East Cambridgeshire District Council

Audit results report

Year ended 31 March 2025

5 January 2026

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Audit Committee
East Cambridgeshire District Council
The Grange
Nutholt Lane
Ely
CB7 4EE

5 January 2026

Dear Audit Committee Members

2024/25 Audit results report

We attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 20 January 2026 on further progress to that date and explain the remaining steps to the issue of our final opinion.

The audit is designed to express an opinion on the 2024/25 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on East Cambridgeshire District Council accounting policies and judgements and material internal control findings. Each year sees further enhancements to the level of audit challenge, the exercise of professional judgement and the quality of evidence required to achieve the robust professional scepticism that society expects. We thank the management team for supporting this process.

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 20 January 2026.

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

Yours faithfully

David Riglar

Partner, For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The "Terms of Appointment and further guidance (updated July 2021)" issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code), and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit Committee and management of East Cambridgeshire District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of East Cambridgeshire 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 Committee and management of East Cambridgeshire District Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.

01 Executive Summary

Executive Summary – Context for the audit

Context for the audit - Measures to address local audit delays

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

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

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

- Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 13 December 2024.
- Phase 2: Recovery from Phase 1, starting from 2023/24, in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles. The backstop date for audit of the 2024/25 financial statements is 27 February 2026.
- Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 14/02/2025 Audit Results Report we issued a disclaimer of opinion on the Council's 2023/24, and 2022/23 financial statements under the arrangements to reset and recover local government audit.

We concluded that the Council have not provided a materially accurate set of draft financial statements, supported by good quality working papers sufficient and appropriate to support the financial transactions and our audit in a timely manner. We therefore did not undertake all of our planned procedures on the 2023/24 financial statements and have not been able to start rebuilding assurance ahead of the planned backstop date of 27 February 2026.

EY's Head of UK Government and Public Sector Audit wrote to the Section 151 officer at the Council on 3 June 2025 to set out our current approach to Phase 2. In line with the Government's requirement to deliver audits to an earlier timetable in future years, and considering our available resource, we phased a large proportion of our audits to be finalised prior to 31 December 2025, with a smaller proportion extending through to February 2026. At the same time, we needed to remain mindful of the expectations on us to safeguard the timeliness of the audits in other priority sectors where we audit public funds – central government, the NHS and higher education. In respect of the delivery of 2024/25 audits, as in 2023/24, we therefore prioritised those audits that we considered to meet the following criteria:

- high-quality draft unaudited financial statements published by 1 July 2025;
- evidence that the relevant finance teams can effectively and efficiently support the audit process; and
- high-quality audit evidence and supporting information that is delivered in accordance with our agreed timetable and in advance of the commencement of the audit.

Appendix A sets out the current position of East Cambridgeshire District Council in rebuilding to return to a position of full assurance on its financial statements. This is informed by the summary of the assurances we have gained from our 2023/24 and 2024/25 audit procedures, set out at Appendix B.

Executive Summary – Context for the audit

Scope update

In our Audit Planning Report presented at the 15 July 2025 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exceptions:

- New Risk identified - Other area of audit focus – Valuation for Work in progress for the East Cambs Trading Company Group Component. The change was driven by the recent changes to the International Standard on Auditing (ISA) 600 which requires a risk-based approach to group audits, focusing on account-level risks rather than component size or significance. The component includes an account that does not appear in the parent's single-entity financial statements and is presented as a new line item in the consolidated group accounts. We have added this inherent risk as it was also identified by the component auditors. The Primary Team is responsible for identifying and assessing risks of material misstatement (RoMMs) at the group financial statement level, including significant accounts and disclosures.
- Changes in materiality: We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £0.871 million (Audit Planning Report — £0.8 million). This results in updated performance materiality, at 50% of overall materiality, of £0.435 million, and an updated threshold for reporting misstatements of £0.044 million.

Value for Money

In our Audit Planning Report dated 28 April 2025, we reported that we had not completed our value for money (VFM) risk assessment and we had identified no risks of significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we did identify one significant weakness.

We have completed our detailed VFM work and identified one significant weakness concerning the Council's financial reporting arrangements. We conclude that this risk represents a significant weaknesses in the Council's underlying arrangements. We therefore anticipate that we will have 'Other matters' to report by exception within our Audit Report.

See Section 03 of the report for further details.

Status of the audit

We are currently concluding our audit work in respect of the Council's financial statements audit. The audit commenced on the 26 August 2025 following the Council's request to delay the start of the audit by four weeks so that working papers could be finalised.

There were areas of the audit that we were unable to conclude because the working papers and requested evidence were not provided in line with the agreed revised timetable and were generally not to the expected standard.

Executive Summary (cont'd)

Status of the audit (cont'd)

We have communicated these areas throughout the report, in our summary of assurances Appendix B, and list below the areas of the audit that we were unable to conclude:

- Balance Sheet – Grants Received in Advance;
- Balance Sheet –Short Term Debtors;
- Balance Sheet – Short Term Creditors;
- Balance Sheet – Reserves;
- Comprehensive Income & Expenditure Statement – Finance & Assets;
- Comprehensive Income & Expenditure Statement – Operational Services;
- Collection Fund;
- Cash Flow Statement;
- Other disclosures not separately identified;
- Leases (IFRS 16)

Details of each outstanding item including the actions required to resolve them is summarised below:

- Comprehensive Income & Expenditure Statement - Staff Costs subject to reconciliation of FTE to SOA and testing of starters and leavers during 2024/25;
- Comprehensive Income & Expenditure Statement – Taxation and Non Specific Grant Income - we are awaiting the evidence from the Council;

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.

Given that the audit process is still ongoing, we will continue to challenge the remaining evidence provided and the final disclosures in the Annual Report and Accounts which could influence our final audit opinion.

Executive Summary (cont'd)

Audit differences

<u>Unadjusted Audit Differences</u>

At the date of this report, we have not identified any unadjusted audit differences which require reporting to the Audit Committee.

<u>Adjusted Audit Differences</u>

We highlight the following misstatements greater than £0.044 million which have been corrected by Management that were identified during our audit:

Factual Misstatement:

Balance Sheet – Pension Asset/Liability: Audit difference of £16.185 million in relation to an increase in the valuation of Pension Liability. The misstatement was due to the impact of the asset ceiling on the valuation of the Pension Liability. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared.

Comprehensive Income and Expenditure Statement - (Surplus) or deficit in the revaluation of non-current assets: Audit difference of £0.284 million in relation to the revaluation uplift historically incorrectly recorded in Revaluation Reserve instead of CIES.

Balance Sheet – Cash and Cash Equivalents and Debtors: The year-end cash reconciliation exercise correctly identified £0.361 million which has been received in the cash book but not recorded in the General Ledger at 31 March 2025. However, the required journal entries to correct this were not posted. This has the overall impact of increasing Cash and reducing Receivables by £0.361 million.

Comprehensive Income and Expenditure Statement - Operational Services (Gross Expenditure) and Operational Services (Gross Income). £0.123 million of Contribution Income for Home Improvements was incorrectly Recorded in REFCUS.

Reclassification Misstatement:

Balance Sheet – Cash and Cash Equivalents and Investments: The Council incorrectly classified £17 million Investments as cash equivalents.

Balance Sheet – Cash and Cash Equivalents and Creditors: Creditors control account shared with the Bank Control account not split out on the account mapper leading to £0.501 million overstatement in creditors and understatement in Cash and Cash Equivalents.

Balance Sheet – Debtors and Creditors: £0.273 million understatement of Creditors incorrectly recorded in Debtors for DWP - Housing Benefits.

Balance Sheet – Capital Grants Received in Advance – PPE – Net Pension Assets: We identified that Balance Sheet amounts do not agree to the General Ledger leading to the understatement of Net Pension Asset for £0.068 million, PPE £0.004 million and overstatement of Capital Grants Received in Advance for £0.072 million.

Disclosure Differences

We have identified several disclosure differences which Management are planning to correct in the revised financial statements for authorisation. Please see section 05 for further details.

Executive Summary (cont'd)

Areas of audit focus

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

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

Risk	Status of our work
Misstatements due to fraud or error	Our work on the testing of journal entries is complete, and we have no matters to bring to the attention of the Audit Committee. During our work performed to date, we have not identified any significant unusual transactions or evidence of management bias in estimates.
Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)*	Our sample testing of additions to Property, Plant and Equipment found that they had been correctly classified as capital and included at the correct value. Our sample testing identified that £0.123 million of Contribution Income for Home Improvements was incorrectly recorded in REFCUS which has been amended by the Council, Our data analytics procedures did not identify any movements from expenditure to capital outside of the normal course of business.
Accounting for Pension Assets/Liabilities	We have completed our work in this area and have one error to report: Audit difference of £16.185 million in relation to an increase in the valuation of Pension Liability. The misstatement was due to the impact of the asset ceiling on the valuation of the Pension Liability. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared.
Valuation of Property, Plant & Equipment	We did not identify any issues from our review of the work performed by the valuer over the Council's assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work. Our sample testing of key assumptions and methodologies did not identify any material issues concerning the reasonableness of the estimation techniques employed. We did not identify any specific changes to assets that had occurred that required communication to the valuer. We did not identify any issues in relation to the useful economic lives as a result of the most recent valuation. All assets had been appropriately revalued within the Council's 5 year rolling programme. However, we noted that the disclosure note was incorrectly presented ROU assets as valued at historic cost instead of Fair Value. Amendment have been accepted by Management.

Executive Summary (cont'd)

Areas of audit focus

Risk	Status of our work
Group Accounting	We have completed our work in this area and have number of differences to report. We have noted several errors over our reporting threshold. The main issues are: ▪ Balance Sheet – Capital Grants Received in Advance – PPE – Net Pension Assets: We identified that Balance Sheet amounts do not agree to the General Ledger leading to the understatement of Net Pension Asset for £0.068 million, PPE £0.004 million and overstatement of Capital Grants Received in Advance for £0.072 million. ▪ Balance Sheet – Inventory and Retained losses: Incorrect elimination of Capitalised interest on inventory resulted in Inventory overstatement and understatement of Reserves for £0.115 million. ▪ Balance Sheet –Debtors and Creditors: Intercompany balances between components (ECTC and ECSS) were not eliminated resulted in overstatement of Debtors and understatement of Creditors for £0.09 million. ▪ Comprehensive Income and Expenditure Statement – Finance & Assets and Reserves: IFRS 16 Leases implementation impact overstated the CIES Finance & Assets for £0.054 million and understated Reserves due to the incorrect calculation. ▪ Comprehensive Income and Expenditure Statement – Finance & Assets (Gross Income) – Finance & Assets (Fross Expenditure): Intercompany sales and purchases between components (ECTC and ECSS) were not eliminated that resulted in overstatement of Income and understatement of Expenditure for £0.132 million. ▪ Balance Sheet – Reserves: The Council has initially classified retained losses in unusable reserve overstating it for £1.412 million, however, it should be presented in usable reserve. £1.294 million reclassification was required for the Group Statements in addition to the Inventory adjustment mentioned above £0.114 million. Council has accepted the adjustments listed above.
IFRS 16 Implementation	We have been unable to conclude our planned procedures in relation to IFRS 16 implementation as the Council has not provided the expected quality of working papers in our allocated audit window. We are therefore unable to gain assurance over the valuation of the leases, and this limitation has contributed to our consideration that will lead to a disclaimer of the 2024/25 financial statements.
Valuation of WIP (Group Component – ECTC)	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 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 Committee.

Executive Summary (cont'd)

Other reporting issues

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

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

The Council falls below the £2 billion threshold for audit procedures within the NAO group instructions. We will confirm this position within the Assurance Statement to the NAO at the point of issuing our Audit Report. However, we cannot issue our Audit Certificate until the NAO has confirmed no further procedure are required.

Control observations

We have adopted a fully substantive audit approach, so have not tested the operation of controls at the Council.

However, we have identified control findings which we would like to bring to your attention, please see Section 06 of this report for further information.

Independence

Please refer to Section 08 for our update on Independence.

Executive Summary (cont'd)

Factors impacting the execution of the audit

Management, and the Audit Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. We do however recognise there has been significant change in the finance function at the Council and the consequential loss of corporate knowledge and experience in the financial closedown process.

The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures. Where we have been unable to undertake all planned procedures, this is likely to extend the timetable to recover assurance on the Council's financial statements. See Appendices A and B for further details.

Area	Status (R / A / G)	Explanation	Further detail
Timeliness of the draft financial statements	Effective	The financial statements were published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft financial statements	Ineffective	The first version of the draft financial statements published by the Council had significant internal inconsistencies, typographical and arithmetic errors, that should have been identified through internal quality review prior to publication.	N/A
Delivery of working papers in accordance with agreed client assistance schedule	Ineffective	Working papers and requested evidence were not provided in line with the agreed timetable.	Regular discussions were held with the finance team to agree the additional supporting information required. This led to additional delays to the audit progress whilst the finance team prepared the working papers. We were unable to complete all planned procedures. We will work with the finance team to help improve the quality of working papers and supporting evidence for the 2025/26 audit.
Quality of working papers and supporting evidence	Ineffective	Working papers and supporting evidence were generally not to the expected standard.	
Timeliness and quality of evidence supporting key accounting estimates	Effective	Working papers and supporting evidence for the key accounting estimates generally met the expected standard and were provided within the agreed timeline.	N/A

Executive Summary (cont'd)

Factors impacting the execution of the audit (cont'd)

Area	Status (R / A / G)	Explanation	Further detail
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement	The main audit contact responsible for Statements of Accounts preparation left the Council. The Council appointed a new Principal Accountant for the 2024/25 audit. The Council's section 151 Officer retired just before the year-end audit was due to start. The Council went through the recruitment process and appointed the Principal Accountant mentioned above to Section 151 Officer role during the audit. Although the Council engaged temporary resources to meet the audit requirements, the loss of knowledge and finance team capacity contributed to delays during the audit.	We expect to raise a scale fee variation in respect of this.
Volume and value of identified misstatements and disclosure amendments	Ineffective	As of the date of this report, a large number of material misstatements and disclosure amendments were detected as a result of our work which will be corrected by management.	See Section 05 for details of corrected misstatements and disclosure misstatements. We expect to raise a Scale Fee variation in respect of the additional work required.

02 Areas of Audit Focus

Areas of Audit Focus

Significant risk

Presumptive risk of management override of controls

Fraud Risk

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

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

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

We identify and respond to this fraud risk on every audit engagement.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following 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.
- Gained an understanding the oversight given by those charged with governance of management's processes over fraud.
- Discussed with those charged with governance the risks of fraud in the entity, including those risks that are specific to the entity's business sector (those that may arise from economic industry and operating conditions).
- Considered whether there are any fraud risk factors associated with related party relationships and transactions and if so, whether they give rise to a risk of material misstatement due to fraud.
- Assessed the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Undertook procedures to identify significant unusual transactions.
- Considered whether management bias was present in the key accounting estimates and judgments in the financial statements.

What else did we do?

Evaluated whether additional audit procedures were necessary beyond those listed above and concluded that procedures under 'Inappropriate capitalisation of revenue expenditure' were required (see following page).

What are our conclusions?

We did not identify any instances of inappropriate judgements being applied, or of any management bias in accounting estimates.
We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.
Our journal entry testing has not identified any instances of inappropriate posting of journals. We have no matters to bring to your attention.

Areas of Audit Focus (continued)

Significant Risk

Misstatements due to fraud or error - Inappropriate capitalisation of revenue expenditure and revenue expenditure funded from capital under statute (REFCUS)

Fraud Risk

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

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

We have assessed that the risk of misreporting revenue outturn in the financial statements is most likely to be achieved through:

- Revenue expenditure being inappropriately recognised as capital expenditure at the point it is posted to the general ledger.
- Expenditure being classified as revenue expenditure financed as capital under statute (REFCUS) when it is inappropriate to do so.
- Expenditure being inappropriately transferred by journal from revenue to capital codes on the general ledger at the end of the year.

If this were to happen it would have the impact of understating revenue expenditure and overstating Property, Plant and Equipment (PPE) additions and/or REFCUS in the financial statements.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

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

What are our conclusions?

In 2024/25 the Council recorded £1.357 million of capital additions across PPE. There was an additional £0.655 million of REFCUS expenditure.

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

Our sample testing identified that £0.123 million of Contribution Income for Home Improvements was incorrectly Recorded in REFCUS which has been amended by the Council.

Our data analytics procedures did not identify any movements from expenditure to capital outside of the normal course of business.

Areas of Audit Focus (continued)

Significant Risk

Group Accounting

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

We have assessed a significant risk concerning the consolidation adjustments made for group accounting as several material audit adjustments were made during the 2023/24 audit. Therefore, there is a significant risk that the Council may prepare their group accounts incorrectly.

- Group accounting requires councils to present a consolidated financial position that reflects the combined assets, liabilities, and equity of the council and its subsidiaries.
- Group accounting consolidation impacts the recognition of revenues and expenses, as transactions between the council and its subsidiaries may need to be eliminated to avoid double counting in the financial statements.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Reviewed the Council's Group accounting workings;
- Considered the need to liaise with the component auditors to understand any risks that they are recognising and issue Group Instructions as necessary;
- Evaluated any risks at component level on the Group accounts;
- Issued instructions to the component auditors we intend to place reliance on; and
- Audited the consolidation process and Group accounts.

What are our conclusions?

We have completed our work in this area and have a number of differences to report.

We have noted several errors over our reporting threshold. The main issues are:

- Balance Sheet – Capital Grants Received in Advance – PPE – Net Pension Assets: We identified that Balance Sheet amounts do not agree to the General Ledger leading to the understatement of Net Pension Asset for £0.068 million, PPE £0.004 million and overstatement of Capital Grants Received in Advance for £0.072 million.
- Balance Sheet – Inventory and Retained losses: Incorrect elimination of Capitalised interest on inventory resulted in Inventory overstatement and understatement of Reserves for £0.115 million.
- Balance Sheet –Debtors and Creditors: Intercompany balances between components (ECTC and ECSS) were not eliminated resulted in overstatement of Debtors and understatement of Creditors for £0.09 million.
- Comprehensive Income and Expenditure Statement – Finance & Assets and Reserves: IFRS 16 Leases implementation impact overstated the CIES Finance & Assets for £0.054 million and understated Reserves due to the incorrect calculation.
- Comprehensive Income and Expenditure Statement – Finance & Assets (Gross Income) – Finance & Assets (Fross Expenditure): Intercompany sales and purchases between components (ECTC and ECSS) were not eliminated that resulted in overstatement of Income and understatement of Expenditure for £0.132 million.
- Balance Sheet – Reserves: The Council has initially classified retained losses in unusable reserve overstating it for £1.412 million, however, it should be presented in usable reserve. £1.294 million reclassification was required for the Group Statements in addition to the Inventory adjustment mentioned above £0.114 million.

Council has accepted the adjustments listed above.

Areas of Audit Focus (continued)

Significant Risk

Valuation of WIP (ECTC component)

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

The fair value of the work-in-progress represents a significant balance in ECTC'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.

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Considered the need to liaise with the component auditors to understand the risk that they are recognising and issue Group Instructions as necessary;
- Evaluated the risk at component level on the Group accounts;
- Issued instructions to the component auditors we intend to place reliance on; and
- Reviewed the work performed by the component auditor to address the risk.

What are our conclusions?

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

Areas of Audit Focus (continued)

Risk of Material Misstatement (Inherent Risk)

Valuation of Property, Plant and Equipment (PPE)

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

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

At 31 March 2025, the net book value of PPE is £39.998 million. We note that within PPE, our focus is on Land and Buildings.

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

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sample tested key asset information used by the valuers in performing their valuations (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. We have also considered if there are any specific changes to assets that have occurred and that these have been communicated to the valuer.
- Reviewed assets not subject to valuation in 2024/25 to confirm that the remaining assets base is not materially misstated.
- Considered changes to useful economic lives as a result of the most recent valuation.
- Tested accounting entries were correctly processed in the fixed asset register and financial statements.

What are our conclusions?

We did not identify any issues from our review of the work performed by the valuer over the Council's assets, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.

Our sample testing of key assumptions and methodologies did not identify any material issues concerning the reasonableness of the estimation techniques employed.

We did not identify any specific changes to assets that had occurred that required communication to the valuer.

We did not identify any issues in relation to the useful economic lives as a result of the most recent valuation.

All assets had been appropriately revalued within the Council's 5 year rolling programme. However, we noted that the disclosure note was incorrectly presented ROU assets as valued at historic cost instead of Fair Value. Amendment have been accepted by Management.

Areas of Audit Focus (continued)

Risk of Material Misstatement (Inherent Risk)

Accounting for Pension Assets/Liabilities

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

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

The Council's pension fund balance is a material estimated balance, and the Code requires that this balance be disclosed on the Council's balance sheet. As of 31 March 2025, this totalled a net asset of £10.561 million. The information disclosed is based on the IAS 19 report issued to the Council by the actuary.

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

Our response to the key areas of challenge and professional judgement

In response to this risk, we undertook the following procedures:

- Liaised with the auditors of Cambridgeshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Council;
- Assesses whether pension asset has been recognised in accordance with IAS 19 and IFRIC 14 and our understanding of the Local Government Pension Scheme;
- 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
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model;
- Engaged EY specialist to assess the Council's asset ceiling calculations; and
- Reviewed and test the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What are our conclusions?

We have completed our work in this area and have one error to report:

Audit difference of £16.185 million in relation to an increase in the valuation of Pension Liability. The misstatement was due to the impact of the asset ceiling on the valuation of the Pension Liability. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared.

Areas of Audit Focus (continued)

Risk of Material Misstatement (Inherent Risk)

IFRS 16 Implementation

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

FRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 CIPFA Code of Practice on Local Authority Accounting which sets out the financial reporting framework for the Council's 2024/25 accounts.

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

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

Based on our prior year work the Council had made some progress in collecting the information necessary to implement IFRS 16 and determine the impact on its financial statements. Therefore, we have assessed this as inherent risk.

Our response to the key areas of challenge and professional judgement

- Gained an understanding of the processes and controls developed by the Council relevant to the implementation of IFRS 16. We will pay particular attention to the Council's arrangements to ensure lease and lease-type arrangements considered are complete.
- Reviewed the discount rate that is used to calculate the right of use asset and assess its reasonableness.
- Reviewed management policies, including whether to use a portfolio approach, low value threshold, and asset classes where management is adopting as the practical expedient to non-lease components.
- Gained assurance over the right of use asset included in the 2024/25 financial statements
- Sample tested leases to ensure that transition arrangements have been correctly applied.
- Consider the accounting for leases provided at below market rate, including peppercorn and nil consideration, and the need to make adjustments to cost in the valuation of right of use assets at the balance sheet date.

What are our conclusions?

We have been unable to conclude our planned procedures in relation to IFRS 16 implementation as Council has not provided the expected quality working papers in our allocated audit window.

We are therefore unable to gain assurance over the valuation of the leases, and this limitation has contributed to our consideration that will lead to a disclaimer of the 2024/25 financial statements.

03 Value for Money

Value for Money

The Authority's responsibility for Value for Money (VFM)

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

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

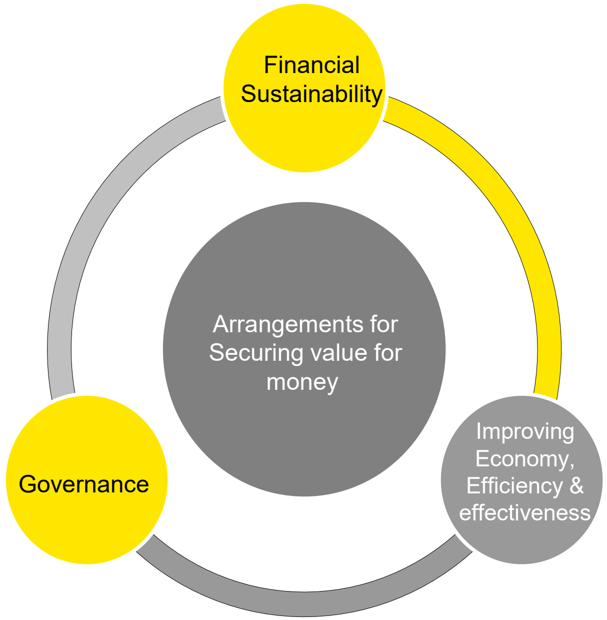
Risk assessment and status of our work

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

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

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

We have completed our detailed VFM work and identified one significant weakness, as documented on the next page.



Corporate Governance (cont'd)

Risk of significant weakness in VFM arrangements

What is the risk of significant weakness?	What arrangements did this impact?	What did we do?
We have identified weaknesses in the Council's arrangements to effectively support an audit of its financial statements.	Governance: How the Council ensures that it makes informed decisions and properly manages its risks How the body support its statutory financial reporting requirements	Our approach focused on assessment of: ▪ timeliness of the draft financial statements ▪ quality and completeness of the draft financial statements ▪ delivery of working papers in accordance with agreed client assistance schedule ▪ the quality of working papers and supporting evidence ▪ timeliness and quality of evidence supporting key accounting estimates ▪ availability of finance team and personnel to support the audit in accordance with agreed project plan ▪ volume and value of identified misstatements and disclosure amendments

Findings

The financial statements were published on time, meeting the June 30, 2025 deadline, and supporting evidence for key accounting estimates was generally of good quality and delivered as agreed. However, the first draft of the financial statements contained significant internal inconsistencies and errors that should have been addressed through internal quality review. Additionally, working papers and requested evidence were not provided according to the agreed schedule, and their overall quality fell short of expectations, causing delays and preventing completion of planned procedures.

04 Audit Report

Audit Report

Draft audit report

Our draft opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL

Disclaimer of Opinion

We were engaged to audit the financial statements of East Cambridgeshire District Council ('the Council') and its subsidiaries (the 'Group') for the year ended 31 March 2025. The financial statements comprise the:

Authority and Group Movement in Reserves Statement,
Authority and Group Comprehensive Income and Expenditure Statement,
Authority and Group Balance Sheet,
Authority and Group Cash Flow Statement
the related notes 1 to 32 to the Council financial statements and the related notes G1 to G4 to the Group financial statements including material accounting policy information,
the Collection Fund and the related notes 1 to 7.

The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

Basis for disclaimer of opinion

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

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

Due to the disclaimers of opinion on the financial statements in the prior years, delays in receiving associated audit evidence and inability to support the audit in advance of the backstop date, we have not been able to complete the detailed audit procedures that would be needed to obtain sufficient appropriate audit evidence to issue an unmodified audit report on the Council's financial statements for the year ended 31 March 2025. Therefore, we are disclaiming our opinion on the financial statements. The audits of the financial statements for the years ended 31 March 2023, 31 March 2024 for East Cambridgeshire District Council was not completed for the reasons set out in the disclaimers of opinion on those financial statements dated 25 November 2024 and 20 February 2025, respectively.

Matters on which we report by exception

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

Audit Report (cont'd)

Our draft opinion on the financial statements (continued)

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

In respect of the following, we have matters to report by exception.

Report on the Group and the Council's proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We report to you, if we are not satisfied that the Group and the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

On the basis of our work, having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in November 2024, we have identified the following significant weaknesses in relation to the specified reporting criteria of the Group and the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources for the year ended 31 March 2025.

Significant weaknesses in arrangements

In relation to governance

Our judgement on the nature of the weaknesses identified:

The Council published its Statement of Accounts by 30 June 2025 as set out in the Accounts and Audit Regulations 2015. These draft Statement of Accounts were poorly prepared, with a number of material issues identified. Working papers and supporting evidence were not provided in line with the agreed timetable and did not meet the expected quality requirements.

The evidence on which our view is based:

Our audit procedures performed in relation to the draft 2024/25 Statement of Accounts and reported in our Audit Results Report for 2024/25.

The impact on the Council:

Failure to improve the Council's processes to report good quality financial information will impact its ability to meet statutory financial reporting deadlines and to restore timely financial reporting in accordance with the requirements of the Accounts and Audit (Amendment) Regulations 2024.

The action the body needs to take to address the weakness:

The Council should review the approach to the preparation of the financial statements and support to the audit. The Finance Team should have a strong understanding of the requirements of the Local Government accounting and the CIPFA Code of Practice. The Finance Team should have a clear understanding of the operations of the Council's financial arrangements. Sufficient capacity of skilled finance professionals with the necessary skills and training are required to produce high-quality financial statements together high-quality supporting audit working papers. The Finance Team need to have sufficient capacity to support the audit in a timely manner. The issue above is evidence of weaknesses in proper arrangements for governance, including ensuring the Council has effective processes and systems in place to support its statutory financial reporting requirements.

Audit Report (cont'd)

Our draft opinion on the financial statements (continued)

Responsibility of the Section 151 Officer

As explained more fully in the Statement of Responsibilities' set out on page 20, the Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes the Group financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Section 151 Officer is responsible for assessing the Group and the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Group and the Council either intends to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

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

We are independent of the Group and the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and the Code of Audit Practice 2024 and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether East Cambridgeshire 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 East Cambridgeshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

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

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

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

Audit Report (cont'd)

Our draft opinion on the financial statements (continued)

Certificate

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of East Cambridgeshire District Council.
Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

Use of our report

This report is made solely to the members of East Cambridgeshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's members as a body, for our audit work, for this report, or for the opinions we have formed.

05 Audit Differences

Audit Differences

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

Summary of unadjusted differences

At the date of this report we have not identified any uncorrected misstatements which require reporting to the Audit Committee.

Summary of adjusted differences

We highlight the following misstatements greater than £0.044 million which have been corrected by Management that were identified during the course of our audit:

Factual Misstatement:

Balance Sheet – Pension Asset/Liability: Audit difference of £16.185 million in relation to an increase in the valuation of Pension Liability. The misstatement was due to the impact of the asset ceiling on the valuation of the Pension Liability. The adjustment was made due to updated information being provided by the Actuary, as part of the audit, after the draft Statement of Accounts had been prepared.

Comprehensive Income and Expenditure Statement - (Surplus) or deficit in the revaluation of non-current assets: Audit difference of £0.284 million in relation to the revaluation uplift historically incorrectly recorded in Revaluation Reserve instead of CIES.

Balance Sheet – Cash and Cash Equivalents and Debtors: The year-end cash reconciliation exercise correctly identified £0.361 million which has been received in the cash book but not recorded in the General Ledger at 31 March 2025. However, the required journal entries to correct this were not posted. This has the overall impact of increasing Cash and reducing Receivables by £0.361 million.

Comprehensive Income and Expenditure Statement - Operational Services (Gross Expenditure) and Operational Services (Gross Income). £0.123 million of Contribution Income for Home Improvements was incorrectly Recorded in REFCUS.

Reclassification Misstatement:

Balance Sheet – Cash and Cash Equivalents and Investments: The Council incorrectly classified £17 million Investments as cash equivalents.

Balance Sheet – Cash and Cash Equivalents and Creditors: Creditors control account shared with the Bank Control account not split out on the account mapper leading to £0.501 overstatement in creditors and understatement in Cash and Cash Equivalents.

Balance Sheet – Debtors and Creditors: £0.273 million understatement of Creditors incorrectly recorded in Debtors for DWP - Housing Benefits.

Balance Sheet – Capital Grants Received in Advance – PPE – Net Pension Assets: We identified that Balance Sheet amounts do not agree to the General Ledger leading to the understatement of Net Pension Asset for £0.068 million, PPE £0.004 million and overstatement of Capital Grants Received in Advance for £0.072 million.

Disclosure Differences

We have identified several disclosure differences which Management are planning to correct in the revised financial statements for authorisation.

Audit Differences (cont'd)

Summary of adjusted differences (continued)

	Effect on the current period		Net assets (Decrease)/Increase			
Corrected misstatements 31 March 2025 (Currency £'000)	**OCI (Equity) Debit/(Credit)**	**Income statement Debit/(Credit)**	**Assets current Debit/(Credit)**	**Assets non-current Debit/(Credit)**	**Liabilities current Debit/(Credit)**	**Liabilities non-current Debit/(Credit)**
Factual differences:						
1. Net Pension Asset						
Net Pension Asset (changes to liability)				(16,185)		
Pension Reserve	16,185					
2. PPE revaluation Movement Uplift						
CIES (Surplus/deficit on Provision of Services)		(284)				
Revaluation Reserve	284					
3. Bank reconciling items not adjusted in the ledger						
Cash			361			
Debtors			(361)			
4. Contribution Income for Home Improvements Recorded in REFCUS						
Operational Services (Gross Expenditure)	122					
Operational Services (Gross Income)	(122)					

Audit Differences (cont'd)

Summary of adjusted differences (continued)

Corrected misstatements 31 March 2025 (Currency £'000)	Effect on the current period		Net assets (Decrease)/Increase			
	OCI (Equity) Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non-current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non-current Debit/ (Credit)
Reclassification misstatements:						
5. Investments incorrectly classified as cash equivalents						
Investments (short term)			17,000			
Cash and cash equivalents			(17,000)			
6. Creditors control account shared with the Bank Control not split out on the account mapper leading to error in creditors and cash						
Creditors					(501)	
Cash			501			
7. Creditors incorrectly recorded in Debtors for DWP - Housing Benefits						
Debtors			273			
Creditors					(273)	
8. Balance Sheet amounts do not agree to the General Ledger						
PPE				4		
Net Pension Asset				68		
Capital Grants Received in Advance						(72)

Audit Differences (cont'd)

Summary of Group Statements adjusted differences

Corrected misstatements 31 March 2025 (Currency £'000)	Effect on the current period		Net assets (Decrease)/Increase			
	OCI (Equity) Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Factual Misstatements						
1. Balance Sheet amounts do not agree to the General Ledger						
Capital Grants Received in Advance					73	
Reserves	(73)					
2. Incorrect elimination of Capitalised interest on inventory						
Inventory			(114)			
Reserves	114					
3. Intercompany balances between components (ECTC and ECSS) were not eliminated						
Debtors			(90)			
Creditors					90	
4. Intercompany sales and purchases between components (ECTC and ECSS) were not eliminated						
Income (Finance & Assets - CIES)		132				
Expenditure (Finance & Assets - CIES)		(132)				
5. IFRS 16 Leases implementation impact due to the incorrect calculation.						
Finance & Assets (cost of services Expenditure)		(54)				
Reserves	54					

Audit Differences (cont'd)

Summary of Group Statements adjusted differences (continued)

Corrected misstatements 31 March 2025 (Currency £'000)	Effect on the current period		Net assets (Decrease)/Increase			
	OCI (Equity) Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Reclassification misstatements						
6. Retained reclassification between unusable reserve and usable reserve						
Usable Reserve	(1,412)					
Unusable Reserve	1,412					

Audit Differences (cont'd)

Summary of Adjusted Disclosure differences

1. Our initial review of the Financial Statements tie-out, casting and prior year comparatives review has identified 38 areas where an amendment to the accounts is required. Common disclosure misstatements identified in numerous instances such as not updating headings for 2024/25, incorrect comparatives, casting errors, incorrect signage, formatting errors, incorrect cross references or its absence. Partner in charge and Manager review of Statement of accounts identified an additional 21 areas where an amendment to the accounts is required mainly for the areas where we have been able to proceed with the audit.
2. Further detailed testing of disclosures identified an additional 12 areas where an amendment to the accounts is required mainly for the areas where we have been able to proceed with the audit.

The most significant areas management agreed to amend are:

Comprehensive Income and Expenditure Statement - We have identified that surplus or deficit in the revaluation reserve of non-current assets is not agreeing with the Note 11. CIES amount should be £83,000 as per Note 11 and not £3 million.

Balance Sheet – Usable and Unusable Reserves: Management has not provided the breakdown disclosure for the significant Balance Sheet amounts.

Group Statements: Several material misstatements in disclosures identified.

Annual Governance Statement: The Audit Committee in their meeting of 15 July 2025 identified that the date of the launch of the new waste service needed to be corrected from April 2026 to June 2026.

Note 4, 21, 22 – Pensions (Defined benefit pension schemes and various areas of Financial Statements: Impact of asset ceiling £16.185 million to feed through accounts and notes- this includes CIES Actuarial losses (Gains) on pensions assets & liabilities which was £(7) million but needs to change to £8 million to be consistent with revised IAS19 report, including note 4 - critical judgements in applying accounting policies to reflect the updated report.

Note 12b - Revaluation Profile: We have identified that ROU assets all shown as valued at historic cost. However, the two traveller's sites have both been subject to valuation in 24/25 on an EUV basis (£0.804 million) so this amount should be split out of the Historic Cost line and moved into the in Valued at Fair Value as at 31 March 2025 line in the note.

Note 16: Loans to trading companies and CLT disclosed as £5.875 million and £0.227 million respectively. The correct figures should be £5.825 million and £0.277 million. This amounts to a difference of £0.05 million.

Note 17 – Debtors: Several material adjustments to the amounts in the debtors classifications.

Note 19 – Creditors: Several material adjustments to the amounts in the creditors classifications.

Note 22 – Pensions Defined benefit pension schemes: Additional disclosure required for the current position of the Virgin Media judgement.

Note 32 - Going Concern: The SOA balance of Earmarked Reserve at 31/03/2025 disclosed in Note 9. Statutory Out-turn, does not reconcile to the Note 32 Going Concern. The predicted figure for 25/26 of the Surplus Savings Reserve current disclosed as £8.416 million which is not consistent with the budgeted and the narrative reported to Full Council in February 2025. Management agreed to update amount in line with narrative £6.497 million as it was presented in Full Council. Going Concern period should cover period 12 months from the date of audit report signing date hence needs to adjust the disclosure for March 2027 instead of March 2026.

06

Assessment of Control Environment

Assessment of Control Environment

Preparation of robust draft financial statements, provision of quality working papers and support during the audit

We would like to draw your attention to the following issues identified through our audit:

1. As reported in the Executive Summary, Management, and the Audit Committee, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported evidence, access to the finance team and management's responsiveness to issues identified during the audit.

We do however recognise that the Council's finance team faced capacity constraints due to turnover among key staff members. Several critical roles experienced changes, with new key staff joining just before the 2024/25 year end. This transition led to a loss of corporate knowledge and contributed to delays in providing working papers and audit evidence.

Therefore, to support the audit process, we worked with the Council to provide the following areas of support:

- Effectively supporting an external audit training session held with the Finance Team on 9 June 2025
- Planning communication to S151 Officer and Principal Accountant highlighting the need of working papers to provided one week in advance of the start of the audit
- Planning communication to S151 Officer and Principal Accountant where we agreed to delay the audit by four weeks so that the Council could finalise their audit working papers.
- Agreement with Management for a 3-day turnaround time for audit queries and 5-day turnaround time for sample evidences.
- Provision of audit evidence matrix for samples to enable evidence is provided right first time.
- Audit priority queries communications and regular calls between audit senior and finance team.
- We have provided the working paper developed by the Audit team in 2024/25 FY to cover the area where significant number of misstatements identified during the audit.

Despite the additional support we have encountered the following during our audit:

- Significant delays in the responses to audit queries.
- Lack of evidence to corroborate responses to audit queries.
- Responses to audit queries did not always address the questions raised.
- Lack of references to the CIPFA Code of Practice or Accounting Standards for complex areas, such as judgements and estimates.

These issues caused significant slippage to the agreed project plan and inefficient use of the planned audit resources. This resulted in areas of the audit that we were unable to conclude and therefore we are unable to provide assurance over which have contributed to our consideration of disclaiming the audit opinion.

The next page has our recommendation.

Assessment of Control Environment (continued)

Preparation of robust draft financial statements, provision of quality working papers and support during the audit

- Recommendation 1: The Council should review its approach to preparing financial statements and supporting the audit process in the following areas:

Strengthen Financial Statement Preparation and Audit Support

- The Finance Team must develop a strong understanding of:
    - Local Government accounting requirements.
    - The CIPFA Code of Practice and relevant Accounting Standards.

Build Capacity and Expertise

- Ensure sufficient capacity of skilled finance professionals with the necessary technical knowledge and experience.
- Provide specific training to enhance understanding of complex areas such as judgments, estimates, and compliance with CIPFA standards.

Improve Quality of Audit Working Papers

- Implement robust processes to produce high-quality financial statements supported by complete, accurate, and well-referenced working papers.
- Ensure all responses to audit queries are timely, address the questions raised and include appropriate supporting evidence.

Enhance Responsiveness and Communication

- Adhere to agreed turnaround times for audit queries (3 days) and sample evidence (5 days).
- Establish clear escalation protocols for delays or unresolved issues.
- Continue regular communication between audit leads and the Finance Team to monitor progress and resolve issues promptly.

2. From our work over depreciation, it has been noted that land has been depreciated, which is against IAS 16 Property, Plant and Equipment, which has not been adjusted due to trivial amount of error. The same issue was reported in our 2023/24 Audit Results Report.

- Recommendation 2: We recommend that the Council improve controls over the Fixed Asset Register inputs, settings and depreciation calculation.

3. From our work over Group Statements, several audit adjustments and disclosure misstatements have been identified.

- Recommendation 3: We recommend that the Council improve the Group Statements calculation ensuring that all intercompany transactions and balances have been eliminated, no arithmetical errors exist, and the working paper meets the required standard.

Assessment of Control Environment (continued)

Preparation of robust draft financial statements, provision of quality working papers and support during the audit

4. Capital Grant Register: The Council does not maintain a Capital Grants Register.

- **Recommendation 4:** We recommend that the Council maintains a Capital Grants Register which documents the terms of the grants, balances brought forward, income received during the period, and grant amounts utilised during the period. The register should also capture the conditions of the grants and determine whether amounts are required to be paid back to the grant provider if not utilised.

5. As part of our audit procedures, we requested the Council to provide explanations and corroboration of material year on year movements in Comprehensive Income and Expenditure Statement and the Balance Sheet. The evidence provided was insufficient for us to utilise the information to corroborate the year-on-year movements.

- **Recommendation 5:** We recommend that the Council performs an analytical review as part of their closedown procedures to corroborate material year-on-year movements in the core financial statements. This will provide the Council with an understanding of the movements and help ensure that the figures in the financial statements are materially correct.

6. As part of our audit procedures over Cash and Cash Equivalents, we have identified material adjustments. The year-end cash reconciliation exercise correctly identified £0.361 million which has been received in the cash book but not recorded in the General Ledger at 31 March 2025. However, the required journal entries to correct this were not posted. Also the Council incorrectly classified £17 million Investments as cash equivalents. Creditors control account shared with the Bank Control account not split out on the account mapper leading to £0.501 adjustment.

- **Recommendation 6:** We recommend Council to ensure that all cash reconciliation adjustments identified at year-end, such as amounts received but not recorded in the General Ledger, are promptly and accurately posted through appropriate journal entries.
- **Recommendation 7:** Review the classification of cash equivalents and investments to ensure that only qualifying items are reported as cash equivalents, in accordance with relevant accounting standards.
- **Recommendation 8:** Improve the mapping and separation of control accounts, such as the Bank Control and Creditors Control accounts, to prevent misstatements and ensure accurate financial reporting.

07 Other Reporting Issues

Other Reporting Issues

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

We must give an opinion on the consistency of the financial and non-financial information in the East Cambridgeshire District Council Statement of Accounts 2024/25 with the audited financial statements

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

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

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

Whole of Government Accounts

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

The Council falls below the £2 billion threshold for audit procedures within the NAO group instructions. We will confirm this position within the Assurance Statement to the NAO at the point of issuing our Audit Report. However, we cannot issue our Audit Certificate until the NAO has confirmed no further procedure are required.

Other powers and duties

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

We have given serious consideration to the need to issue Statutory Recommendations under Schedule 7, given our assessment of the Council's financial reporting (Page 12-13) and the significant weakness we are reporting for Quality of the draft 2024/25 financial statements under our Value for Money responsibilities (Page 24).

However, if we are not satisfied with the pace and substance of improvements in addressing our Recommendation 1 (Page 39) as part of the 2025/26 audit, we would be minded to issue Statutory Recommendations at that point, given the recurring inability to prepare robust financial statements and support the audit process.

We have concluded that we will not issue Statutory Recommendations under Schedule 7 at this point, or that we need to issue a report in the public interest.

08 Independence

Independence

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

Relationships

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

Services provided by EY

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

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

Independence

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

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

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

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

- Officers meeting the agreed timetable of deliverables;
- Our financial statements opinion and value for money conclusion being unqualified;
- Appropriate quality of documentation is provided by the Council; and
- The Council has an effective control environment
- The Council complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/. In particular, the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

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

	Current Year 2024/25	Prior Year 2023/24
	£	£
Scale Fee – Code Work	162,424	147,673
Proposed scale fee variation	TBD Note 2	TBD Note 1
Total fees	**TBD**	**TBD**

All fees exclude VAT

(1) As set in our 2023/24 Audit Results Report, a scale fee variation was submitted to PSAA covering the following areas:

We submitted a fee variation for 2023/24 in relation to the additional work performed on areas not reflected within the scale fee, including ISA315 procedures, preparedness for the adoption of IFRS16 and additional work to address identified risks and/or issues, as well as quality and preparation issues with the draft financial statements and supporting working papers

As at the date of this report, that scale fee variation has not yet been determined.

(2) We propose to submit a scale fee variation to PSAA for 2024/25 work covering the additional work performed on areas not reflected within the scale fee, including VFM risk of significant weakness, additional work to address identified risks and/or issues, as well as quality and preparation issues with the draft financial statements and supporting working papers.

09 Appendices

Appendix A – Progress to full assurance

Progress to full assurance

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

EXPECTED STATUS

2023/24

Disclaimer opinion

- Pervasive gaps over opening balances, comparators, and in-year movements.
- Lack of assurance over PPE valued on a cyclical basis, from the 22/23 audit.
- Lack of assurance over Reserves (cumulative nature)

CURRENT AUDIT STATUS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL

- The Council's progress is behind the expected timescales set out in LARRIG 01.
- This is because we were unable to complete all planned procedures in 2023/24 due to weaknesses in Council arrangements.

Current audit year 2024/25

Disclaimer or qualified opinion

Continuing impact from 2023/24:

- Lack of assurance over all the comparator I&E transactions, PPE and reserves.
- Due to gaps in PPE assurance, there is a likely lack of assurance over related in-year transactions.
- Potential for qualified except for, but more likely to be disclaimed

CURRENT AUDIT STATUS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL

- The Council's progress will be behind the expected timescales set out in LARRIG 01 and the opinion for 2024/25 will be disclaimed.
- We have not been able to complete all planned procedures (see details on previous pages).
- Appendix B sets out in more detail the assurance we have gained by accounts area.

2025/26

Qualified (except for) opinion

- Assurance in place over opening and closing balances, and assurance gained over each in-year movement.
- Likely gap over specific comparator balances may remain on PPE due to the extent items have not been valued since 2022/23. The impact on the CIES & reserves would require to be assessed.
- However, with the anticipation of incorporating build-back guidance focusing on reserves, there is increasing probability that gaps in assurance can be specifically identified, leading to higher likelihood of a qualified report (not disclaimed).

LIKELY AUDIT STATUS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL

- The Council is currently behind the illustrative timescale for the process of re-building assurance, because not all audit procedures were completed during either 2023/24 or 2024/25.
- The audit report on the Council's 2025/26 financial statements will therefore likely also need to be disclaimed due to the pervasive gaps in assurance over opening balances, comparators and in-year movements (akin to the 2023/24 year in the above indicative timetable).

2026/27

Unqualified opinion

- Expectation that all items resolved.
- Auditor will need to reassess the PPE cyclical valuation impact - but may be able to work with the authority to ensure that items previously valued in 2022/23 were revalued by this time or would be immaterial.

LIKELY AUDIT STATUS OF EAST CAMBRIDGESHIRE DISTRICT COUNCIL

- The ability to issue a qualified opinion on the Council's 2026/27 financial statements will depend on the ability to complete audit procedures during the 2025/26 and 2026/27 audits, as well as the Council taking steps to support the rebuilding of assurance over PPE.

Appendix B – Updated summary of assurances

Summary of Assurances

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

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment ('PPE')	Partial	Partial	We have completed testing of the 2023/24 and 2024/25 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 and 2024/25 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets; however, until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2025. See Section 05 of this report for audit adjustments identified.
Long Term Debtors	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Debtors (including bad debts provisions)	Substantial	None	We have been unable to completed our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit. See Section 05 of this report for audit adjustments identified.
Cash and Cash Equivalents	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. See Section 05 of this report for audit adjustments identified.
Creditors (short term)	Substantial	None	We have been unable to completed our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit. See Section 05 of this report for audit adjustments identified.
Provisions (short term)	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Grants received in advance (long term)	None	None	We have been unable to obtain assurance over the balance at 31 March 2025, as the Council was unable to provide a list of outstanding Grants Received in Advance balances with detailed ageing of the balances at this date.
Local Government Pension Scheme	Partial	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. This is because we have not performed audit procedures in relation to the 2022/23 Pension Fund triennial review. See Section 05 of this report for audit adjustments identified.
Reserves	None	None	We have not completed our planned testing on the Reserves balance as the Council was unable provide sufficient evidence in a timely manner and we have prioritised other areas of obtaining maximum assurance across the Balance Sheet. Also, we do not have assurance over the opening balance position at 1 April 2024, we are unable to obtain assurance that all of the in-year movements recorded in the Reserves balance.
Group Accounts	Partial	Partial	We have completed all planned procedures for 2024/25 Group Account however, as we do not have assurance over the opening balance sheet balances at 1 April 2023 until we are able to rebuild assurance over Group Accounts in-year movements or prior year comparatives, we are unable to obtain full assurance. See Section 05 of this report for audit adjustments identified.
REFCUS	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

Appendix B — Updated summary of assurances (cont'd)

Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Taxation & Non-Specific Grant Income	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Other Operating Expenditure - Parish Precepts and Internal Drainage Broads Levies	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Staff Costs	Partial		We are yet to complete the work in this area.
Housing Benefit expenditure	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Grant Income	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Other income and expenditure	None	None	We have not completed our planned testing on the Other Income and Expenditure in 2024/25 as the Council was unable provide sufficient evidence in a timely manner and we have prioritised maximum assurance across the accounts.
Cash Flow Statement	Partial	None	We have not completed our planned testing on Cash Flow Statement in 2024/25 as the Council was unable provide sufficient evidence in a timely manner for the areas covered in Cash Flow Statement such as Debtors, Creditors and we have prioritised maximum assurance across the accounts.
Collection Fund	Partial	None	We have not completed our planned testing on the Collection Fund in 2024/25 as the Council was unable provide sufficient evidence in a timely manner and we have prioritised maximum assurance across the accounts.
Other Disclosures	Partial	None	We have not completed our planned testing on other disclosures in 2024/25 as the Council was unable provide sufficient evidence in a timely manner and we have prioritised maximum assurance across the accounts.
Annual Governance Statement	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the Annual Governance Statement for the 2024/25 reporting period.
Leases	Substantial	None	We have not completed our planned testing on the IFRS 16 Lease in 2024/25 as the Council was unable provide satisfactory working papers during the allocated audit window.
Journals	Substantial	Partial	We have completed our planned testing on Journals in 2024/25, however the Council was unable provide sufficient evidence in a timely manner for the areas covered in Journals work such as Debtors, Creditors, Other Income and Expenditure and we have prioritised maximum assurance across the accounts.

Appendix C — Required communications with those charged with governance

Required communications with those charged with governance

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	Communication of: ▪ The planned scope and timing of the audit ▪ Any limitations on the planned work to be undertaken ▪ The planned use of internal audit ▪ 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.	Audit Plan – 15 July 2025 – Audit Committee
Significant findings from the audit	▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Significant matters, if any, arising from the audit that were discussed with management ▪ Written representations that we are seeking ▪ Expected modifications to the audit report ▪ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – 20 January 2026 – Audit Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▪ Whether the events or conditions constitute a material uncertainty related to going concern ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The appropriateness of related disclosures in the financial statements	Audit Results Report – 20 January 2026 – Audit Committee
Misstatements	▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management	Audit Results Report – 20 January 2026 – Audit Committee

Fraud	▪ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity
	▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist
	▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:
	  ▪ Management;
	  ▪ Employees who have significant roles in internal control; or
	  ▪ Others where the fraud results in a material misstatement in the financial statements.
	▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected
	▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud
	▪ Any other matters related to fraud, relevant to Audit Committee responsibility.
		Audit Results Report – 20 January 2026 – Audit Committee

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

Required communications	What is reported?	Our Reporting to you When and where
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▪ Non-disclosure by management ▪ Inappropriate authorisation and approval of transactions ▪ Disagreement over disclosures ▪ Non-compliance with laws and regulations ▪ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report – 20 January 2026 – Audit Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Audit Plan – 15 July 2025 – Audit Committee Audit Results Report – 20 January 2026 – Audit Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
External confirmations	▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report – 20 January 2026 – Audit Committee
Consideration of laws and regulations	▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of the audit 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	Audit Results Report – 20 January 2026 – Audit Committee
Significant deficiencies in internal controls identified during the audit	▪ Significant deficiencies in internal controls identified during the audit.	Audit Results Report – 20 January 2026 – Audit Committee
Group Audits	▪ An overview of the type of work to be performed on the financial information of the components ▪ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▪ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▪ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▪ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements.	Audit Plan – 15 July 2025 – Audit Committee Audit Results Report – 20 January 2026 – Audit Committee

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

		Our Reporting to you
Required communications	**What is reported?**	**When and where**
Written representations we are requesting from management and/or those charged with governance	▪ Written representations we are requesting from management and/or those charged with governance	Audit Results Report - 20 January 2026 - Audit Committee
System of quality management	▪ How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report - 20 January 2026 - Audit Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▪ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report - 20 January 2026 - Audit Committee
Auditors report	▪ Key audit matters that we will include in our auditor's report ▪ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report - 20 January 2026 - Audit Committee

Appendix D — Outstanding matters

Outstanding matters

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

Item	Actions to resolve	Responsibility
Taxation and Non Specific Grant Income	We are awaiting the evidence from the Council	Management and EY
Staff Costs	Subject to reconciliation of FTE to SOA and testing of starters and leavers during 2024/25	Management and EY
Final financial statements	Review of the final version of the financial statements	Management and EY
Final Manager and Engagement Partner reviews	Review of the working papers	Management and EY
Management representation letter	Receipt of signed management representation letter	Management and Audit Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	Management and EY

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Annual Report. At this point no issues have emerged that would cause us to modify our opinion. A draft of the proposed Audit Report (opinion) is included in Section 04.

Appendix E — Regulatory update

The English Devolution and Community Empowerment Bill – Audit Measures

Background

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

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

The draft legislation can be found in full at English Devolution and Community Empowerment Bill.

Part 4 of the Bill - Reforming local audit

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

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

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

Appendix F — Management representation letter

Draft Management representation letter

[To be prepared on the entity's letterhead]

[Date]

David Riglar
Ernst & Young
One Cambridge Square
Cambridge
CB4 0AE

This letter of representations is provided in connection with your audit of the consolidated and parent company financial statements of East Cambridgeshire District Council ("the Group and Company") for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent company financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Group and Company financial position of East Cambridgeshire District Council as of 31 March 2025 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Authority, the CIPFA LASAAC Code of Practice on Local Authority Accounting.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Authority, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

2. We acknowledge, as members of management of the Group and Company, our responsibility for the fair presentation of the consolidated and parent company financial statements. We believe the consolidated and parent company 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 Group and parent Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.

3. The material accounting policy information adopted in the preparation of the Group financial statements is appropriately described in the Group and Authority financial statements.

4. As members of management of the Group and Authority, we believe that the Group and Authority have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with [CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 for the Group and for the Authority that are free from material misstatement, whether due to fraud or error.

5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent company financial statements taken as a whole.

6. We confirm the Group and Company does not have securities (debt or equity) listed on a recognized exchange.

Appendix F — Management representation letter (cont'd)

Draft Management representation letter

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

1. We acknowledge that we are responsible to determine that the Group and Authority's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.

2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.

3. We have disclosed to you the results of our assessment of the risk that the consolidated and parent Authority financial statements may be materially misstated as a result of fraud.

We have disclosed to you, and provided you full access to information and any internal investigations relating to, all instances of identified or suspected non-compliance with laws and regulations, including fraud, known to us that may have affected the Group or Authority (regardless of the source or form and including, without limitation, allegations by "whistle-blowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent company financial statements
- Related to laws and regulations that have an indirect effect on amounts and disclosures in the consolidated and parent company financial statements, but compliance with which may be fundamental to the operations of the Group and Authority's business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:

- Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- Additional information that you have requested from us for the purpose of the audit; and
- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

2. All material transactions have been recorded in the accounting records and are reflected in the consolidated and parent Authority financial statements.

3. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect in the consolidated and parent company financial statements.

4. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the date of this letter.

5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and Authority's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent company financial statements.

Appendix F — Management representation letter (cont'd)

Draft Management representation letter

6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

7. We have disclosed to you, and the Group and Authority has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent company financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

8. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on the consolidated and parent company financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent company financial statements.

2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.

3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 20 to the consolidated and parent company financial statements all guarantees that we have given to third parties.

4. No other claims in connection with litigation have been or are expected to be received.

E. Going Concern

Note *32* to the consolidated and parent company financial statements discloses all the matters of which we are aware that are relevant to the Group and Authority's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than described in Note 7 to the consolidated and parent company financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Authority financial statements or notes thereto.

G. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.

2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent company, subsidiary undertakings and associated undertakings.

H. Other information

We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Report and the Annual Governance Statement.

Draft Management representation letter

2. We confirm that the Annual Governance Statement for 2024/25 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2024/25 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

3. We confirm that the content contained within the other information is consistent with the financial statements.

I. Climate-related matters

We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered and reflected in the consolidated and parent financial statements.

J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Company has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Company's assets, nor has any asset been pledged as collateral. All assets to which the Group and Company has satisfactory title appear in the balance sheet(s).

2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and parent company financial statements.

3. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

4. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts.

K. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the value of the Authority and Group's share of the pension fund assets and liabilities and the value of subsidiary company Property, Plant and Equipment and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

L. Estimates

- Pensions Asset/Liability
- Property, Plant and Equipment – valuations, impairments and depreciation
- Provision for NDR Appeals

1. We confirm that the significant judgments made in making the fair value of PPE, provisions, and pension fund asset and liabilities have taken into account all relevant of which we are aware.

2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the above accounting estimates.

3. We confirm that the significant assumptions used in making the above accounting estimates appropriately reflect our intent and ability to carry out our statutory services on behalf of the entity.

4. We confirm that the disclosures made in the consolidated and parent company financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

Appendix F — Management representation letter (cont'd)

Draft Management representation letter

M. Retirement benefits

On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

N. Reserves

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

O. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).

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

Matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners, examinations by taxing authorities) none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

Yours faithfully,

____

(Chief Financial Officer)

____

(Chairman of the Audit Committee)

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