilities

Progress to full assurance

The chart below sets out the illustrative timescale for the process of rebuilding 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 assessment and what still needs to be done to successfully rebuild assurance.

The guidance recognises that the path to full assurance, and therefore an unqualified opinion, will usually take a number of years to achieve, and depends upon co-ordination and engagement between the Council and audit team. Since 2022/23, we have applied a structured, risk-based prioritisation approach to local government audits to support a return to unqualified audit opinions wherever feasible, while still meeting statutory backstop requirements.



Fenland District Council progress

In the audit reports for the years ended 31 March 2023, 31 March 2024 and 31 March 2025, a disclaimer of opinion was issued due to the application of the backstop. This means the auditor has not been able to form an opinion on the financial statements.

The Council's progress is behind the expected timescales for rebuilding assurance set out in LARRIG 01 due to no planned procedures being completed on the 2023/24 financial statements.

There are also some accounts where no planned procedures have been able to be completed for 2024/25, further hindering the build back of assurance.

In 2024/25, additional assurance was achieved in relation to various significant account balances, including Investment Property, Investments, Borrowings, Long-Term Debtors, Provisions, Cash, and Collection Fund Income & Expenditure.

However, there is a continuing lack of assurance over Other Income and Expenditure balances, as well as PPE, Short-Term Debtors and Creditors, and Reserve balances. As a result, we anticipate that for 2025/26:

- We will have limited assurance over the opening balances for 2025/26; and
- Limited assurance over the closing reserves balance, due to uncertainty over the opening amount.

We will continue to work with the Council to rebuild assurance over time. Our objective is to continue to rebuild assurance, by providing assurance over the in year 2025/26 transactions and movements, where possible, and closing balances which can be materially determined without the opening balance, such as debtors and creditors.

Appendix A – Rebuilding assurance: Responsibilities

Factors impacting the execution of the 2024/25 audit

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 as 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 timeline.	N/A
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.

Key:

Red: Ineffective. In our judgement, significant improvements are required in the Council's arrangements to support the rebuilding of assurance. Action should be taken to respond immediately.

Amber: Requires Improvement. Matters or issues had an impact on the delivery of the audit and should be addressed in future years.

Green: Effective. There were no significant matters that impacted the timing or effectiveness of audit procedures.

Appendix A – Rebuilding assurance: Responsibilities

Factors impacting the execution of the 2024/25 audit (cont'd)

Area	Status			Explanation	Further detail
	R	A	G		
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			<p>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.</p>	We have raised the capacity of the finance team as a Governance recommendation for 2024/25.
Volume and value of identified misstatements	Effective			The value of identified misstatements was below performance materiality.	N/A
Volume of misstatements in disclosure	Requires improvement			We detected various misstatements in disclosure as a result of our performed work.	N/A

Key:

Red: Ineffective. In our judgement, significant improvements are required in the Council's arrangements to support the rebuilding of assurance. Action should be taken to respond immediately.

Amber: Requires Improvement. Matters or issues had an impact on the delivery of the audit and should be addressed in future years.

Green: Effective. There were no significant matters that impacted the timing or effectiveness of audit procedures.

Appendix B - Independence and Fees

The FRC Ethical Standard 2024 and ISA (UK) 260 'Communication of audit matters with those charged with governance', requires us to communicate with you on a timely basis on all significant facts and matters that bear upon our integrity, objectivity and independence. The Ethical Standard requires that we communicate formally both at the planning stage and at the conclusion of the audit, as well as during the course of the audit if appropriate. The aim of these communications is to ensure full and fair disclosure by us to those charged with your governance on matters in which you have an interest.

Required communications

Planning stage

- The principal threats, if any, to objectivity and independence identified by Ernst & Young (EY) including consideration of all relationships between you, your affiliates and directors and us.
- The safeguards adopted and the reasons why they are considered to be effective, including any Engagement Quality review.
- The overall assessment of threats and safeguards.
- Information about the general policies and process within EY to maintain objectivity and independence.

Final stage

- In order for you to assess the integrity, objectivity and independence of the firm and each covered person, we are required to provide a written disclosure of relationships (including the provision of non-audit services) that may bear on our integrity, objectivity and independence. This is required to have regard to relationships with the entity, its directors and senior management, its affiliates, and its connected parties and the threats to integrity or objectivity, including those that could compromise independence that these create. We are also required to disclose any safeguards that we have put in place and why they address such threats, together with any other information necessary to enable our objectivity and independence to be assessed.
- Details of non-audit/additional services provided and the fees charged in relation thereto.
- Details of any inconsistencies between FRC Ethical Standard and your policy for the supply of non-audit services by EY and any apparent breach of that policy.
- Details of all breaches of the IESBA Code of Ethics, the FRC Ethical Standard and professional standards, and of any safeguards applied and actions taken by EY to address any threats to independence (for breaches of the FRC Ethical Standard include details of its significance).
- An opportunity to discuss auditor independence issues.

In addition, during the course of the audit, we are required to communicate with you whenever any significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place, for example, when accepting an engagement to provide non-audit services.

We ensure that the total amount of fees that EY and our network firms have charged to you and your affiliates for the provision of services during the reporting period, analysed in appropriate categories, are disclosed.

Appendix B - Independence and Fees

Relationships, services and related threats and safeguards

We highlight the following significant facts and matters that may be reasonably considered to bear upon our objectivity and independence, including the principal threats, if any. We have adopted the safeguards noted below to mitigate these threats along with the reasons why they are considered to be effective. However we will only perform non-audit services if the service has been pre-approved in accordance with your policy.

Overall Assessment

Overall, we consider that the safeguards that have been adopted appropriately mitigate the principal threats identified and we therefore confirm that EY is independent and the objectivity and independence of Debbie Hanson, your audit engagement partner and the audit engagement team have not been compromised.

Self interest threats

A self interest threat arises when EY has financial or other interests in your company. Examples include where we have an investment in the Council; where we receive significant fees in respect of non-audit services; where we need to recover long outstanding fees; or where we enter into a business relationship with you. At the time of writing, there are no long outstanding fees.

We believe that it is appropriate for us to undertake those permitted non-audit/additional services set out in Section 5.40 of the FRC Ethical Standard 2024 (FRC ES), and we will comply with the policies that you have approved. At the time of writing, there are no non-audit services.

A self interest threat may also arise if members of our audit engagement team have objectives or are rewarded in relation to sales of non-audit services to you. We confirm that no member of our audit engagement team, including those from other service lines, has objectives or is rewarded in relation to sales to you, in compliance with FRC ES Section 4.

There are no self interest threats at the date of this report.

Self review threats

Self review threats arise when the results of a non-audit service performed by EY or others within the EY network are reflected in the amounts included or disclosed in the financial statements.

There are no self review threats at the date of this report.

Appendix B - Independence and Fees

Management threats

Partners and employees of EY are prohibited from taking decisions on behalf of management of your company. Management threats may also arise during the provision of a non-audit service in relation to which management is required to make judgements or decisions based on that work.

There are no management threats at the date of this report.

Other threats

Other threats, such as advocacy, familiarity or intimidation, may arise.

There are no other threats at the date of this report.

EY Transparency Report

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained.

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2025 and can be found here: [EY UK 2025 Transparency Report](#).

Appendix B – Independence and Fees

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.

The agreed fee presented is 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 is provided by the Council;
- An effective control environment; and
- Compliance with PSAA's Statement of Responsibilities of auditors and audited bodies. See <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/>. In particular, the Council should have regard to paragraphs 26-28 of the Statement of Responsibilities which clearly sets out what is expected of audited bodies in preparing their financial statements. These are set out in full on the previous page.

If any of the above assumptions prove to be unfounded, we will seek a variation to the agreed fee. This will be discussed with the Council in advance.

	Current year 2025/26	Prior Year 2024/25
	£	£
Total Fee – Code Work (Note 2)	£163,073	£158,632
Other (Note 1)	TBC	TBC
Total fees	TBC	TBC

All fees exclude VAT

1. As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC, PSAA has used its fee variation process to determine the final fee the Council have to pay for the 2023/24 audit.
2. The 2024/25 work has recently been completed, and a final fee will be determined shortly. For 2025/26, the planned fee represents the base fee and does not include fees for any extended testing.
3. The scale fee also may be impacted by a range of other factors which will result in additional work, which include but are not limited to:
 - Consideration of correspondence from the public and formal objections;
 - New and revised accounting standards;
 - Non-compliance with law and regulation with an impact on the financial statements;
 - Value for money risks of, or actual, significant weaknesses in arrangements and related reporting impacts;
 - The need to exercise auditor statutory powers;
 - Prior period adjustments; and
 - Modified financial statement opinions.

Appendix C – Prior year recommendations

As part of our annual audit procedures we will follow up the specific open and in progress recommendations reported within our 2024/25 reporting, including those relating to value for money arrangements. The six open recommendations from prior years are outlined below, along with the response from management.

Classification of recommendations		
Grade 1: Key risks or significant deficiencies which are either critical to the achievement of strategic objectives or significant risks to material compliance with regulatory requirements. Management needs to address and seek resolution urgently.	Grade 2: Risks or potential weaknesses which impact on objectives and compliance, or impact the operation of a single process, and so require prompt but less urgent immediate action by management.	Grade 3: Less significant issues or areas for improvement which merit attention but do not require prioritisation by management.

Internal control weaknesses

No.	Finding or risk	Recommendation and grading	Management response / Implementation timeframe
1.	Related parties - We have noted that the Council only obtain annual 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. Grade 2	Management response: A register of interests is maintained and is available on the Council's website. This is reviewed annually and declarations of interest are requested at every Committee meeting. An additional check at year end was carried out by Finance for Cabinet members only and this has now been expanded to include all members. Responsible officer: S151 Officer Implementation timeframe: 2025/26
2.	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. Grade 3	Management response: The Council will revisit this calculation and make it clearer how the depreciation is calculated and then added to the Fixed Asset Register. Responsible officer: S151 Officer Implementation timeframe: 2025/26

Appendix C – Prior year recommendations

Value for money arrangements

No.	Value for money reporting criteria	Finding and/or risk	Recommendation and grading	Management response
1.	Governance	Whilst working papers and supporting evidence were generally of a good standard, there were instances where evidence provided did not satisfy all of the requested audit criteria, which impacted our ability to complete all our planned procedures. Preparations for Local Government Reorganisation will also result in additional work for the finance team over the coming months.	The Council should review and assess the adequacy of the skills and capacity of the Council's finance team to ensure it is sufficient to support all the Council's business critical activities.	In May 2025, the Chief Accountant of over 40 years retired, and the Council changed the way they worked on the audit. The new Chief Accountant has involved more of the team in the process to help workload and development within the team. This has been successful and as such the finance team are happy with where they now are following this key event. The Chief Accountant and S151 Officer constantly review resources and are looking to develop existing team members through a combination of learning new areas of work and working towards professional qualifications. As S151 Officer I am delighted with the progress of the team and the leading role the Chief Accountant is taking in this exciting process.
2.	Governance	In December 2024, the Audit and Risk Management Committee rejected the recommendation to appoint an independent member to the Committee. Guidance within the CIPFA Position Statement on Audit Committees in Local Authorities and Police 2022, is that 'the audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation. Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise'.	The Council consider the appointment of an independent member to the Audit and Risk Management Committee to ensure the Committee is operating independently and with the correct skill mix in place to support an effective layer of governance.	Two papers have been taken to the Audit & Risk Management Committee regarding an independent member, and this continues to stay on the current workplan. At present, there is no intention to appoint to this position.
3.	Governance	The 2024/25 AGS was published after the 30 June deadline set out in the Audit and Accounts Regulations	The Council should publish the Annual Governance Statement (AGS) by the 30 June 2026.	The Council have acknowledged their responsibility to publish prior to the accounts publication deadline and will ensure this requirement is met in future years.

Appendix C – Prior year recommendations

Value for money arrangements (cont'd)

No.	Value for money reporting criteria	Finding and/or risk	Recommendation and grading	Management response
4.	Governance	There are 29 agreed actions from Internal Audit reports that are overdue from 2023/24, including one high-risk action, and two further overdue actions from 2021/22, which also include a high-risk action. This is a significant number of outstanding actions and also indicates potential issues with the capacity of the finance team as well as in the Council more widely.	The Council should ensure actions is taken to progress the recommended actions in Internal Audit reports on a timely basis.	Regular updates are taken to the Audit & Risk Management Committee and are shared internally on a regular basis with CMT and management team colleagues. It is agreed that this should be considered further and we will take action to ensure further progress is made.

Appendix D – Regulatory update

Key regulatory changes

There are a number of key regulatory developments underway relating to local authority governance and the audit of the Council’s financial statements. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key measures	Impact on Fenland District Council
English Devolution and Community Empowerment Bill	<p>The Bill has completed all scrutiny stages in the House of Commons and is now at Committee stage (Grand Committee) in the House of Lords. The following measures therefore remain proposals until Royal Assent is granted:</p> <ul style="list-style-type: none"> ▪ Local audit system reforms: The Bill includes provisions to reform elements of the local audit framework in England alongside support measures intended to address the audit backlog. The Bill will also enable changes to the way audit oversight and local audit responsibilities operate. Section 61 of the Bill provides for the establishment of the Local Audit Office (LAO). Legislation will set out that the main objective of the LAO is to secure the effective operation of the system of audit, with a view to meeting the needs of users of audited accounts. The LAO will appoint auditors to non-NHS bodies, determine audit fees and prepare one or more Code of Audit Practice. ▪ Combined authorities and Combined County Authorities: The Bill expands powers and functions of combined authorities and places combined county authorities on a clearer statutory footing. This will allow further transfer of functions from constituent councils. ▪ Devolution of functions to “Strategic Authorities”: The Bill expands the category of Strategic Authorities and allows transfer of responsibilities from central government and councils. ▪ Local Government Reorganisation: The Bill supports changes to council structures to support devolution. 	<ul style="list-style-type: none"> ▪ Local audit system reforms may result in changes to audit timescales or responsibilities and there may therefore be transition risks in future years. ▪ The Bill provides that the Council must have an audit committee, and that at least one member of the committee be an independent person.

Appendix D – Regulatory update

Key regulatory changes (cont'd)

Name	Summary of key measures	Impact on Fenland District Council
Public Office (Accountability) Bill	<p>The Public Office (Accountability) Bill aims to impose a duty on public authorities and public officials to “at all times act with candour, transparency and frankness in their dealings with inquiries and investigations.” Breach of the duty would be a criminal liability.</p> <p>The Bill is expected to apply not only to both core public bodies delivering public services but also private bodies delivering public functions such as those on a government contract.</p> <p>The Bill also proposes:</p> <ul style="list-style-type: none"> ▪ A new statutory duty on public authorities to promote and take steps to maintain high standards of ethical conduct, as defined by the Seven Principles of Public Life, or “Nolan Principles”; ▪ Reforms that will make it easier to prosecute misconduct in public office; and ▪ An offence of misleading the public. 	<ul style="list-style-type: none"> ▪ While the Bill continues to make its way through the House of Commons Committee processes, the Council should ensure that training and support for Councillors is enhanced to take account of greater expectations in relation to local government standards.
Fair Funding Review	<p>On 20 November 2025, the government announced a multi-year Local Government Finance Settlement in a decade, together with the Fair Funding Review. Key measures include:</p> <ul style="list-style-type: none"> ▪ There will be a single settlement for 2026/27 to 2028/29; ▪ The government plans to use up to date English Indices of Multiple Deprivation, together with up-to-date services cost and demand data to calculate individual council allocations for 2026/27 to 2028/29; and ▪ The Children and Young People’s Services formula will use the latest index of deprivation affecting children. <p>The new indices are expected to lead to greater transparency and a reduced reliance on competitive bidding for funds. The Government also announced it will simplify 33 funding streams, worth almost £47 billion over three years.</p>	<p>Using new indices will result in some Councils seeing increases in their allocations, whilst others see decreases. The government has, however, set out transitional arrangements to help with managing change:</p> <ul style="list-style-type: none"> ▪ A Recovery Grant funding guarantee to upper tier authorities in receipt of Recovery Grant; ▪ Funding floors and phasing in of new allocations across the multi-year settlement; and ▪ Additional money in the national settlement for children’s social care and a new ring-fenced combined Homelessness, Rough Sleeping and Domestic Abuse grant over three years.

Appendix D – Regulatory update

National Audit Office reporting

There are a number of key publications from the National Audit Office that have an impact on the Council. The following table provides a high level summary of those that have the potential to have the most significant impact on you:

Name	Summary of key messages	Impact on Fenland District Council
Local government finance report 2026 to 2027	<p>The 2026-27 Local Government Finance Report introduces a multi-year settlement covering 2026/27 to 2028/29 and implements the Fair Funding Review 2.0. Updated distribution formulas will reallocate resources between councils, reflecting more recent demographic and deprivation data.</p> <p>The report confirms the continuation of council tax referendum principles and introduces significant changes to Special Educational Needs and Disabilities (SEND) funding, including the extension of the statutory override for DSG deficits to 2027/28 and a government-funded write-off of approximately 90% of historical DSG deficits. These policy changes represent one of the most substantial re-baselining exercises in recent years.</p>	<ul style="list-style-type: none"> ▪ Councils must re-model their Medium-Term Financial Plans (MTFPs) to account for formula redistribution effects and redesigned SEND funding arrangements. The ongoing restrictions on council tax increases will continue to limit local financial flexibility. For many authorities, particularly those with substantial DSG deficits, the reforms will have material implications for reserves management and financial stability.
Exceptional Financial Support for local authorities for 2025-26	<p>Exceptional Financial Support (EFS) remains a mechanism for Council's facing acute short-term financial pressures.</p> <p>For 2025-26, thirty authorities received in-principal approval for EFS, allowing them to treat certain revenue costs as capital expenditure through capitalisation directions. The government has removed the additional 1% borrowing premium previously applied and has imposed conditions including enhanced assurance reviews and restrictions on community-asset disposals.</p> <p>The NAO notes that, although EFS can prevent immediate failure, it shifts the burden to future years through increased borrowing.</p>	<ul style="list-style-type: none"> ▪ For the sector, the continuation of EFS signals sustained financial fragility. Authorities using EFS must demonstrate credible, independently-scrutinised recovery and savings plans, along with significant improvements in governance, financial management, and internal controls. ▪ Councils should expect intensive oversight and stringent follow-up from central government when accessing this mechanism.
Local audit reform: Government response to the consultation to overhaul local audit in England	<p>The government response sets out a comprehensive overhaul of the local audit system in England. Central to the reforms is the creation of the Local Audit Office (LAO), which will assume responsibility for appointing auditors, preparing Codes of Audit Practice, enforcing quality standards, and overseeing audit delivery.</p> <p>A phased transition plan will move existing responsibilities from Public Sector Audit Appointments (PSAA) and other bodies to the NAO between 2026 and 2027, with the aim of stabilising the system, addressing audit backlogs, and restoring confidence in the timeliness and quality of local audit.</p>	<ul style="list-style-type: none"> ▪ For Councils, the reforms will lead to more prescriptive expectations around audit readiness, governance, documentation quality, and responsiveness. Authorities should anticipate tighter reporting deadlines and increased scrutiny of working papers, internal controls, and VFM arrangements.

Appendix D – Regulatory update

National Audit Office reporting (cont'd)

Name	Summary of key messages	Impact on Fenland District Council
Local Government Financial Sustainability	<p>The National Audit Office most recently reported on the context of local government finances in February 2024, which included their consideration of service and financial pressures. They concluded that although total local government funding has risen modestly in recent years, it has not kept pace with population growth, rising service demand, or the increasing complexity and cost of supporting people with high needs. Real-terms funding per person fell between 2015/16 and 2023/24, while demand for essential services such as adult social care, children’s social care, SEND provision and homelessness continued to escalate. The NAO highlights growing evidence of strain across services, including delays in Education, Health and Care Plans and a sharp rise in families housed in temporary accommodation for longer than legally permitted. Repeated delays to long-promised funding reforms mean councils continue to rely on short-term, stop-gap measures. Exceptional Financial Support has become increasingly common, but while it prevents immediate failure, it also shifts financial risk into future years, reflecting underlying structural weaknesses in the local government finance system.</p>	<ul style="list-style-type: none"> ▪ The report signals deepening financial fragility across the sector, with many councils facing heightened risk of issuing Section 114 notices unless systemic pressures are addressed. Rising demand and cost escalation in statutory services are absorbing an ever-greater share of local authority budgets, reducing the capacity to invest in preventative activity and long-term service improvement. The NAO warns that widespread reliance on temporary fixes—including Exceptional Financial Support—creates additional future liabilities and limits councils’ ability to plan sustainably. Without coordinated, cross-government reform of funding, accountability and service oversight frameworks, councils will remain locked in reactive financial management, with growing consequences for service quality, citizen outcomes and long-term financial resilience.
Unlocking land for housing	<p>The National Audit Office reported in February 2026 that the government aims to deliver 1.5 million new homes by July 2029. To support this ambition, various land-unlocking programmes have been introduced to address constraints such as inadequate infrastructure, land assembly challenges, and site viability issues. Since 2016, £10.5 billion has been allocated across 768 projects, with £8.4 billion committed and £5.7 billion spent.</p> <p>Although these programmes collectively predict enabling around 713,000 homes, the NAO highlights that only a small proportion—around 33,300 homes—can currently be evidenced as completed, pointing to gaps in monitoring and programme assurance. Additionally, the creation of the National Housing Delivery Fund and a new National Housing Bank from April 2026 signals a shift toward a more consolidated and strategic funding model.</p>	<ul style="list-style-type: none"> ▪ The sector will experience increased expectations to produce detailed and evidence-based infrastructure planning to secure funding from the new mechanisms. Councils will be required to strengthen the robustness of business cases, improve monitoring of actual housing delivery, and anticipate tighter central-government scrutiny of riskier or larger projects. The shift to a single-gateway funding structure will also compel Councils to maintain well-developed pipelines to access multi-year support.

Appendix E – Required communications with the Audit and Risk Management Committee

We have detailed the communications that we must provide to the Audit and Risk Management Committee.

		Our Reporting to you
Required communications	What is reported?	When and where?
Terms of engagement	Confirmation by the Audit and Risk Management Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> ▪ The planned scope and timing of the audit ▪ The planned use of internal audit ▪ The significant risks identified <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 - April 2026 - Audit and Risk Management Committee
Significant findings from the audit	<ul style="list-style-type: none"> ▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Other significant matters, if any, arising from the audit that were discussed, or subject to correspondence with management ▪ Circumstances that affect the form and content of our auditor's report ▪ Other matters if any, significant to the oversight of the financial reporting process 	Audit results report - TBC - Audit and Risk Management Committee

Appendix E – Required communications with the Audit and Risk Management Committee

Required communications	What is reported?	Our Reporting to you
		When and where?
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> ▪ Whether the events or conditions constitute a material uncertainty related to going concern ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The appropriateness of related disclosures in the financial statements 	Audit results report - TBC - Audit and Risk Management Committee
Misstatements	<ul style="list-style-type: none"> ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management ▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods 	Audit results report - TBC - Audit and Risk Management Committee
Fraud	<ul style="list-style-type: none"> ▪ Enquiries of the Audit and Risk Management Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▪ Unless all of those charged with governance are involved in managing the entity, unless prohibited by law or regulation any identified or suspected fraud involving: <ul style="list-style-type: none"> ▪ Management; ▪ Employees who have significant roles in internal control; or ▪ Others, when the identified or suspected fraud is other than clearly inconsequential. ▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▪ 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 ▪ Any other matters related to fraud, relevant to Audit and Risk Management Committee responsibility 	Audit results report - TBC - Audit and Risk Management Committee

Appendix E – Required communications with the Audit and Risk Management Committee

		Our Reporting to you
Required communications	What is reported?	When and where?
Related parties	Significant matters arising during the audit in connection with the entity's related parties	Audit results report - TBC - Audit and Risk Management Committee
Independence	<p>Communication of the relevant ethical requirements, including those related to independence, that we apply for the audit engagement, including any independence requirements specific to audits of financial statements of the entity</p> <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"> ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence ▪ Breaches of IESBA Code of Ethics, local independence regulations or professional standards (for breaches of the FRC Ethical Standard, include details of the breach and its significance) <p>Communication whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place</p> <p>Communication of relevant information to those charged with governance, to enable them to provide concurrence on the non-audit services being provided</p>	<p>Audit planning report - April 2026 - Audit and Risk Management Committee</p> <p>Audit results report - TBC - Audit and Risk Management Committee</p>

Appendix E – Required communications with the Audit and Risk Management Committee

		Our Reporting to you
Required communications	What is reported?	When and where?
External confirmations	<ul style="list-style-type: none"> ▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures 	Audit results report - TBC - Audit and Risk Management Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> ▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of the Audit and Risk Management Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Risk Management Committee may be aware of 	Audit results report - TBC - Audit and Risk Management Committee
Internal controls	<ul style="list-style-type: none"> ▪ Significant deficiencies in internal controls identified during the audit ▪ Significant deficiencies identified in the council's system of internal control 	Audit results report - TBC - Audit and Risk Management Committee
Representations	Written representations we are requesting from management and those charged with governance	Audit results report - TBC - Audit and Risk Management Committee
System of quality management	How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit results report - TBC - Audit and Risk Management Committee
Material inconsistencies and misstatements	Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit results report - TBC - Audit and Risk Management Committee
Auditors report	Any circumstances identified that affect the form and content of our auditor's report	Audit results report - TBC - Audit and Risk Management Committee Auditor's annual report - TBC - Audit and Risk Management Committee

Appendix F – Additional audit information

Objective of our audit

In addition to the key areas of audit focus outlined within the plan, we have to perform other procedures as required by auditing, ethical and independence standards and other regulations. We outline the procedures below that we will undertake during the course of our audit.

Other required procedures during the course of the audit

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of management's use of the going concern basis of accounting.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtaining sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Council to express an opinion on the financial statements. Reading other information contained in the financial statements, including the board's statement that the annual report is fair, balanced and understandable, the Audit and Risk Management Committee reporting appropriately addresses matters communicated by us to the Audit and Risk Management Committee and reporting whether it is materially inconsistent with our understanding and the financial statements.
- Maintaining auditor independence.

Purpose and evaluation of materiality

For the purposes of determining whether the accounts are free from material error, we define materiality as the magnitude of an omission or misstatement that, individually or in the aggregate, in light of the surrounding circumstances, could reasonably be expected to influence the economic decisions of the users of the financial statements. Our evaluation of it requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition. We would be happy to discuss with you your expectations regarding our detection of misstatements in the financial statements.

Materiality determines:

- The locations at which we conduct audit procedures to support the opinion given on the financial statements; and
- The level of work performed on individual account balances and financial statement disclosures.

The amount we consider material at the end of the audit may differ from our initial determination. At this stage, however, it is not feasible to anticipate all of the circumstances that may ultimately influence our judgement about materiality. At the end of the audit we will form our final opinion by reference to all matters that could be significant to users of the accounts, including the total effect of the audit misstatements we identify, and our evaluation of materiality at that date.

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