

Agenda Item No:	6	
Committee:	Audit & Risk Management Committee	
Date:	29 November 2021	
Report Title:	Appointed Auditor – Audit Results Report (ISA260)	

### Cover sheet:

#### **1 Purpose / Summary**

To consider the Audit Results Report (ISA260) from the Council's appointed independent external auditor - EY (Ernst and Young).

#### **2 Key issues**

- EY will present their Audit Results Report arising from their duties under International Auditing Standard 260, following the completion of their audit of the Council's Statement of Accounts 2020/21.
- The Draft Audit Results Report (ISA260) is attached. EY are currently finalising their work in a number of areas and will provide a verbal update to Members at the meeting.

#### **3 Recommendations**

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

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

# **Fenland District Council Audit Results Report**

Year ended 31 March 2021

17 November 2021

17 November 2021



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

Dear Committee Members

### **2020/21 Audit Results Report**

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

The audit is designed to express an opinion on the 2020/21 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on Fenland's accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process. We have also included our findings in respect of our work on the Council's Value for Money arrangements.

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

We welcome the opportunity to discuss the contents of this report with you at the Audit and Risk Management Committee meeting on the 29 November 2021.

Yours faithfully

*MARK HODGSON*

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

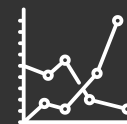
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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated April 2018)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

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



01

## Executive Summary



# Executive Summary

## Scope update

In our Provisional Audit Plan dated the 21 May 2021, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- **Changes in materiality:** In our Provisional Audit Plan, we communicated that our audit procedures would be performed using a materiality of £1.05 million. We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £1.116 million. This results in updated performance materiality, at 75% of overall materiality, of £0.837 million, and an updated threshold for reporting misstatements of £0.055 million.

## Changes to reporting timescales

As a result of COVID-19, new regulations, the Accounts and Audit (Amendment) Regulations 2021 No 263, have been published and came into force on 31 March 2021. This announced a change to publication date for final, approved financial statements from 31 July to 30 September 2021 for all relevant authorities.

## Additional audit procedures as a result of Covid-19

Other changes in the entity and regulatory environment as a result of Covid-19 that have not resulted in an additional risk, but result in the following impacts on our audit strategy were as follows:

**Information Produced by the Entity (IPE):** We identified an increased risk around the completeness, accuracy, and appropriateness of information produced by the entity due to the inability of the audit team to verify original documents or re-run reports on-site from the Council's systems. We undertook the following to address this risk:

- Used the screen sharing function of Microsoft Teams to evidence re-running of reports used to generate the IPE we audited; and
- Agreed IPE to scanned documents or other system screenshots.



## Executive Summary

### Status of the audit

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

- ▶ Financial Instruments;
- ▶ Accounts Payable testing;
- ▶ Other Income;
- ▶ Property, Plant and Equipment valuations;
- ▶ Employee costs;
- ▶ Related party transactions; and
- ▶ Whole of government accounts procedures;

### Closing Procedures:

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

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

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

## Executive Summary

### Auditor responsibilities under the new Code of Audit Practice 2020

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

The specified reporting criteria are:

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

### Status of the audit – Value for Money

In the Audit Plan Addendum dated 10 November 2021, we reported that we had completed our Value for Money (VFM) risk assessment and had not identified any risk of significant weakness against the three reporting criteria we are required to consider under the NAO's 2020 Code. We have revisited our assessment on completion of the audit of the financial statements and remain satisfied that we have not identified a risk of significant weakness.

As a result, we have completed our planned VFM procedures and have no matters to report by exception in the auditor's report (see Section 03).

We plan to issue the VFM commentary by the end of December 2021 as part of issuing the Auditor's Annual Report. Our provisional wording for the VFM Commentary is included at Appendix E of this report.



## Executive Summary

### Audit differences

#### Uncorrected differences

At the time of this report we have two uncorrected audit differences.

1. Property, Plant and Equipment – Surplus Assets. There is a £0.170 million uncorrected audit difference in relation to one Property, Plant & Equipment asset valuation, as a result of using an incorrect measurement unit for the asset area.
2. IAS 19 – Pension Liability. There is an audit difference of £0.103 million between the Council's Pension Liability reported by Management's Expert (Hymans) and that shown by the Council within the Balance Sheet. The Council's Balance Sheet reflects a lower liability.

We request that these uncorrected misstatements be corrected, or a rationale as to why they are not corrected, be considered and approved by the Audit and Risk Management and provided within the Letter of Representation.

#### Corrected differences

- ▶ Decrease in the Council's 'Pension Liability' of £1.140 million. This is as a result of the Actuary's updating the IAS19 reports, as a result of an increase in the 'return on the Pension Fund's assets' identified through the audit of Cambridgeshire Pension Fund. This is due to a timing difference of available actual valuations for certain asset classes within the Pension Fund.
- ▶ Management have updated the disclosure note (Note 41) in relation to Going Concern in the revised financial statements.

We also identified a limited number of minor audit disclosure differences in the financial statements, which have been adjusted by Management including the Exit Package note (Note 33).



## Executive Summary

### Other reporting issues

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, as we do expect, based on prior year guidance that the Council would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report.

### Objections

We did not receive any objections to the 2020/21 accounts from members of the public.

### Control observations

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

### Independence

Please refer to Section 7 for our update on Independence.

### Areas of audit focus

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

*Management Override: Misstatements due to fraud or error*

- *At the date of issuing this report, our work in this area is still ongoing. We will update the Committee on our findings once the work is finalised.*

*Management Override: Inappropriate capitalisation of revenue expenditure*

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



## Executive Summary

### Areas of audit focus (continued)

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

#### *Significant Risk: Accounting for Covid-19 related grant funding*

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

#### *Inherent Risk: Valuation of Property, Plant, and Equipment and Investment Properties*

- *At the date of issuing this report, we are still concluding our review procedures in this area. We will update the Committee on our findings once the work is finalised. There is a £0.170 million uncorrected audit difference in relation to one Property, Plant & Equipment asset valuation, as a result of using an incorrect measurement unit for the asset area. Details are on page 15 of this report.*

#### *Inherent Risk: Pensions valuations and disclosures*

- *We have completed our work in this area and note that there is a £1.140 million corrected audit difference in relation to the valuation of the Pension Fund's assets. There is also an unadjusted audit difference of £0.103 million between the Council's Pension Liability reported by Management's Expert (Hymans) and that shown by the Council within the Balance Sheet. The Council's Balance Sheet reflects a lower liability. Details are on page 16 of this report.*

#### *Inherent Risk: Recoverability of Receivables*

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

#### *Inherent Risk: National Non-Domestic Rates Appeals Provision*

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

#### *Inherent Risk: Accounting for Collection Fund Disclosures*

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

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

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

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



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## Areas of Audit Focus



## Areas of Audit Focus

### Significant risk

#### Misstatements due to fraud or error

##### What is the risk?

The financial statements as a whole are not free of material misstatements whether caused by fraud or error.

As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. We identify and respond to this fraud risk on every audit engagement.

One area susceptible to manipulation is the capitalisation of revenue expenditure on Property, Plant and Equipment given the extent of the Council's capital programme. The specific procedures undertaken to address this are set out on the next page. This page details standard procedures we undertake to respond to the risk of fraud and error on every engagement.

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

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

- ▶ Identified fraud risks during the planning stages;
- ▶ Inquired of management about risks of fraud and the controls put in place to address those risks;
- ▶ Documented our understanding the oversight given by those charged with governance of management's processes over fraud;
- ▶ Considered the effectiveness of management's controls designed to address the risk of fraud;
- ▶ Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements;
- ▶ Reviewed the accounting estimates for evidence of management bias; and
- ▶ Evaluated the business rationale for significant unusual transactions

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

##### What are our conclusions?

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

We have not identified any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.

We have not identified any inappropriate journal entries or other adjustments to the financial statements.



## Areas of Audit Focus

### Significant risk

#### Incorrect capitalisation of revenue expenditure

##### What is the risk?

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

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

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

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

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

- ▶ Obtained an analysis of capital additions in the year, reconciled it to the Fixed Assets Register (FAR), and reviewed the descriptions to identify whether there are any potential items that could be revenue in nature;
- ▶ Sample tested additions to Property, Plant and Equipment and Investment Properties to ensure that they have been correctly classified as capital and included at the correct value in order to identify any revenue items that have been inappropriately capitalised.
- ▶ Used our data analytics tool to identify and test journal entries that move expenditure from revenue codes into capital codes.

##### What are our conclusions?

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

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

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



## Areas of Audit Focus

### Significant risk

#### Accounting for Covid-19 related grant funding

##### What is the risk?

In response to the Covid-19 pandemic, the Council have received significant levels of grant funding, both to support the Council and to pass on to local businesses. Each of these grants will have distinct restrictions and conditions that will impact the accounting treatment of these.

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

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

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

- ▶ Sample tested Government Grant income to ensure that they have been correctly classified as specific or non-specific in nature;
- ▶ Sample tested Government Grant income to ensure that they have been correctly classified in the financial statements based on any restrictions imposed by the funding body;
- ▶ Reviewed the instructions and conditions of each grant that we were testing to corroborate the Council's assessment of whether they were acting as an Agent or Principal in disbursing the grants; and
- ▶ Compared the Council's assessment of whether they were acting as 'agent' or 'principal' for each Covid grant to other Councils' assessment to determine whether Fenland were an outlier in their treatment of any particular grant.

##### What are our conclusions?

Our sample testing of Covid-19 grant funding did not identify any grants that were incorrectly classified as specific or non-specific in nature, or any grants where the incorrect accounting treatment was applied.

Our work also did not identify any grants where Fenland's assessment of their role as 'agent' or 'principal' was inconsistent with the approach taken by other Councils.



## Areas of Audit Focus

### Inherent risk

#### Valuation of Property, Plant and Equipment and Investment Properties - Inherent Risk

##### What is the risk?

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

Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. At 31 March 2020 the net book value of PPE and IP totalled £51.6 million

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

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

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

- ▶ Considered the work performed by the Council's valuer (Wilks, Head & Eve), including the adequacy of the scope of the work performed, their professional capabilities and the results of their work;
- ▶ Sample tested key asset information used by the valuer in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ Considered the annual cycle of valuations to ensure that assets have been valued within a 5 year rolling programme as required by the Code for PPE, and that any changes were communicated to the valuer;
- ▶ Reviewed assets not subject to valuation in 2020/21 to confirm that the remaining asset base was not materially misstated;
- ▶ Considered changes to useful economic lives as a result of the most recent valuation; and
- ▶ Tested accounting entries have been correctly processed in the financial statements.

##### What are our conclusions?

At the date of issuing this report, we are still concluding our review procedures in this area. We will provide an update to the Audit and Risk Management Committee with our findings once the work is finalised.

However, here is one unadjusted difference for £0.170 million arising from our work to date. This arose in the valuation of one asset, as the incorrect area measurement unit was used by the valuer in their calculation.



# Areas of Audit Focus

## Inherent risk

### Pension valuations and disclosures – Inherent Risk

#### What is the risk?

The Authority makes extensive disclosures within its financial statements regarding its membership of Pension Scheme administered by Cambridgeshire County Council. At 31 March 2020 the liability totalled £49.12 million.

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

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

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

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

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

- ▶ Liaised with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Fenland District Council;
- ▶ Assessed the work of the Pension Fund actuary (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team; and
- ▶ Reviewed and tested the accounting entries and disclosures made within Fenland's financial statements in relation to IAS19, considering Fund assets and the Council's liability.
- ▶ The new auditing standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as Consulting Actuaries commissioned by the NAO for all local government sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we have been required to modify our planned approach and undertake alternate procedures to create an Auditor's estimate, in order to gain sufficient appropriate assurance. We have engaged our internal specialists, EY Pensions, to undertake this work.

#### What are our conclusions?

We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have undertaken the work required without identifying any issues.

The Cambridgeshire Pension Fund auditor highlighted a material movement in the valuation of Investment Assets of the Pension Fund, in their assurance letter to us. As a result, the Council have received an updated IAS19 report from the Actuary to determine the impact of this on the Council's Pension Liability. The financial statements have been updated for this revised figure, reducing the net liability by £1.140 million. We have agreed the Council's IAS 19 disclosures to the actuaries' report to ensure these are fairly stated in the accounts.

We have also performed an independent point estimate procedures to ensure the validity of the Actuary's model based on data received from the Council and have concluded that the Council's Pension Liability falls within an acceptable range, thereby giving us assurance over the Actuary's estimation approach.

The Council is reflecting a liability that is £0.103 million lower than the IAS19 report provide by Management's Expert (Hymans). There is a £0.049 million recurring historical difference, which has fallen below our reporting threshold. In 2020/21, Management have reduced the liability by a further £0.054 million to reflect the impact of the Redundancy Provision on the Pension Liability. We do not believe that the Pension Liability was impacted by this provision at the 31 March 2021.



## Areas of Audit Focus

### Inherent risk

#### National Non-Domestic Rates (NNDR) Appeals Provision- Inherent Risk

##### What is the risk?

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

Statistics compiled by the Ministry for Housing, Communities and Local Government, reveal that councils are forecasting net additions to appeal provisions totalling £927 million this financial year, and £1.2 billion next year. The reason behind the forecast increase is that, due to the impact of Covid-19, businesses are likely to seek reductions based on a decrease in rental prices on which rateable values are based.

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

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

Since issuing the Outline Audit Plan the government announced that it would not allow businesses to claim NNDR appeals in respect of material changes in circumstances as a result of Covid-19. This reduces the level of testing we will apply to the appeals provision.

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

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

##### What are our conclusions?

We have concluded our work around the Council's NNDR appeals provision and confirmed the assumptions applied were reasonable and the provision is materially correct.



## Areas of Audit Focus

### Inherent risk

#### Recoverability of Receivables – Inherent Risk

##### What is the risk?

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

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

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

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

##### What are our conclusions?

We have concluded our work around the recoverability of receivables and did not identify any issues with the reasonableness of the assumptions or the accuracy of the calculation of this estimate.



## Areas of Audit Focus

### Inherent risk

#### Accounting for Collection Fund disclosures – Inherent Risk

##### What is the risk?

During 2020/21, in response to the financial hardship faced by individuals and businesses, there may be lower levels of recovery of collection fund income.

There are also specific sectors including retail, hospitality and leisure that have received additional business rates relief for the financial year. There is therefore a risk of incorrect accounting based on the significant level of change in the year,

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

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

- ▶ Performed an analytical review of collection fund income, building in any changes in relief as appropriate;
- ▶ Documented our understanding of the process for the raising of specific additional reliefs; and
- ▶ Reviewed the Collection Fund disclosures with respect to ongoing guidance in accounting requirements and for compliance with Code requirements.

##### What are our conclusions?

We have concluded our work around Collection Fund disclosures and concluded that this were fairly presented in the accounts.



## Areas of Audit Focus



### Going concern

Management have disclosed that the financial statements are prepared on a going concern basis. We have obtained and audited management's going concern assessment, and Note 41 has been amended to provide the details of that assessment and management's conclusion. This has been informed by management's actual reserves position as at the 31 March 2021, and their forecast reserves position during the going concern period. It has also considered the Council's Cash Flow forecast.

We focused on management's assessment of the going concern assumptions in preparing the Council's financial statements. We also reviewed management's cash flow forecasts to determine whether expected income appeared reasonable and whether it was sufficient to enable the Council continue its operations.

Our procedures around Going Concern included:

- Reviewing for any bias in the Council's Going Concern assessment, and whether it was consistent with the accounts.
- Reviewing the financial modelling and forecasts prepared by the Council.
- Considering key assumptions applied in the Council's forecasts, and whether these were reasonable and in line with our expectations.
- Ensuring that an appropriate Going Concern disclosure has been made within the financial statements.

We did not identify any events or conditions in the course of our audit that may cast significant doubt on the entity's ability to continue as going concern.

Management have used the basis of their assessment to amend disclosure Note 41 within the revised financial statements. We are satisfied that the updated disclosure note appropriately sets out the circumstances surrounding the financial implications.



03

## Audit Report



## Our proposed opinion on the financial statements

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

#### Opinion

We have audited the financial statements of Fenland District Council for the year ended 31 March 2021 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- ▶ Movement in Reserves Statement,
- ▶ Comprehensive Income and Expenditure Statement,
- ▶ Balance Sheet,
- ▶ Cash Flow Statement,
- ▶ Expenditure and Funding Analysis,
- ▶ the related notes 1 to 41, and
- ▶ Collection Fund and the related notes 1 to 6.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion the financial statements:

- ▶ give a true and fair view of the financial position of Fenland District Council as at 31 March 2021 and of its expenditure and income for the year then ended; and
- ▶ have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Comptroller and Auditor General's (C&AG) AGN01, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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



# Audit Report

# DRAFT

## Our proposed opinion on the financial statements

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the authority's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue. Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the authority's ability to continue as a going concern.

### Other information

The other information comprises the information included in the '*Statement of Accounts 2020-21*', other than the financial statements and our auditor's report thereon. The Chief Finance Officer is responsible for the other information contained within the '*Statement of Accounts 2020-21*'.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014;
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014;
- we are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in these respects.



# Audit Report

# DRAFT

## Our proposed opinion on the financial statements

### Responsibility of the Chief Finance Officer

As explained more fully in the 'Statement of Responsibilities for the Statement of Accounts' set out on page 23, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Finance Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority either intends to cease operations, or have no realistic alternative but to do so.

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Local Government Act 1972,
- Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992),
- Local Government Act 2003,
- The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 as amended in 2018 and 2020,
- The Local Government Finance Act 2012,
- The Local Audit and Accountability Act 2014, and
- The Accounts and Audit Regulations 2015.



# Audit Report

# DRAFT

## Our proposed opinion on the financial statements

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

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

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

We assessed the susceptibility of the Council's financial statements to material misstatement, including how fraud might occur by understanding the potential incentives and pressures for management to manipulate the financial statements, and performed procedures to understand the areas in which this would most likely arise. Based on our risk assessment procedures, we identified inappropriate capitalisation of revenue expenditure and management override of controls to be our fraud risks.

To address our fraud risk of inappropriate capitalisation of revenue expenditure we tested the authority's capitalised expenditure to ensure the capitalisation criteria were properly met and the expenditure was genuine.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General (C&AG) in April 2021, as to whether Fenland District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether Fenland District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.



## Our proposed opinion on the financial statements

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

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

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

### Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the Authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or our work on value for money arrangements.

### Use of our report

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



04

## Audit Differences



## Audit Differences

In the normal course of any audit, we identify misstatements between amounts we believe should be recorded in the financial statements and the disclosures and amounts actually recorded. These differences are classified as “known” or “judgemental”. Known differences represent items that can be accurately quantified and relate to a definite set of facts or circumstances. Judgemental differences generally involve estimation and relate to facts or circumstances that are uncertain or open to interpretation. We highlight misstatements greater than £55,840 which have been identified during the course of our audit

### Summary of unadjusted differences

At the time of this report we have two uncorrected audit differences.

1. **Property, Plant and Equipment** - Surplus Assets. There is a £0.170 million uncorrected audit difference in relation to one Property, Plant & Equipment asset valuation, as a result of using an incorrect measurement unit for the asset area.
2. **IAS 19 - Pension Liability**. There is an audit difference of £0.103 million between the Council's Pension Liability reported by Management's Expert (Hymans) and that shown by the Council within the Balance Sheet. The Council is reflecting a liability that is £0.103 million lower than the IAS19 report provide by Management's Expert (Hymans). There is a £0.049 million recurring historical difference, which has fallen below our reporting threshold. In 2020/21, Management have reduced the liability by a further £0.054 million to reflect the impact of the Redundancy Provision on the Pension Liability. We do not believe that the Pension Liability was impacted by this provision at the 31 March 2021.

We request that these uncorrected misstatements be corrected, or a rationale as to why they are not corrected, be considered and approved by the Audit and Risk Management and provided within the Letter of Representation.

### Summary of adjusted differences

We highlight misstatements greater than £55,840 which have been corrected by management that were identified during the course of our audit.

- ▶ Decrease in the Council's 'Pension Liability' of £1.140 million. This is as a result of the Actuary's updating the IAS19 reports, as a result of an increase in the 'return on the Pension Fund's assets' identified through the audit of Cambridgeshire Pension Fund. This is a due to a timing difference of available actual valuations for certain asset classes within the Pension Fund.

### Disclosure Items

Going Concern - The impact of Covid-19 has substantial implications for the Council's finances. We therefore had to assess the work performed by the Council to ensure that it was still operating as a going concern up to 12 months from the audit opinion date. Our procedures resulted in Management amending their Going Concern disclosure in Note 41 of the Accounts.

A limited number of other disclosure and presentational items have been highlights to management for amendment including to Exit Packages (Note 33).

We do not deem any other amendments to merit inclusion in this report and the revised financial statements reflect these amendments.



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## Value for Money

## Value for money

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

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

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

### Risk assessment

We issued an Audit Plan Addendum dated 10 November 2021 which confirmed we had concluded our detailed VFM planning and risk assessment and that we had not identify any significant weaknesses in the Council's arrangements.

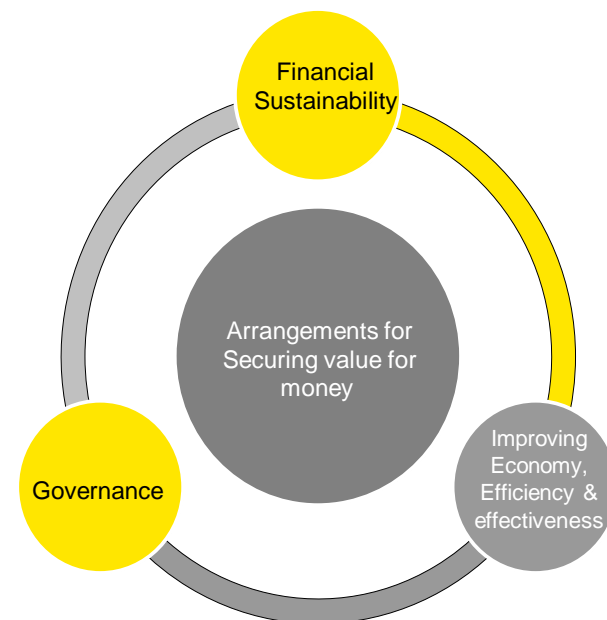
We have now revisited our procedures during the completion of our audit of the financial statements, and confirm that we have not identified any risks of significant weaknesses against the three reporting criteria we are required to consider under the NAO's 2020 Code.

### Status of our VFM work

We have completed our planned VFM procedures and have no matters to report 'by exception' in our Auditor's Report (See Section 3).

We set out our provisional commentary on the Council's VFM arrangements in Appendix E to this report.

We will formally issue this commentary within our Auditor's Annual Report, which we plan to issue by the end of December.





## 06 Other reporting issues

## Other reporting issues

### Consistency of other information published with the financial statements, including the Annual Governance Statement

We must give an opinion on the consistency of the financial and non-financial information in the Narrative Report with the audited financial statements.

Financial information in the Narrative Report and published with the financial statements was consistent with the audited financial statements.

We must also review the Annual Governance Statement for completeness of disclosures, consistency with other information from our work, and whether it complies with relevant guidance.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements. We requested some minor wording amendments to the revised Annual Governance Statement.

We have no other matters to report.

### Whole of Government Accounts

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission, as at the date of this report the NAO have not issued their guidance to auditors. However, as we do expect, based on prior year guidance that the Council would fall below the testing threshold set by the NAO for detailed procedures on the consolidation return (Threshold - £500 million). We do not expect therefore to have any issues to report, but we cannot issue our Audit Certificate until we have confirmation about the threshold for use in 2020/21.

## Other reporting issues

### Other powers and duties

We have a duty under the Local Audit and Accountability Act 2014 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. “a report in the public interest”).

We did not receive any objections in relation to the 2020/21 accounts.

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

### Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we must tell you significant findings from the audit and other matters if they are significant to your oversight of the Authority’s financial reporting process. They include the following:

- Significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures;
- Any significant difficulties encountered during the audit;
- Any significant matters arising from the audit that were discussed with management;
- Written representations we have requested;
- Expected modifications to the audit report;
- Any other matters significant to overseeing the financial reporting process;
- Related parties;
- External confirmations;
- Going concern;
- Consideration of laws and regulations; and
- Group audits.

We have reported in respect of going concern earlier in this report on page 20. We have no other matters to report.



07

## Independence

## Relationships, services and related threats and safeguards

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and the Council, and its members and senior management and its affiliates, including all services provided by us and our network to the Council, its members and senior management and its affiliates, and other services provided to other known connected parties that we consider may reasonably be thought to bear on the our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1<sup>st</sup> April 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Services provided by Ernst & Young

The next page includes a summary of the fees that you have paid to us in the year ended 31 March 2021 in line with the disclosures set out in FRC Ethical Standard and in statute. Full details of the services that we have provided are in the next page. Further detail of all fees has been provided to the Audit and Risk Management Committee.

As at the date of this report, there are no future services which have been contracted and no written proposal to provide non-audit services has been submitted.

In addition to our audit of the accounts, we will also be performing the Reporting Accounting role for the certification of F enland's 2020/21 Housing Benefits claim. We have adopted the necessary safeguards in our completion of this work and complied with Auditor Guidance Note 1 issued by the NAO in May 2020. We confirm that we have not undertaken any additional non-audit work.

## Other communications

### EY Transparency Report 2020

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

Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the year end 30 June 2020:

[EY UK Transparency Report 2020 | EY UK](#)

## Relationships, services and related threats and safeguards

### Services provided by Ernst & Young

	Planned fee 2020/21	Scale fee 2020/21	Final Fee 2019/20
	£'s	£'s	£'s
Total Scale Fee - Code work	37,873	37,873	37,873
Additional Fee determined by PSAA Ltd	-	-	8,976
<b>Revised Proposed Scale Fee</b>	<b>37,873</b>	<b>37,873</b>	<b>46,849</b>
<b>2020/21 Additional work:</b>			
Changes in work required to address professional and regulatory requirements and scope associated with risk (see Note 1)	Note 1		
2020/21 Additional Procedures required in response to the additional risks identified in this Audit Plan in respect of:	Note 2	-	-
<ul style="list-style-type: none"> <li>Accounting for Covid-19 related Government Grant income, NDR Appeals provision, Collection Fund Accounting, Recoverability of Receivables, Going Concern, Group Accounts (See Note 2)</li> </ul>			
Other - Port Authority Work (see Note 3)	2,900	-	2,750
<b>Total fees</b>	<b>TBC</b>	<b>31,955</b>	<b>57,555</b>

#### *All fees exclude VAT*

**Note 1** - This proposed increase, is on the same basis as in 2019/20, and has been discussed with management. For 2020/21 the scale fee will again been re-assessed to take into account the same recurring risk factors that impacted 2019/20 and is subject to formal determination by PSAA Ltd.

**Note 2** - In addition, as set out in this report, we have had to perform additional audit procedures to respond to the financial reporting an associated audit risks pertaining to Covid-19. As we are concluding our work in relation to these areas, we cannot quantify the fee impact at this time. We will provide an update on the additional fee implications at the conclusion of the audit and report this within the Auditor's Annual Report, or separately to this Committee depending on the timing of the determination by PSAA Ltd.

**Note 3** - This fee is for additional work on the Harbour Accounts prepared annually by the Council in line with the regulations. We cannot confirm until we have completed all of the necessary procedures.





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## Appendices





## Appendix A

# Required communications with the Audit and Risk Management Committee

There are certain communications that we must provide to the those charged with governance of UK entities. We have detailed these here together with a reference of when and where they were covered:

Our Reporting to you		
Required communications	 What is reported?	 When and where
Terms of engagement	Confirmation by the Audit and Risk Management Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Provisional Audit Plan - 21 May 2021
Planning and audit approach	Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Provisional Audit Plan - 21 May 2021
Significant findings from the audit	<ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - 17 November 2021 - Audit and Risk Management Committee

## Appendix A

		 Our Reporting to you
Required communications	 What is reported?	  When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee
Misstatements	<ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ Material misstatements corrected by management</li> </ul>	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee
Subsequent events	<ul style="list-style-type: none"> <li>▶ Enquiry of the audit committee where appropriate regarding whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	Audit Results Report – 17 November 2021 - Audit and Risk Management Committee



## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
Fraud	<ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:                             <ol style="list-style-type: none"> <li>a. Management;</li> <li>b. Employees who have significant roles in internal control; or</li> <li>c. Others where the fraud results in a material misstatement in the financial statements.</li> </ol> </li> <li>▶ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▶ Any other matters related to fraud, relevant to the Audit and Risk Management Committee responsibility.</li> </ul>	Audit Results Report - 17 November 2021 - Audit and Risk Management Committee
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - 17 November 2021 - Audit and Risk Management Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Provisional Audit Plan - 21 May 2021</p> <p>Audit Results Report - 17 November 2021 - Audit and Risk Management Committee</p>

## Appendix A

		Our Reporting to you
Required communications	What is reported?	When and where
	<p>Communications whenever significant judgements are made about threats to objectivity and independence and the appropriateness of safeguards put in place.</p> <p>For public interest entities and listed companies, communication of minimum requirements as detailed in the FRC Revised Ethical Standard 2019:</p> <ul style="list-style-type: none"> <li>▶ Relationships between EY, the company and senior management, its affiliates and its connected parties</li> <li>▶ Services provided by EY that may reasonably bear on the auditors' objectivity and independence</li> <li>▶ Related safeguards</li> <li>▶ Fees charged by EY analysed into appropriate categories such as statutory audit fees, tax advisory fees, other non-audit service fees</li> <li>▶ A statement of compliance with the Ethical Standard, including any non-EY firms or external experts used in the audit</li> <li>▶ Details of any inconsistencies between the Ethical Standard and Group's policy for the provision of non-audit services, and any apparent breach of that policy</li> <li>▶ Where EY has determined it is appropriate to apply more restrictive rules than permitted under the Ethical Standard</li> <li>▶ The audit committee should also be provided an opportunity to discuss matters affecting auditor independence</li> </ul>	Audit Results Report - 17 November 2021 - Audit and Risk Management Committee
External confirmations	<ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit Results Report - 17 November 2021 - Audit and Risk Management Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▶ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>	Audit Results Report - 17 November 2021 - Audit and Risk Management Committee




## Appendix A

		Our Reporting to you
Required communications	 What is reported?	 When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - 17 November 2021 - Audit and Risk Management Committee
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 17 November 2021 - Audit and Risk Management Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 17 November 2021 - Audit and Risk Management Committee
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 17 November 2021 - Audit and Risk Management Committee

## Appendix B

# Outstanding matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Item 	Actions to resolve 	Responsibility 
Financial Instruments	Finalise our procedures around the financial instruments disclosure	EY and management
Accounts Payable	Conclude on our sample testing in these 2 areas.	EY and management
Other Income	Conclude our review procedures	EY and management
Property, Plant and Equipment valuations	Conclude our review procedures	EY and management
Employee costs	Finalise our testing of payroll costs	EY and management
Whole of government accounts procedures	NAO instructions to be received and reviewed	EY and management
Related Party Transactions	Conclude our review procedures	EY
Receipt of management representation letter	Management to prepare and provide us with their representation letter for the 2020/21 audit	Management
Subsequent events procedures	Extension of some audit procedures like review of minutes and testing for unrecorded liabilities and provisions up to the date of our auditor's report	EY and management
Checks to the final amended set of accounts	EY to receive final set of accounts with all audit adjustments, and review it for consistency with our schedule of misstatements	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Statement of Accounts. Our draft Audit Report is set out in Section 03.



# Appendix C – Request for a Management Representation Letter

## Request for a Management Representation Letter



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Peter Catchpole  
Corporate Director and S151 Officer  
Fenland District Council  
Fenland Hall  
County Road,  
March  
Cambridgeshire  
PE15 8NQ

17 November 2021

Ref:  
Your ref:

Direct line: 01223 394547

Email: M.Hodgson@uk.ey.com

Dear Peter,

### Fenland District Council – 2020/21 financial year Request for a letter of representation

International Standards on Auditing set out guidance on the use by auditors of management representations (ISA (UK&I) 580) and on possible non-compliance with laws and regulations (ISA (UK&I) 250). I have interpreted this guidance as it affects Local Government bodies and I expect the following points to apply:

- auditors may wish to obtain written representation where they are relying on management's representations in respect of judgemental matters (for example the level of likely incidence of a claim), which may not be readily corroborated by other evidence;
- auditors are likely to request written representations on the completeness of information provided;
- auditors may wish to obtain written representation on issues other than those directly related to the Statement of Accounts;
- the letter is dated on the date on which the auditor signs the opinion and certificate;
- the letter is signed by the person or persons with specific responsibility for the financial statements; and
- the letter is formally acknowledged as having been discussed and approved by the Audit Committee, as those charged with governance of the Council.

I would expect the letter of representation to include the following matters.

#### General statement

That the letter of representations is provided in connection with our audit of the financial statements of Fenland District Council ("the Council") for the year ended 31 March 2021.

That you recognise that obtaining representations from you concerning the information contained in this letter is a significant procedure in enabling us to form an opinion as to whether the financial statements give a true and fair view of the financial position of the Council as of 31 March 2021 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited. A list of members' names is available for inspection at 1 More London Place, London SE1 2AF, the firm's principal place of business and registered office.



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

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

#### A. Financial Statements and Financial Records

1. That you have fulfilled your responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Council the Accounts and Audit Regulations 2015 (as amended in 2020 for Covid-19) and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
2. That you acknowledge as members of management of the Council, your responsibility for the fair presentation of the Council's financial statements. You believe the Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and are free of material misstatements, including omissions. You have approved the Council financial statements.
3. That the significant accounting policies adopted in the preparation of the Council financial statements are appropriately described in the Council financial statements.
4. As members of management of the Council, you believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, that are free from material misstatement, whether due to fraud or error. You have disclosed to us any significant changes in your processes, controls, policies and procedures that you have made to address the effects of the COVID-19 pandemic on our system of internal controls.
5. That you believe that the effects of any unadjusted audit differences, summarised in the Audit Results Report, accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

That you have not corrected these differences identified and brought to your attention by us because (please specify the reasons for not correcting the misstatements).

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

1. That you acknowledge that you are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that you are responsible for identifying and addressing any non-compliance with applicable laws and regulations, including fraud.



# Appendix C – Request for a Management Representation Letter

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2. That you acknowledge that you are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. That you have disclosed to us the results of our assessment of the risk that the Council financial statements may be materially misstated as a result of fraud.
4. You have no knowledge of any identified or suspected non-compliance with laws and regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers") including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### C. Information Provided and Completeness of Information and Transactions

1. You have provided us with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters as agreed in terms of the audit engagement.
  - Additional information that we have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom we determined it necessary to obtain audit evidence.
2. That all material transactions have been recorded in the accounting records and are reflected in the Council financial statements, including those related to the COVID-19 pandemic.
3. That you have made available to us all minutes of the meetings of the Council and its relevant committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: 29 November 2021.
4. That you confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which you are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or



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from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the Council's financial statements.

5. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.
6. That you have disclosed to us, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the Council's financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
7. That from the date of your last management representation letter to us, through the date of this letter, you have disclosed to us any unauthorized access to your information technology systems that either occurred or to the best of your knowledge is reasonably likely to have occurred based on your investigation, including of reports submitted to you by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to your information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate.

### D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to us and are appropriately reflected in the Council's financial statements.
2. That you have informed us of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. That you have recorded and/or disclosed, as appropriate, all liabilities related litigation and claims, both actual and contingent, and have disclosed in the Council's financial statements (please specify the Notes) all guarantees that you have given to third parties.

### E. Subsequent Events

1. That other than the disclosure described in Note 42 (insert Note) to the Council's financial statements, there have been no events, including events related to the COVID-19 pandemic, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

### F. Other information

1. You acknowledge your responsibility for the preparation of the other information. The other information comprises the Narrative Report included in the Statement of Accounts 2020-21.
2. You confirm that the content contained within the other information is consistent with the financial statements.

### G. Accounting Estimates

1. That you believe that the significant assumptions you used in making accounting estimates, including those measured at fair value, are reasonable.



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### 2. In respect of accounting estimates recognised or disclosed in the financial statements:

- That you believe the measurement processes, including related assumptions and models, you used in determining accounting estimates is appropriate and the application of these processes is consistent.
- That the disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
- That the assumptions you used in making accounting estimates appropriately reflects your intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
- That no subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

### H. Expenditure Funding Analysis

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

### I. Going Concern

1. That the Council has prepared the financial statements on a going concern basis and that Note 41 (insert note) to the financial statements discloses all of the matters of which you are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, your future financial plans and the veracity of the associated future funding allocations from the Ministry of Housing, Communities and Local Government, the sufficiency of cash flows to support those financial plans.

### J. Ownership of Assets

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

### K. Reserves

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



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### L. Valuation of Property, Plant and Equipment Assets

1. That you agree with the findings of the experts engaged to evaluate the valuation of the Council's Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included within the Council's financial statements and the underlying accounting records. That you did not give or cause any instructions to be given to the experts with respect to the values or amounts derived in an attempt to bias their work, and that you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the experts.
2. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
3. You confirm that the significant assumptions used in making the valuation of Property, Plant and Equipment appropriately reflect your intent and ability to carry out specific courses of action on behalf of the entity.
4. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on Property, Plant and Equipment valuations and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
5. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 pandemic.
6. You confirm that you have performed a desktop review of all assets not subject to revaluation as part of the 5 year rolling programme for valuations and that each asset category is not materially misstated.
7. You confirm that for assets carried at historic cost, that no impairment is required.

### M. Retirement benefits

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the actuarial assumptions underlying the pension scheme liabilities are consistent with your knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.
2. You agree with the findings of the specialists that you engaged to evaluate the Valuation of Pension Liabilities and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the



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context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

4. You confirm that the significant assumptions used in making the valuation of the pension scheme liability appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Pension Scheme Liability and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 Pandemic.

### N. Other Estimates – NDR Appeals provision

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the assumptions underlying the NDR Appeals provision are consistent with your knowledge of the business.
2. You agree with the findings of the specialists that you engaged to evaluate the NDR Appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
4. You confirm that the significant assumptions used in making the valuation of the NDR Appeals provision appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the NDR Appeals Provision and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 Pandemic.



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### O. Other Estimates – Expected Credit Losses

1. That on the basis of the process established by you and having made appropriate enquiries, you are satisfied that the assumptions underlying the Expected Credit Losses are consistent with your knowledge of the business.
2. You agree with the findings of the specialists that you engaged to evaluate the Expected Credit Losses and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the Council's financial statements and the underlying accounting records. You did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and you are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.
3. You believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
4. You confirm that the significant assumptions used in making the valuation of the Expected Credit Losses appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
5. You confirm that the disclosures made in the Council's financial statements with respect to the accounting estimate(s) are complete, including the effects of the Covid-19 pandemic on the Expected Credit losses and made in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.
6. You confirm that no adjustments are required to the accounting estimate(s) and disclosures in the Council's financial statements due to subsequent events, including due to the Covid-19 Pandemic.

### P. Specific Representations

We do not require any specific representations in addition to those above.

I would be grateful if you could provide a letter of representation, which is appropriately signed and dated (by the s151 officer and Chair of Audit & Risk Management Committee) on the proposed audit opinion date (date to be advised) on formal headed paper.

Yours sincerely


Mark Hodgson  
Associate Partner  
Ernst & Young LLP  
United Kingdom

## Appendix D

### Implementation of IFRS 16 Leases

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

IFRS 16 does not come into effect for the Council until 1 April 2022. However, officers should be acting now to assess the Council's leasing positions and secure the required information to ensure the Council will be fully compliance with the 2022/23 Code. The following table summarises some key areas officers should be progressing.

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



### Financial Sustainability

For 2020/21, the Council has had the arrangements we would expect to see to enable it to plan and manage its resources to ensure that it can continue to deliver its services.

#### ***1. How the body ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them***

The development of the Council's Medium Term Financial Strategy is integrated with the production of the Council's Business Plan. The budget is part of these documents. These are developed through a close working between officers and members, which ensures the Council's financial plan takes into account member priorities and service developments which officers are aware of. The Business Plan is discussed with the Corporate Management Team. Regular portfolio-holder briefings with the Leader and Finance Portfolio Holder ensure members are fully apprised of relevant developments at an early stage. The MTFS and the Business Plan goes out to officers in December each year and are finalised in February as part of the budget setting process.

#### ***2. How the body plans to bridge its funding gaps and identifies achievable savings***

The Council has put in place the 'My Fenland' transformation programme. Two phases have been completed and a third one is under development. In the first two phases, 'My Fenland' has significantly reduced the size of the establishment by streamlining existing processes through improved use of technology. Phase 2 has culminated in a reduction of 9 FTE that was implemented in April 2021. The next phase of 'My Fenland' has started to examine which tasks undertaken in the planning team could be moved into the My Fenland area. The 'My Fenland' programme is constantly evolving in terms of what savings can be achieved. There is a steering group made up of senior officers in place. Additionally, the Council is making good progress as part of the implementation of its Commercial and Investment Strategy, which involves the generation of additional sources of income to reduce the need for savings to be found.

#### ***3. How the body plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities***

The Council has been successful in identifying grant funding to deliver investment in the District. By harnessing external funding, the Council is able to deliver member's priorities without depleting reserves or drawing on external borrowing. The Council has also set aside a reserve balance of £500k for potential future changes to the business rates system which could be financially detrimental to the Council. The Council has a Business Plan in place, which is reviewed and updated every year. When the annual report is produced every year, it links back to the Council's performance indicators and provides a traffic light rating.



### Financial Sustainability (continued)

***4. How the body ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system***

This is built into the business planning process. The 'Capital Strategy' is developed alongside the MTFS. There is some cross-working with the County Council on policy areas where there might be some cross-over, such as like transport, or social care. The Council is also part of the Anglia Revenues Partnership, which helps foster a joined-up approach to issues linked to welfare benefits.

***5. How the body identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.***

The Council prepares an amended budget in December, which goes to Cabinet for review. This will include the revised projections for the current financial year, and updates members on financial developments since the February budget. The Finance Team will reflect on discussions with the Heads of Service and provide a revised projection for each Service. There are no formal Performance Reports presented to Cabinet or any other Committee, but the officers produces Portfolio Holder Briefing reports and these are discussed at the Council. Financial risks would be identified at management team discussions with the Head of HR and Organisational Development, and they would be included in the Council's Risk Register.



### Governance

For 2020/21, the Council has had the arrangements we would expect to see to enable it to make informed decisions and properly manage its risks.

***1. How the body monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;***

The Council has a Risk Register in place. The Head of HR and Organisational Development has overall responsibility for the Risk Register. The register is considered at management level and taken to the Audit and Risk Management Committee. The risk register is presented 4 times a year to the Audit and Risk Management Committee. Individual officers would have the responsibility for monitoring the risks to their services. The Council has an Internal Audit function in place, which is led by a CIPFA qualified Internal Audit Manager. The Internal Audit Plan for the year was presented and discussed at the Corporate Governance Committee (now the Audit and Risk Management Committee). Internal Audit also present regularly to the Committee throughout the year about their progress against the plan and the outcome of their audits, culminating in the Head of Internal Audit Opinion for the financial year.

***2. How the body approaches and carries out its annual budget setting process***

Meetings are held between the Finance team and all Heads of Service to discuss individual Service budgets in detail. The draft budget is considered by Cabinet in December prior to being considered by the Overview and Scrutiny Committee in January. The meeting in January includes a detailed examination of proposals relating to fees and charges. Consultation for the budget also takes place via the Council's website at the start of each year. The final Budget is approved by Cabinet and Council in February each year.

***3. How the body ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed;***

Budget monitoring information is circulated every other month to the Corporate Management Team and the Heads of Service. This includes projections for the year-end position as well as information concerning the year-to-date. Prior to being distributed, the monitoring information is subject to detailed review by the Deputy Chief Accountant and/or the Chief Accountant. Portfolio holder briefing reports include performance against Performance Indicators, and updates about events going on in the Council. These reports are prepared quarterly and are discussed at meetings of the Full Council.



### Governance (continued)

***4. How the body ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee;***

The Council employs a qualified solicitor who advises CMT on the legal implications of all proposed decisions. All Cabinet reports get circulated to the Corporate Management Team (CMT). CMT includes the Monitoring Officer, Chief Executive, and the S151 officer so they would input whether additional consideration needs to be included. The Full Council is the key decision-making body. Every elected member of the Council is able to attend these meetings and has a vote on all decision items. A decision also requires a majority of voting members approval in order to be passed. At the Cabinet level, there is a call-in process for decisions, whereby after the decision is taken there is an opportunity to call-in. No decision can be implemented until this period has elapsed. This process is detailed in the Council's Constitution. The Council merged its Staff Committee and Corporate Governance Committee in December 2020, and renamed it the Audit and Risk Management Committee. Clear Terms of Reference have been set for this Committee - so that the governance responsibilities are appropriately demarcated from the decision making role it has for Staff related matters - through a split agenda for relevant meetings where staff matters need to be addressed. The Terms of Reference also include the responsibility to consider the Council's arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements. The Audit and Risk Management Committee meets five times a year. The Committee is comprised of appropriately skilled members. Training is provided to members, and the Finance team works with the Chair of the Committee to identify training needs. Members can ask via the Chair for their training needs to be considered.

***5. How the body monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of officer or member behaviour (such as gifts and hospitality or declarations/conflicts of interests).***

The Council has outlines Codes and Protocols, which include a Code of Conduct For Members and a Code of Conduct for Employees. There is a Gifts and Hospitality Register. Committee meetings all have a standing agenda item for the formal declarations of interests. Declarations for related party transactions are done annually, and this is overseen by Member Services and updated into the Council's website. The Monitoring Officer is legally responsible for monitoring the compliance of the Council's policies. The Monitoring Officer deals with any complaints that are raised. The Council has a formal whistleblowing policy in place, with appropriate prominence on the Council's website and for staff. The Council's policies are reviewed and updated on a regular basis.



### Improving economy, efficiency and effectiveness

For 2020/21, the Council has had the arrangements we would expect to enable it to use information about its costs and performance to improve the way it manages and delivers services.

#### ***1. How financial and performance information has been used to assess performance to identify areas for improvement;***

Financial and Performance information has been central to the 'My Fenland' process. Call data was analysed to identify the number of calls being handled per hour which indicated the opportunity to reduce the headcount without negatively impacting on the service staff receive. Regular exercises are in place to ensure that the services the Council provides to residents recover the associated costs. Financial performance is reported in the context of budget-setting and approval of the outturn, although additional information would be provided if necessary to take forward projects where additional resources need to be allocated. More performance information is contained in the quarterly Portfolio Holder Briefing reports produced, and these link back to the Business Plan.

#### ***2. How the body evaluates the services it provides to assess performance and identify areas for improvement***

The Chief Executive presents the progress against the Council's Performance Indicators annually to the Overview and Scrutiny Committee. This is informed by management meetings that the Chief Executive chairs with the Heads of Services throughout the year. The Overview and Scrutiny Committee also has ad hoc reviews during the year to go over some of the performance areas that are being monitored. The Council has consistently secured Customer Service Excellence accreditation. This demonstrates how the Council uses external and internal feedback to drive improvement in the quality of the services its customers receive.

#### ***3. How the body ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve;***

The Council's most significant partnership is the Anglia Revenues Partnership (ARP). There is a joint committee for ARP with representatives from each of the five Councils that constitute the Partnership. The Joint Committee meets quarterly and they consider performance against key areas, they monitor the ARP risk register, and consider any other items of relevance to their service delivery. The Council is also a member of CDC which provides building control services to the Council and other members. A member of the Council's CMT attends all CDC board meetings.

#### ***4. Where the body commissions or procures services, how the body ensures that this is done in accordance with relevant legislation, professional standards and internal policies, and how the body assesses whether it is realising the expected benefits.***

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

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