

# Breckland District Council

Audit results report

Year ended 31 March 2025

**3 February 2026**



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Governance and Audit Committee  
Breckland District Council  
Elizabeth House  
Walpole Loke  
Dereham Norfolk  
NR19 1EE

3 February 2026

Dear Governance and 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 Governance and Audit Committee. We will update the Governance and Audit Committee at its meeting scheduled for 12 February 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 Breckland 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 Governance and 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 Governance and 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 Governance and 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 Governance and 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 Governance and Audit Committee meeting on 12 February 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.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>)

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

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

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



# 01 Executive Summary

# Executive Summary – Context for the audit

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

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

lack of capacity within the local authority financial accounting profession;

increased complexity of reporting requirements within the sector;

a lack of auditors and audit firms with public sector experience; and

increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

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

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

As reported in our 10/02/2025 Audit Results Report we issued a disclaimer of opinion on the Council's 2023/24 and 2022/23 financial statements under these arrangements to reset and recover local government audit.

In 2024/25, we have continued to audit the closing balance sheet and in-year transactions. Although the level of assurance gained has increased, we have not yet obtained sufficient evidence to have reasonable assurance over all in-year movements and closing balances. As a result of the disclaimer of opinion on the 2023/24 financial statements, we do not have assurance over some brought forward balances from 2023/24 where we did not gain assurance (the opening balances). This means we do not have assurance over all 2024/25 in-year movements and the comparative prior year movements. We also do not have assurance over all the 2023/24 comparative balances disclosed in the 2024/25 financial statements. Taken together with the requirement to conclude our work by the 2024/25 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2024/25 audit opinion.

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

# Executive Summary (cont'd)

## Scope update

In our Audit Planning Report presented at the 19 June 2025 Governance and 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:

- 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 revenue expenditure on provision of services, we have updated our overall materiality assessment to £1.52 million (Audit Planning Report – £1.4 million). This results in updated performance materiality, at 75% of overall materiality, of £1.14 million, and an updated threshold for reporting misstatements of £0.076 million.

## Value for Money

In our Audit Planning Report dated 25 April 2025, we reported that we had not completed our value for money (VFM) risk assessment but that we had identified no risks of significant weaknesses in arrangements. Having updated and completed the planned procedures in these areas we did not identify a significant weakness. We note that we did consider the Council's arrangements concerning financial reporting, given the number of areas that we have identified as requiring improvement on pages 11 and 12, however we did not assess this as a significant weakness for 2024/25. We will review arrangements in 2025/26 to ensure the Council have made appropriate improvements.

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 2 June 2025. We had to delay the start of the audit 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.

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 - Property, Plant and Equipment and Investment Property Valuations;
- Balance Sheet - Reserves;
- Leases (IFRS 16);
- Comprehensive Income & Expenditure Statement - Operational Services;

# Executive Summary (cont'd)

## Status of the audit (cont'd)

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

Closing procedures:

- Subsequent events review;
- Agreement of the final set of financial statements;
- Closing Overall Analytical Review
- 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.

## Audit differences

### Unadjusted Audit Differences

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

### Adjusted Audit Differences

We highlight the following misstatements greater than £0.076 million which have been corrected by Management that were identified during our audit:

#### **Factual Misstatement:**

**Balance Sheet - Pension Asset/Liability:** Audit difference of £21.338 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 - Expenditure on services (Gross Expenditure):** £0.254 million of PFI unitary payment for April 2025 was incorrectly included in the 2024/25 other service expenditure, but it should have been recorded in the 2025/26 accounts instead.

**Balance Sheet - Property, Plant and Equipment:** This relates to reversal of additions of £5.506 million and disposals of £5.092 million with respect to Barnham Broom Golf Club which was wrongly recorded in Property, Plant & Equipment.

**Balance Sheet - Reserves and Comprehensive Income and Expenditure Statement - REFCUS:** Maintenance expenditure of £0.298 million were incorrectly capitalised as REFCUS. Since these expenditures are not capital in nature, an adjustment was made.

# Executive Summary (cont'd)

## Audit differences (cont'd)

### Reclassification Misstatement:

**Balance Sheet - Capital grants received in advance and Creditors:** £0.425 million grant is still pending confirmation from DLUHC to be carried forward, making it ineligible to be credited in 2024/25. As a result, an adjustment was made to reclassify this amount from capital grants received in advance to creditors.

**Balance Sheet - Reserves and Creditors:** Creditors for LA Housing Fund grant of £0.123 million was incorrectly recorded as creditors, an adjustment has been posted to reclassify it to Earmarked Reserves.

### Cash Flow Misstatement:

**Operating Cash Flow:** double counting of the closing debtor balance, which resulted in an understated interest received figure within the operating cashflow. After correcting this error, the interest received increased by £0.343 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
Presumptive risk of management override of controls	Our work on the testing of journal entries is on-going. We will update the Governance and Audit Committee accordingly, when the work is completed.
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 £0.297 million of maintenance expenditure 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. Review of capital budget monitoring and outturn reports did not identify any unusual trends or significant under/overspends.
Valuation of Property, Plant and Equipment, and Investment Properties	We were unable to complete our planned procedures in this area due to the Council not providing working papers of the expected quality within the designated audit window. Additionally, several queries regarding valuation were submitted to the Council; however, Council was unable to provide supporting evidence for corroboration. We are therefore unable to gain assurance over the valuation of property, plant and equipment, and investment properties, and this limitation has contributed to our consideration that will lead to a disclaimer of the 2024/25 financial statements.
Pension Valuation	We have completed our work in this area and have one error to report. Audit difference of £21.338 million in relation to an increase in the valuation of Pension Liability was identified. 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.
Omission or understatement of Non-Domestic Rates (NDR) Appeals Provision (Inherent risk)	We have completed our work in this area and have not matters to report.
IFRS 16 Implementation (inherent risk)	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.

# Executive Summary (cont'd)

## Areas of audit focus (cont'd)

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

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

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 Governance and Audit Committee.

## 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 Governance and 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. The table below 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			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30 <sup>th</sup> June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft financial statements	Effective			No material internal inconsistencies, typographical or arithmetic errors in the draft financial statements identified that should have been detected through internal quality review prior to publication.	N/A
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			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 then able to complete procedures. More significant issues were identified concerning the supporting evidence for key accounting estimates as reported below.
Quality of working papers and supporting evidence	Requires improvement			Working papers and supporting evidence were generally not to the expected standard.	
Timeliness and quality of evidence supporting key accounting estimates	Ineffective			Significant delays were experienced in the provision of supporting evidence from the Council and Council's valuer for the valuation of Property, Plant and Equipment and Investment Property assets. The quality of working papers, evidence, and explanations provided was not to the required standard.  These weaknesses also impacted our ability to complete planned procedures concerning IFRS 16 leases.	We were unable to complete all our 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.

# Executive Summary (cont'd)

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

Area	Status			Explanation	Further detail
	R	A	G		
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			<p>The Accountancy Manager and Deputy Section 151 Officer left the Council just before the year-end audit. Although the Council engaged temporary resources to meet the audit requirements, the loss of knowledge contributed to delays during the audit.</p> <p>There were no issues with access to the finance team and key personnel.</p>	We expect to raise a scale fee variation in respect of this.
Volume and value of identified misstatements and disclosure amendments	Requires improvement			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.	<p>See Section 05 for details of corrected misstatements and disclosure misstatements.</p> <p>We expect to raise a Scale Fee variation in respect of the additional work required.</p>



# 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

We performed the following procedures, in response to this risk:

- 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 of 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.
- Considered the effectiveness of management's controls designed to address the risk of fraud.
- Determined an appropriate strategy to address those identified risks of fraud.
- Performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- Performed 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.

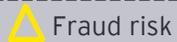
We did not identify any transactions during our audit which appeared unusual or outside the Council's normal course of business.

We have not completed the planned procedures on testing of journal entries. However, we observed that there is currently no formalized procedure for the review and approval of journal entries prior to their posting to the general ledger. We have raised this control observation in Section 06 of this report.

# Areas of Audit Focus (continued)

## Significant risk

Inappropriate capitalisation of revenue expenditure including 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) / Investment Property (IP) additions and/or REFCUS in the financial statements.

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

We performed the following procedures, in response to this risk:

- Tested Property, Plant and Equipment (PPE) / Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assessed whether the capitalised spend clearly enhanced or extended the useful life of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- Tested REFCUS 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 any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.
- Performed journal entry testing over high risk transactions
- Reviewed capital budget monitoring and outturn reports to identify any unusual trends or significant under/overspends.

### What are our conclusions

In the 2024/25 financial year, the Council reported £3.585 million in REFCUS expenditure and a further £5.294 million in capital additions related to Property, Plant and Equipment (PPE) and Investment Properties. During the process of reconciling fixed assets records with the statement of accounts, it was identified that an addition of £5.506 million had not been disclosed in the draft statement of accounts. If disclosed, total additions across these categories would have amounted to £10.8 million.

Our sample testing of PPE additions later found that the £5.506 million, pertaining to the Barnham Broom Golf Club lease, had been incorrectly recorded as an addition. This has been amended by the Council.

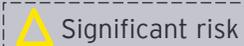
Our sample testing identified that £0.297 million of maintenance cost was incorrectly recorded in REFCUS which has been amended by the Council.

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

### Valuation of Property, Plant and Equipment, and Investment Properties



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

The fair value of Property, Plant and Equipment (PPE) land and buildings, and Investment Properties represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet. There is an increased risk over the valuation of these assets due to the change in managements expert who may apply different assumptions and methodologies to their valuations.

As at 31 March 2025 the net book value of PPE was £50.848 million, and the fair value of Investment Properties was £32.764 million. We note that within PPE, our focus is on Land and Buildings and Surplus Assets.

We note that all of the Authority's PPE is subject to revaluation. The Authority's PPE is valued on a rolling programme over 5 years. The valuation basis is different depending on the type of property being revalued, with assets carried at Depreciated Replacement Cost, Existing Use Value or Fair Value. Each valuation basis is reliant on different inputs, estimation processes and assumptions.

The Council changed the valuer during 2024/25 financial year, and this has been the first year we are auditing the assumptions used by the valuer.

We have assessed a higher risk of material misstatement for the valuation of Property, Plant and Equipment (PPE) and Investment Properties.

If this were to happen it would impact the surplus or deficit on revaluation of fixed assets line in Comprehensive Income and Expenditure Statement (CIES) and the value of non-current assets in the Balance Sheet.

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

We performed the following procedures, in response to this risk:

- Considered the work performed by the Council's newly appointed 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 valuation (e.g. floor plans to support valuations based on price per square metre).
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code for PPE. We 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 asset base is not materially misstated.
- Considered changes to useful economic lives as a result of the most recent valuation.
- Tested accounting entries have been correctly processed in the financial statements.

#### What are our conclusions

We have been unable to conclude our planned procedures in relation to Property, Plant, and Equipment and Investment Properties valuations.

Samples could not be drawn to test the valuations as the fixed assets register did not reconcile with the valuation reports and the Council could not also provide a complete population of assets that been revalued during the year. Due to the inability to select samples, EY Real Estate was not engaged to review the underlying assumptions used to value any material assets.

There was no evidence of consideration by the Council of the assets not revalued this cycle.

11 surplus assets were valued at DRC/EUV rather than fair value.

2 investment properties (The New & Old Maltings- Raymond Street and Merle Boddy Centre) have been valued at DRC not Fair value.

10 investment properties (parcels of land but classified as IP) have not been valued. Total value at 31.03.24 £2.668 million.

We have raised this control observation in Section 06 of this report.

# Areas of Audit Focus (continued)

## Significant risk

### Pension Valuation

△ Significant risk

#### 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 pension asset of £13.198 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.

We have assessed a higher risk of material misstatement for the Pension Valuation, this risk is higher in 2024/25 due to the need to calculate and apply an asset ceiling calculation.

If this were to happen it would impact the Pension Reserve in and the value of non-current liabilities in the Balance Sheet.

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

We performed the following procedures, in response to this risk:

- ▶ Liaised with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council;
- ▶ Assessed 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 (Hyman Roberston) 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 considered any relevant reviews by the EY actuarial team;
- ▶ 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 tested 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 £21.338 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)

Omission or understatement of Non-Domestic Rates (NDR) Appeals Provision (Inherent risk)

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

Due to wider economic environment factors, there is an increased risk that businesses will seek reductions based on a decrease in rental prices on which rateable values are based. The Council's NDR Appeals Provision is a material estimate, totalling £1.634 million at the end of 2024/25 for the Collection Fund as a whole.

We consider the Council's NDR appeals provision to be an other area of audit focus.

Our response to the key areas of challenge and professional judgement

We performed the following procedures, in response to this risk:

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

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)

### IFRS 16 Implementation (inherent risk)

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

IFRS 16 Leases is applicable in local government for periods beginning 1 April 2024. It has been adopted, interpreted and adapted in the 2024/24 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 focussed 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.
- ▶ Considered 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 the 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 of a disclaimer opinion for 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.

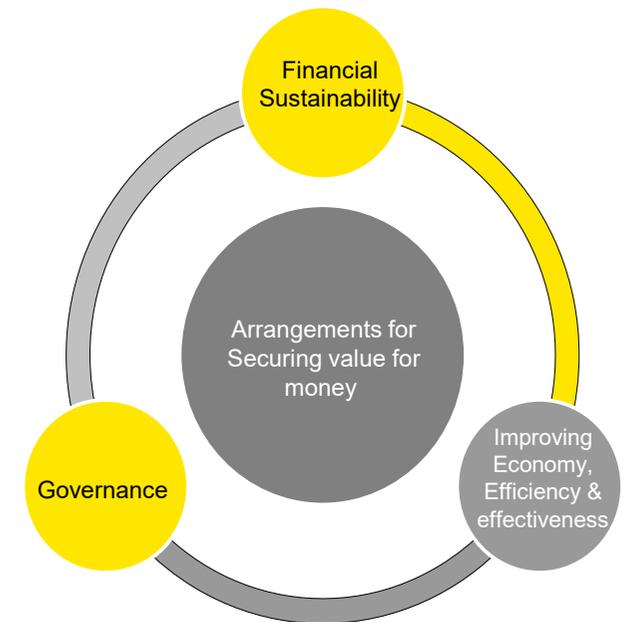
We will provide a commentary on the Council arrangements against three reporting criteria:

- 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 no risks of significant weaknesses in arrangements and therefore expect to have no matters to report by exception in our audit report.

We did consider the Council's arrangements concerning financial reporting, given the number of areas that we have identified as requiring improvement on pages 11 and 12, however we did not assess this as a significant weakness for 2024/25.

We will review arrangements in 2025/26 to ensure the Council have made appropriate improvements.





# 04 Audit Report

# Audit Report

## Draft audit report

## Our opinion on the financial statements

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

#### Disclaimer of Opinion

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

- Council and Group Movement in Reserves Statement,
- Council and Group Comprehensive Income and Expenditure Statement,
- Council and Group Balance Sheet,
- Council and Group Cash Flow Statement,
- the related notes 1 to 32 and the related notes 1 to 5 to the Group financial statements, including material accounting policy information and including the Expenditure and Funding Analysis,
- Collection Fund and the related notes 1 to 3.

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.

As a result of the disclaimers of opinion on the financial statements in the prior years and the scope of our audit work, which was impacted by the backstop dates, we do not have sufficient appropriate audit evidence over the valuation of Land and Buildings, Surplus assets and Community assets included within property, plant and equipment that were revalued in the financial year 2022/23 and 2023/24, amounting to £38.701 million and £42.486 million respectively, investment properties revalued in the financial year 2022/23 and 2023/24, amounting to £34.639 million and £33.768 million and the consequential impact of these on the Comprehensive Income and Expenditure Statement; and the total of reserves and their classification except for the pensions reserve, amounting to £x.

Due to delays in receiving associated audit evidence and inability to support the audit in advance of the backstop date we have been unable to complete our audit procedures on Balance Sheet - valuation of Property, Plant and Equipment (24/25 £50.848 million, 23/24 £48.502 million), valuation of Investment Property (24/25 £32.764 million, 23/24 £33.768 million); Balance Sheet - Usable Reserves (24/25 £29.531 million, 23/24 £20.530 million); Balance Sheet - Un-usable Reserves (24/25 £94.038 million, 23/24 £86.390 million); Comprehensive Income and Expenditure Statement - Gross Expenditure on Services (24/25 £24.281 million, 23/24 £25.760 million); implementation of IFRS 16 and the associated disclosure requirements.

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

The audits of the financial statements for the years ended 31 March 2023 and 31 March 2024 for Breckland District Council was not completed for the reasons set out in the disclaimer of opinion on those financial statements dated 25 November 2024 and 27 February 2026 respectively.

# Audit Report (cont'd)

## Our opinion on the financial statements

### 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 Council.

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)
- we are not satisfied that the Group and the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We have nothing to report in these respects.

### Responsibility of the Assistant Director Finance

As explained more fully in the Statement of Responsibilities for the Statements of Accounts set out on page 20, the Assistant Director Finance 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 Assistant Director Finance 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 Assistant Director Finance 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 Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

Our responsibility is to conduct an audit of the Group and 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 Breckland 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 Breckland 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.

# Audit Report (cont'd)

## Our opinion on the financial statements

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether Breckland 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.

### 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 Breckland 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 Breckland 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.

David Riglar (Key Audit Partner)

Ernst & Young LLP (Local Auditor)

Cambridge



# 05 Audit Differences

# Audit Differences

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

## Summary of adjusted differences

We highlight the following misstatements greater than £0.076 million which have been corrected by Management that were identified during our audit:

### Factual Misstatement:

**Balance Sheet - Pension Asset/Liability:** Audit difference of £21.338 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 - Expenditure on services (Gross Expenditure):** £0.254 million of PFI unitary payment for April 2025 was incorrectly included in the 2024/25 other service expenditure, but it should have been recorded in the 2025/26 accounts instead.

**Balance Sheet - Property, Plant and Equipment:** This relates to reversal of additions of £5.506 million and disposals of £5.092 million with respect to Barnham Broom Golf Club which was wrongly recorded in Property, Plant & Equipment.

**Balance Sheet - Reserves and Comprehensive Income and Expenditure Statement - REFCUS:** Maintenance expenditure of £0.298 million were incorrectly capitalised as REFCUS. Since these expenditures are not capital in nature, an adjustment was made.

### Reclassification Misstatement:

**Balance Sheet - Capital grants received in advance and Creditors:** £0.425 million grant is still pending confirmation from DLUHC to be carried forward, making it ineligible to be credited in 2024/25. As a result, an adjustment was made to reclassify this amount from capital grants received in advance to creditors.

**Balance Sheet - Reserves and Creditors:** Creditors for LA Housing Fund grant of £0.123 million was incorrectly recorded as creditors, an adjustment has been posted to reclassify it to Earmarked Reserves.

### Cash Flow Misstatement:

**Operating Cash Flow:** double counting of the closing debtor balance, which resulted in an understated interest received figure within the operating cashflow. After correcting this error, the interest received increased by £0.343 million.

There were no uncorrected misstatements.

# Audit Differences (cont'd)

## Summary of adjusted differences

Corrected misstatements 31 March 2025 (Currency' E'000)	Effect on the current period		Net assets (Decrease)/Increase			
	OCI 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 Liabilities adjustment						
Net Pension Liabilities						(21,338)
Pension Reserve	21,338					
2. Reversal of addition and disposal wrongly posted						
PPE: Additions: LT Loans				5,506		
PPE: Additions: IP HfS				(5,506)		
PPE: Disposal: IP HfS				5,506		
PPE: Disposal: CIES		(5,506)				
PPE: Disposal: MIRS		5,506				
PPE: Disposal: Equity - CAA	(5,506)					
Receipts - LT Loans	5,092			(5,092)		
Receipt/Cost/Payment to BBGC - CIES	5,092					
Receipt/Cost/Payment to BBGC - MIRS	(5,092)					
3. To adjust maintenance cost capitalised to REFCUS						
REFCUS	(299)					
Equity	299					

# Audit Differences (cont'd)

## Summary of adjusted differences

	Effect on the current period		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
<b>Corrected misstatements 31 March 2025 (Currency' E'000)</b>						
<b>Factual differences</b>						
4. Correction of other service expenditure PFI unitary payment cut-off						
Other service expenditure		(254)				
Creditors					254	
<b>Reclassification misstatement</b>						
1. Reclassification of capital grants received in advance						
Capital grants received in advance						425
Creditors					(425)	
2. Reclassification of LA Housing Fund Grant to Earmarked Reserves						
Earmarked Reserves		(123)				
Creditors					123	

# Audit Differences (cont'd)

## Summary of Adjusted Disclosure differences

1. Our initial review of the Financial Statements identified 10 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 16 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:

1. Balance Sheet - Assets held for sale: During 2024-25, two assets held for sale were disposed of, with a total value of £7.3 million. The Council did not provide a disclosure note regarding Assets Held for Sale in accordance with Code.
2. Note 1 - Accounting policies on leases: The initial paragraph currently applies solely to the Council in its capacity as lessor. This paragraph should be relocated above the sentence "The Council as Lessor." A revised opening paragraph should then be provided for the note.
3. Note 2 - Note to the Expenditure and Funding Analysis and Note 5 Movement in Reserves Statement - Adjustments between Accounting Basis & Funding Basis under Regulations: Several misstatements in value that needs to be amended within this note due to an error identified through our testing.
4. Note 4 - Expenditure & Income Analysed by Nature: We found a business rates pool payment received by the Authority was incorrectly classified as Fees, Charges and Other Income. The disclosures in Note 4 should be amended to correct this error.
5. Note 7 - Pensions (Defined benefit pension schemes and various areas of Financial Statements: Impact of asset ceiling £21.338 million to feed through accounts and notes- this includes CIES Actuarial losses (Gains) on pensions assets & liabilities which will change from £(13.857) million to £7.481 million to be consistent with revised IAS19 report.
6. Note 8- Property, Plant and Equipment (PPE): Temporary Accommodation purchased in 23-24 was not split into Land & Buildings, so depreciation was applied to the full value. New assets bought in 24-25 also haven't been separated on the FAR. We found 14 Temporary Accommodation assets with only 11 months of depreciation charged. None of these assets appear on the EUL (asset life for depreciation) report.
7. Note 8- Property, Plant and Equipment (PPE): £1.140 million in Temporary Accommodation additions were wrongly classified as Surplus and should be moved to OL&B Additions.
8. Note 8: £0.301 million (Gains) and losses on investment properties were incorrectly reported under Other Operating Expenditure and should instead appear in Financing and Investment Income and Expenditure.
9. Note 20 Officers' Remuneration: We identified that only a graph was included in the accounts for banded remuneration. We recommend adding a table to improve clarity.
10. Note 24 (PFI): Several misstatements in value that should be amended within this note due to an error identified through our testing.
11. Note 27 - Critical Judgements in Application: We identified that under the note regarding lease classification, it was not clarified that this judgement is applied solely when the Council acts as a lessor. Therefore, the note needs to be updated accordingly.
12. Note 29 - Events after the Balance Sheet Date: The Council plans to write off a £0.55 million loan receivable from Breckland Bridge Limited, resulting in an impairment. This should be reported as a subsequent event in the statement of account.



06

# Assessment of Control Environment

# Assessment of Control Environment

## Financial controls

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

The table below provides an overview of the 'high' 'moderate' and 'low' rated observations we have from the 2024-25 audit (including IT controls).

	High	Moderate	Low	Total
Open at 1 April 2024	0	1	0	1
Closed during FY2024-25	0	0	0	0
New points raised in FY2024-25	2	1	0	3
<b>Total open points as at 31 March 2025</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>4</b>

Key:

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

The matters reported on the next slide are limited to those that we identified during the audit and that we concluded are of sufficient importance to merit being reported to you.

# Assessment of Control Environment (cont'd)

## Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
<p><b>Delayed and insufficient responses to audit queries</b></p> <p>During the audit, responses to requests were often delayed, working papers were not of expected quality and supporting evidence was frequently inadequate. In several cases, responses did not fully address the questions, further limiting our ability to obtain necessary assurance.</p> <p>Additionally, for complex areas such as judgements and estimates, there was a notable absence of references to the CIPFA Code of Practice or relevant Accounting Standards, which are essential for ensuring compliance and transparency in financial reporting. These control weaknesses collectively led to substantial slippage in the agreed project plan and resulted in the inefficient use of planned audit resources. Consequently, we were unable to conclude on certain areas of the audit, meaning we cannot provide assurance over these aspects, and this has contributed to our consideration of disclaiming the audit opinion.</p>				<p>Management should implement robust processes to produce high-quality financial statements, supported by working papers which are accurate, well-referenced and contain complete transactional breakdowns. The processes should allow for sufficient and appropriate internal review before the publication deadline.</p> <p>In addition, management should also continue to work with the audit team leads to ensure responses to audit requests and queries are provided on a timely basis and include appropriate supporting evidence which reduces the need for further follow-ups.</p>	
<p><b>Journals are not reviewed before they are posted</b></p> <p>The Council lacks a formal process for approving journals before they are posted to the General Ledger. Our review found that journal entries are not independently reviewed or approved, which is a control weakness and increases the risk of management override. As a result, we extended our audit procedures to specifically test journals posted by the S151 Officer.</p>				<p>The Council should establish a formal, documented process for independent review and approval of journal entries before they are posted to the General Ledger. This process must ensure proper segregation of duties and regular oversight. Such controls reduce the risk of management override and strengthen financial reporting integrity.</p>	

# Assessment of Control Environment (cont'd)

## Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
<p><b>Errors within Property, Plant and Equipment (PPE)</b></p> <p>Our review of Property, Plant and Equipment (PPE) has revealed several audit adjustments and disclosure errors. Some of which include:</p> <ul style="list-style-type: none"> <li>• Incorrect accounting for lease transactions;</li> <li>• Omission of disclosures related to the sale of investment properties in the draft statement of accounts;</li> <li>• Misclassification and improper depreciation of temporary accommodation assets.</li> </ul> <p>These issues may significantly affect financial statements. Errors in lease accounting may distort asset and liability balances, while missing property sale disclosures can result in incomplete reporting. Misclassification and depreciation mistakes may impact reported asset values, depreciation expenses, and compliance with the Code.</p>				<p>The Council should implement a robust internal review and checklist system for financial statement preparation, focusing specifically on disclosures related to property transactions and asset classification. Such reviews can help identify omissions and misclassifications before finalisation.</p>	
<p><b>Insufficient related parties' disclosure</b></p> <p>The Council has not published all the declaration of interests for all Councillors and Officers. This is an important procedure to ensure that the financial statements correctly disclose related party transactions with a link through to the Register of Member Interests.</p>				<p>We recommend that all Members submit their annual Related Party Disclosure returns in a timely manner to the Finance Team and include all relevant details as requested.</p>	



# 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 Breckland District Council's 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 Breckland District Council's 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 did not identify any issues which required us to issue a report in the public interest/issue statutory recommendations under Schedule 7.



08

# Independence

# Independence

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

## Relationships

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

## Services provided by EY

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

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

# Independence

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.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular, the Council should have regard to paragraphs 26 - 28 of the Statement of Responsibilities.

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

	Current Year	Prior Year
	£	£
Scale Fee - Code Work	156,177	141,632
Proposed scale fee variation	TBD Note 2	37,842 Note 1
<b>Total fees</b>	<b>TBD</b>	<b>179,474</b>

*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:

- Revisions to ISA (UK) 315.
- New accounting standards, for example preparedness and additional disclosures in respect of IFRS 16.
- Identified risks and/or issues in year.

As at the date of this report that scale fee variation has now been determined at a total value of £37,842.

(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 the implementation 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.

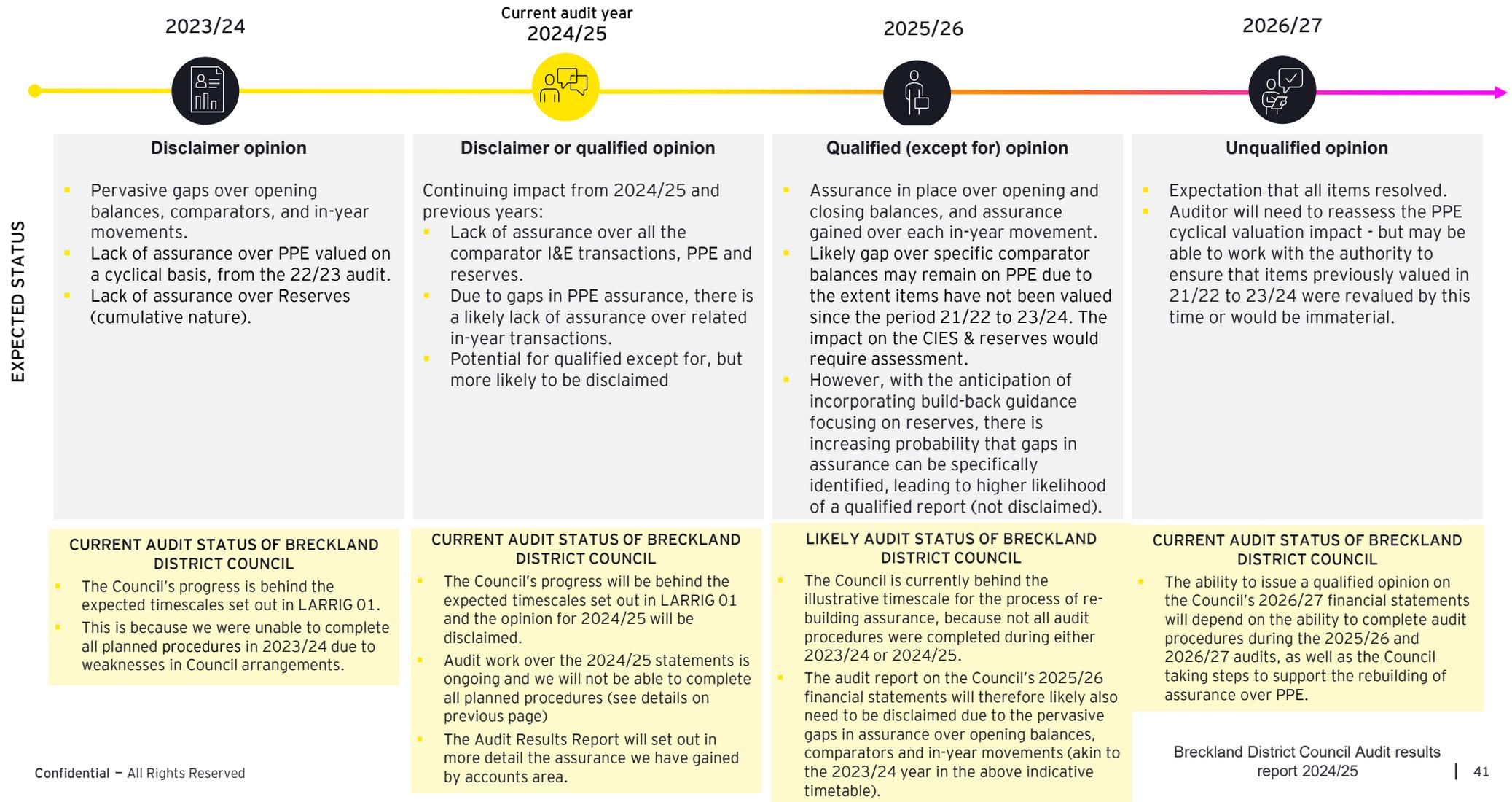


# 09 Appendices

# Appendix A – Progress to full assurance

## Progress to full assurance

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



# Appendix B – Updated summary of assurances

## Summary of Assurances

The table below summarises the audit work we have completed on the 2023/24 and 2024/25 financial statements to demonstrate to the 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 our planned procedures on additions, disposals, depreciation testing, reconciled balances disclosed in the financial statements to the general ledger, reviewed and challenged management's impairment assessment. However, we do not have assurance over valuation of PPE and IP in 2024/25 as the Council was unable to provide satisfactory working papers in a timely manner for us to complete the testing of assets valued in year to underlying evidence, including independently challenging key assumptions used and checking that journals for the revaluation movements had been accurately posted as well as review of the revaluation profile.
Investment Property	Substantial	Partial	
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 Investments	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	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
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.
Short Term Creditors	Substantial	Substantial	We have completed our planned audit procedures in this area and obtained assurance over the closing balance as at 31 March 2025. We were unable to obtain assurance over the IFRS 16 lease creditors balance; however, this balance is not significant enough to affect our overall assurance conclusion.
Provisions	None	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
Capital grants receipts in advance	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Local Government Pension Scheme	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Leases (including IFRS 16)	None	None	We have not completed our planned testing for leases in 2024/25 as the Council was unable provide sufficient evidence in a timely manner and we have prioritised maximum assurance across the accounts.
PFI Liability	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Collection Fund	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cost of Service 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.
Cost of Service Expenditure	Partial	None	We have not completed our planned testing in 2024/25 as the Council was unable provide sufficient evidence in a timely manner and we have prioritised maximum assurance across the accounts.
Taxation and 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.

# 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
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.
Payroll	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
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.
Reserves	None	None	We have not completed our planned testing on the Reserves as the Council was unable provide sufficient evidence in a timely manner. Also, as 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.
Disclosures	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Group Accounts	None	Partial	We have completed all planned procedures for 2024/25 Group Accounts however, as we do not have assurance over the opening balance sheet balances at 1 April 2024. Until we can rebuild assurance over Group Accounts in-year movements, we are unable to obtain full assurance.
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.
Finance and investment - income and 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.

# 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
Officers Remuneration and Exit Packages	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Annual Governance Statement	Substantial	Substantial	I We have reviewed the AGS with no issues noted. We have also gain assurance over the AGS at 31 March 2024. Therefore, we have substantial assurance over AGS.
Cash Flow Statement	Partial	Partial	We have completed our planned testing on Cash Flow in 2024/25, however the account areas we have been unable to complete also impact the cash flow statement.
Journal testing	None	Partial	We have not completed our planned testing on journals in 2024/25, however the account areas we have been unable to complete also impact the journals testing.

# 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 governance and 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	<p>Communication of:</p> <ul style="list-style-type: none"> <li>▪ The planned scope and timing of the audit</li> <li>▪ Any limitations on the planned work to be undertaken</li> <li>▪ The planned use of internal audit</li> <li>▪ The significant risks identified</li> </ul> <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	Audit Plan - 19 June 2025 - Governance and Audit Committee
Significant findings from the audit	<ul style="list-style-type: none"> <li>▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▪ Significant difficulties, if any, encountered during the audit</li> <li>▪ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▪ Written representations that we are seeking</li> <li>▪ Expected modifications to the audit report</li> <li>▪ Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	Audit Results Report - 12 February 2026 - Governance and 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	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▪ Whether the events or conditions constitute a material uncertainty related to going concern</li> <li>▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▪ The appropriateness of related disclosures in the financial statements</li> </ul>	Audit Results Report - 12 February 2026 - Governance and Audit Committee
Misstatements	<ul style="list-style-type: none"> <li>▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>▪ The effect of uncorrected misstatements related to prior periods</li> <li>▪ A request that any uncorrected misstatement be corrected</li> <li>▪ Material misstatements corrected by management</li> </ul>	Audit Results Report - 12 February 2026 - Governance and Audit Committee
Fraud	<ul style="list-style-type: none"> <li>▪ Enquiries of the governance and audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ul style="list-style-type: none"> <li>▪ Management;</li> <li>▪ Employees who have significant roles in internal control; or</li> <li>▪ Others where the fraud results in a material misstatement in the financial statements.</li> </ul> </li> <li>▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected</li> <li>▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud</li> <li>▪ Any other matters related to fraud, relevant to Governance and Audit Committee responsibility.</li> </ul>	Audit Results Report - 12 February 2026 - Governance and 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	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▪ Non-disclosure by management</li> <li>▪ Inappropriate authorisation and approval of transactions</li> <li>▪ Disagreement over disclosures</li> <li>▪ Non-compliance with laws and regulations</li> <li>▪ Difficulty in identifying the party that ultimately controls the entity</li> </ul>	Audit Results Report - 12 February 2026 - Governance and Audit Committee
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▪ The principal threats</li> <li>▪ Safeguards adopted and their effectiveness</li> <li>▪ An overall assessment of threats and safeguards</li> <li>▪ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit Plan - 19 June 2025 - Governance and Audit Committee</p> <p>Audit Results Report - 12 February 2026 - Governance and Audit Committee</p>

# 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	<ul style="list-style-type: none"> <li>▪ Management's refusal for us to request confirmations</li> <li>▪ Inability to obtain relevant and reliable audit evidence from other procedures.</li> </ul>	Audit Results Report - 12 February 2026 - Governance and Audit Committee
Consideration of laws and regulations	<ul style="list-style-type: none"> <li>▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur</li> <li>▪ Enquiry of the governance and 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 governance and audit committee may be aware of</li> </ul>	Audit Results Report - 12 February 2026 - Governance and Audit Committee
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> <li>▪ Significant deficiencies in internal controls identified during the audit.</li> </ul>	Audit Results Report - 12 February 2026 - Governance and Audit Committee
Group Audits	<ul style="list-style-type: none"> <li>▪ An overview of the type of work to be performed on the financial information of the components</li> <li>▪ 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</li> <li>▪ 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</li> <li>▪ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted</li> <li>▪ 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.</li> </ul>	<p>Audit Plan - 19 June 2025 - Governance and Audit Committee</p> <p>Audit Results Report - 12 February 2026 - Governance and Audit Committee</p>

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

		Our Reporting to you
Required communications	What is reported?	When and where
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> <li>Written representations we are requesting from management and/or those charged with governance</li> </ul>	Audit Results Report - 12 February 2026 - Governance and Audit Committee
System of quality management	<ul style="list-style-type: none"> <li>How the system of quality management (SQM) supports the consistent performance of a quality audit</li> </ul>	Audit Results Report - 12 February 2026 - Governance and Audit Committee
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> <li>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</li> </ul>	Audit Results Report - 12 February 2026 - Governance and Audit Committee
Auditors report	<ul style="list-style-type: none"> <li>Key audit matters that we will include in our auditor's report</li> <li>Any circumstances identified that affect the form and content of our auditor's report</li> </ul>	Audit Results Report - 12 February 2026 - Governance and 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
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 Governance 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) is intended to provide the legislative framework to do this by setting out a standardised framework of devolved powers, duties and functions. The bill is in six parts:

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

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

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

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

- The LAO will be established with the aim of radically simplifying the current audit system and bringing functions together under a single organisation with a clear remit. The LAO will be responsible for coordinating the system, standard setting, contracting, quality oversight and reporting. It will also support and enable wider measures to address pressing challenges, including reforms to financial reporting; strengthening audit capacity and capability; and establishing public provision of audit to support the private market.
- The LAO will be responsible for audit quality and the regulation of audit providers. Regulatory powers can be delegated.
- The LAO will be responsible for auditor appointment to all local audits other than for NHS bodies, will set indicative fees, publish those fees and make final determinations on the fees to be paid. The ability of local authorities to appoint their own auditors is removed.
- Audit firms will be required to nominate ‘lead individuals’ and have pre-approval of their own eligibility criteria.
- The responsibility for production of the Code of Audit Practice passes from the NAO to LAO. The LAO is also able to determine technical standards that auditors must follow.
- Statutory guidance for Governance and 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 Authority financial statements of Breckland District Council ("the Group and Authority") 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 Authority financial statements give a true and fair view of (or 'present fairly, in all material respects,') the Group and Authority financial position of Breckland 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 Council, the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We understand that the purpose of your audit of our consolidated and parent Authority 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 Authority, our responsibility for the fair presentation of the consolidated and parent Authority financial statements. We believe the consolidated and parent Authority 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 and Authority financial statements are 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 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 Authority financial statements taken as a whole.
6. We confirm the Group and Authority 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.
4. 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 Authority financial statements
  - Related to laws and regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Authority 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

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

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 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 most recent meeting to the date of this letter.
  4. 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 [period] end. These transactions have been appropriately accounted for and disclosed in the consolidated and parent Authority financial statements.
  5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

## Draft Management representation letter

6. 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 Authority financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

7. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or 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 Authority 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 Authority 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 27 to the consolidated and parent Authority 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 Authority 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

Other than described in Note 29 to the consolidated and parent Authority 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 Authority, subsidiary undertakings and associated undertakings.

### H. Other information

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

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.

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

## Draft Management representation letter

### I. Climate-related matters

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

### J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Authority 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 Authority 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.

5. We confirm that appropriate specialized skills or expertise has been applied in making the land and building valuation and pension scheme liability accounting estimates.

6. We confirm that no adjustments are required to the accounting estimates and disclosures in the financial statements.

### M. Retirement benefits

1. 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.

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

## Draft Management representation letter

### 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,*

\_\_\_\_\_  
(Assistant Director Finance)

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

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