North Norfolk District Council

Audit results report

Year ended 31 March 2025

4 February 2026

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Governance, Risk and Audit Committee
North Norfolk District Council
Council Offices
Holt Road
Cromer
NR27 9EN

4 February 2026

Dear Governance, Risk 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, Risk and Audit Committee. We will update the Governance, Risk 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 North Norfolk 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, Risk 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, Risk 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, Risk 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, Risk 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, Risk 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.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits)

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

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

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

01 Executive Summary

Executive Summary – Context for the audit

Context for the audit - Measures to address local audit delays

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

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

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

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

As reported in our 15/02/2025 Audit Completion Report we issued a disclaimer of opinion on the Council's 2021/2022, 2022/23 and 2023/24 financial statements under these arrangements to reset and recover local government audit.

We concluded that the Council had been unable to publish its statement of accounts for the years 2021/2022, 2022/23 and 2023/24 by the target dates required by the Accounts and Audit Regulations 2015. We therefore did not undertake all of our planned procedures on the 2023/24 financial statements and have not been able to start rebuilding assurance ahead of the planned backstop date of 27 February 2026.

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

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

We have further considered the weaknesses in the Council's arrangements for external financial reporting that led us to reprioritise the audit as part of our Value for Money work and raised related recommendations for improvement. See Section 03 for further details.

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

Executive Summary – Context for the audit

Scope update

In our Audit Planning Report presented at the 3 June 2025 Governance, Risk 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 results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure on provision of services, we have updated our overall materiality assessment to £1.450 million (Audit Planning Report – £1.500 million). This results in updated performance materiality, at 50% of overall materiality, of £0.725 million, and an updated threshold for reporting misstatements of £0.072 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 identified one risk of significant weaknesses in arrangements. This concerned the Council's financial reporting arrangements as this was reported as a significant weakness in 2023/24. Having updated and completed the planned risk assessment procedures we did not identify any further risks of significant weaknesses.

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

See Section 03 of the report for further details.

Status of the audit

We are currently concluding our audit work in respect of the Council's financial statements audit. The audit commenced on the 17 November 2025.

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 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 –Short-Term Debtors (including bad debt provisions);
- Balance Sheet – Short Term Creditors;
- Balance Sheet – Short-Term Provisions;
- Comprehensive Income & Expenditure Statement – Taxation and Non Specific Grant Income;
- Comprehensive Income & Expenditure Statement – Government Grants and Contributions;
- Comprehensive Income & Expenditure Statement – Fees, Charges and Other Service Income;
- Comprehensive Income & Expenditure Statement –Other Service Expenditure and Support Service Recharges;
- Cash Flow Statement;

Executive Summary (cont'd)

Status of the audit (cont'd)

- Collection Fund;
- Other disclosures – Financial Instruments;
- Other disclosures – Contingent Assets and Liabilities;
- Narrative Report;
- Going Concern.

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

- Balance Sheet – PPE Valuations – follow-up queries outstanding with Management;
- Balance Sheet – IFRS 16 – Leases – we are yet to complete work in this area;
- Balance Sheet – Capital Grants Receipts in Advance (CGRIA) - we are yet to complete work in this area;
- Balance Sheet – Reserves - we are yet to complete work in this area;
- Comprehensive Income & Expenditure Statement – Employee Benefits (Payroll costs) - we are yet to complete work in this area;
- GL System Change – we are yet to complete work in this area;
- Journals Testing - we are yet to complete work in this area;
- Whole of Government Accounts - we are yet to commence work in this area.

Closing procedures:

- Subsequent events review;
- Agreement of the final set of financial statements;
- Receipt of signed management representation letter; and
- 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 Statement of Accounts which could influence our final audit opinion.

Executive Summary (cont'd)

Audit differences

- At the date of this report, we have not identified any unadjusted audit differences which require reporting to the Governance, Risk and Audit Committee.
- Management have corrected misstatements amounting to £0.188 million in current assets; £13.886 million in non-current assets; £0.775 million in current liabilities; £4.768 million in non-current liabilities; £16,506 million in reserves; and £1.561 million in operating expenditure.
- 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.

Risk	Status of our work
Misstatements due to fraud or error	Our work on journals testing is still in progress, and we have no matters that we would like to raise at the time of writing this report. During our work performed to date, we have not identified any significant unusual transactions or evidence of management bias in estimates. We note, however, that there is currently no formalised procedure for the review and approval of journal entries prior to posting to the general ledger. This control observation is detailed in Section 06 of this report.
Inappropriate capitalisation of revenue expenditure including Revenue Expenditure Funded from Capital Under Statute (REFCUS)	Our sample testing on PPE additions and REFCUS did not identify any significant unusual transactions or evidence of inappropriate capitalisation of revenue expenditure. Further, our data analytics procedures did not identify any movements from expenditure to capital outside of the normal course of business.
Pension Valuation	We have completed our work in this area and have identified misstatements to report: Total factual misstatement of £17.144 million due to the change of net pension closing position as liability of £4.768 million as compared to the net asset position of £12.376 million in the initial draft of accounts. The misstatement was due to the impact of the asset ceiling on the valuation of the Pension Liability that is now considered in the updated Valuer's report.
Valuation of Land & Buildings (Including Investment Property)	Our work on PPE valuations testing is still in progress. We would like to bring the following matters to your attention: • It was identified that land valued at £0.319 million had been incorrectly classified as assets held for sale. This has now been corrected and the land reclassified under Property, Plant & Equipment (Land & Building). However, the Council is currently unable to ascertain when this land was last revalued and therefore cannot confirm whether a revaluation is necessary as of 31 March 2025, in accordance with the Council's five-year rolling programme. • Fakenham Community Centre was valued using the existing use value (EUV) methodology rather than the depreciated replacement cost (DRC) approach. The asset is valued at £0.128 million as at 31 March 2025. As an incorrect valuation methodology has been applied, we are unable to determine if the reported asset value as of 31 March 2025 is free from material misstatement.

Executive Summary (cont'd)

Areas of audit focus (cont'd)

Risk	Status of our work
General Ledger System Change	Our work on the testing the General Ledger System change is ongoing. During our work performed to date, we have no matters to bring to the attention of the Governance, Risk and Audit Committee.
IFRS 16 Implementation	Our work on the testing the IFRS16 - Leases is ongoing. During our work performed to date, we have no matters to bring to the attention of the Governance, Risk and Audit Committee.

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, Risk and Audit Committee.

Executive Summary (cont'd)

Other reporting issues

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

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

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

Control observations

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

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

Independence

Please refer to Section 08 for our update on Independence.

Executive Summary (cont'd)

Factors impacting the execution of the audit

Management, and the Governance, Risk 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. We do however recognise there has been significant change in the finance function at the Council and the consequential loss of corporate knowledge and experience in the financial closedown process.

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

Area	Status (R / A / G)	Explanation	Further detail
Timeliness of the draft financial statements	Requires improvement	The financial statements were not published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations. The delay was due to staff changes in the finance team and the need for the Council to prioritise finalising the Council's outturn figures. In addition, the Council built in extra time to review the draft accounts for accuracy and compliance with the CIPFA Code of Practice. The required Notice of Delay was issued and the accounts were subsequently published on 18 July 2025.	N/A
Quality and completeness of the draft financial statements	Requires improvement	There are a number of non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements, 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	Initial working papers were submitted in line with the agreed timetable; however, as the audit progressed, subsequent working papers and responses to follow-up queries were not consistently provided by the set deadlines. These delays impacted the audit team's ability to complete planned procedures within the expected audit window.	Regular discussions were held with the finance team to agree the additional supporting information required. This led to additional delays to the audit progress whilst the finance team prepared the working papers. We were unable to complete all planned procedures. We will work with the finance team to help improve the quality of working papers and supporting evidence for the 2025/26 audit.
Quality of working papers and supporting evidence	Ineffective	Working papers and supporting evidence were generally not to the expected standard in the first instance.	

Executive Summary (cont'd)

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

Area	Status (R / A / G)	Explanation	Further detail
Timeliness and quality of evidence supporting key accounting estimates	Ineffective	We have experienced delays in the receipt of management specialist report for pensions. Initial working papers to support other estimates in the Statement of Accounts such as PPE Valuations and NDR Appeals Provision were provided as per our agreed project plan, however did not meet expected standard which resulted to follow-up queries, clarification and requests.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement	The Council's section 151 Officer left the Council just after the 2023/24 audit finished. The Council engaged a new section 151 Officer just before the year-end audit was due to start. The officer responsible for the Collection Fund also left the Council. The loss of knowledge and finance team capacity contributed to delays during the audit.	N/A
Volume and value of identified misstatements and disclosure amendments	Ineffective	As of the date of this report, a large number of material misstatements were detected as a result of our work which will be corrected by management.	See Section 05 for details of corrected misstatements and disclosure misstatements.

02 Areas of Audit Focus

Areas of Audit Focus

Significant risk

Presumptive risk of management override of controls

Fraud Risk

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

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

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

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

Our response to the key areas of challenge and professional judgement

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

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

What else did we do?

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

What are our conclusions?

We are yet to complete work in this area. During our work performed to date, we have not identified any significant unusual transactions or evidence of management bias in estimates.

We have not yet concluded this area of work and will provide an update to the Committee, accordingly. We note, however, that there is currently no formalised procedure for the review and approval of journal entries prior to posting to the general ledger. This control observation is detailed in Section 06 of this report.

Areas of Audit Focus (continued)

Significant Risk

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

Fraud Risk

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

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

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

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

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

Our response to the key areas of challenge and professional judgement

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

- Tested Property, Plant and Equipment (PPE)/Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- Assessed whether the capitalised spend clearly enhances or extends the useful like of asset rather than simply repairing or maintaining the asset on which it is incurred.
- Considered whether any development or other related costs that have been capitalised are reasonable to capitalize, i.e., the costs incurred are directly attributable to bringing the asset into operational use.
- Tested REFCUS, if material, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources. Based on our work at the planning stage of the audit we do not expect there to be material REFCUS in the year.
- Sought to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.
- Journal testing – we used our testing of journals to identify high risk transactions, such as items originally recorded as revenue expenditure and subsequently capitalised. This includes seeking to identify and understand the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.
- Carried out a review of capital budget monitoring and outturn reports to identify any unusual trends or significant under/overspends

What are our conclusions?

In 2024/25 the Council recorded £21.474 million of capital additions across PPE. There was an additional £3.898 million of REFCUS expenditure.

Our samples testing on PPE additions and REFCUS did not identify any significant unusual transactions or evidence of inappropriate capitalisation of revenue expenditure.

Further, 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)

Risk of Material Misstatement (Inherent Risk)

Pension Valuation

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

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

The Council's pension fund 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 £12.376 million, comprising the present value of defined benefit obligation (£92.753 million) and the fair value of plan assets (£105.129 million).

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

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

Our response to the key areas of challenge and professional judgement

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

- Liaised with the auditors of Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to 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 (Hymans Robertson) including the assumptions they have used, by relying on the work of PWC - Consulting Actuaries commissioned by the National Audit Office for all local government sector auditors, and by considering any relevant reviews by the EY actuarial team;
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model;
- Reviewed and 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 the following misstatement to report:
Total factual misstatement of £17.144 million due to the change of net pension closing position as liability of £4.768 million as compared to the net asset position of £12.376 million in the initial draft of accounts. The misstatement was due to the impact of the asset ceiling on the valuation of the Pension Liability that is now considered in the updated Valuer's report.

We have reviewed the assessment of the Pension Fund actuary by PwC and EY Pensions and have followed up on relevant points and have not identified issues.

Our procedures to determine our own estimate for the Council's pension liability found that the liability calculated by the actuary fell within our reasonable range.

Areas of Audit Focus (continued)

Risk of Material Misstatement (Inherent Risk)

Valuation of Land & Buildings (including Investment Property)

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

The fair value of other land and buildings (£57.327 million as at 31st March 2025) and Investment Properties (IP) (£1.138 million as at 31st March 2025) 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.

We note that not all of the Council's PPE is subject to revaluation with vehicles, plant, furniture & equipment, infrastructure assets and assets under construction all valued at cost under the CIPFA Code of Practice on Local Authority Accounting.

The Council's IP and surplus property is subject to annual revaluation, while its operational 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.

Our response to the key areas of challenge and professional judgement

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

- Considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- Sampled testing 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 and annually for IP. 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 2023/24 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 are yet to complete the work in this area, however we have issues to report:

- It was identified that land valued at £0.319 million had been incorrectly classified as assets held for sale. This has now been corrected and the land reclassified under Property, Plant & Equipment (Land & Building). However, the Council is currently unable to ascertain when this land was last revalued and therefore cannot confirm whether a revaluation is necessary as of 31 March 2025, in accordance with the Council's five-year rolling programme.
- Fakenham Community Centre was valued using the existing use value (EUV) methodology rather than the depreciated replacement cost (DRC) approach. The asset is valued at £0.128 million as at 31 March 2025. As an incorrect valuation methodology has been applied, we are unable to determine if the reported asset value as of 31 March 2025 is free from material misstatement. While a rental market may exist for these assets, we are of the view that the Council's primary motivation for entering into lease agreements with third-party tenants is largely driven by the need to ensure the continued provision of related services, rather than by the economic return generated from property rentals.

We have not yet concluded this area of work and will provide an update to the Committee, accordingly.

Areas of Audit Focus (continued)

Significant Risk of Material Misstatement (Inherent Risk)

General Ledger system change

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

The Council implemented a new main finance system during late 2022/23.

Advanced Business Solutions efinancials was changed to Civica Financials in December 2022.

The finance system contains the financial data that forms the basis of the accounting records and entries used to create the Council's Statement of Accounts.

We have assessed the risk is most likely to occur through the inaccurate or incomplete migration of client data between the old and new system resulting in materially incorrect records and entries in the financial statements.

Our response to the key areas of challenge and professional judgement

As the system has now been operational for over two years, we:

- Reviewed the Council's internal validation checks alongside any other accuracy and completeness checks performed over the data migration.
- Obtained and considered the latest Internal Audit Report review of the system upgrade and data migration process to identify if there were exceptions that we should consider in our approach.
- Performed our own further reconciliation checks over the data transferred to obtain assurances as to the completeness and accuracy of the data transfer, where deemed necessary.

What are our conclusions?

We are yet to complete the work in this area. We will provide an update to the Committee, accordingly.

Areas of Audit Focus (continued)

Risk of Material Misstatement (Inherent Risk)

IFRS 16 Implementation

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

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

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

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

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

Our response to the key areas of challenge and professional judgement

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

Our work on IFRS 16 – Leases Implementation is still in progress, and we have no matters that we would like to raise at the time of writing this report.

We will provide an update to the Committee, accordingly.

03

Value for Money

Value for Money

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

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

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

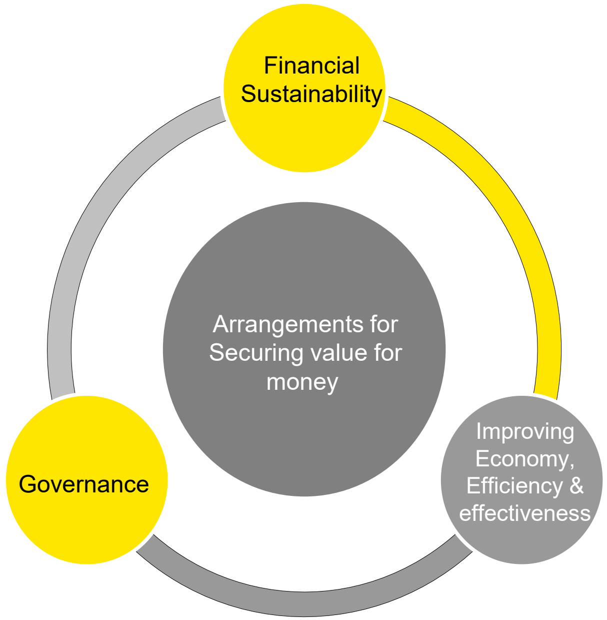
Risk assessment and status of our work

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

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

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

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



Corporate Governance (cont'd)

Risk of significant weakness in VFM arrangements

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

Findings

We reported a significant weakness in our Completion Report for the financial years ended 31 March 2022, 31 March 2023, and 31 March 2024 as the Council was unable to publish its statement of accounts by the target dates required by the Accounts and Audit Regulations 2015. As reported to the Governance, Risk and Audit Committee, the delays were caused by staff shortages and the need to prioritise closing the budget gap. This, alongside Internal Audit findings concerning non-compliance with key financial controls, demonstrated the consequence of not having a fully resourced Finance Team to be able to provide services needed by the Council.

The Council have taken action to increase the capacity in the Finance team. For 2024/25, the Council was unable to published their unaudited accounts by the statutory deadline of 30 June 2025. They did however correctly publish a notice of delay explaining the reasons and expected publication date. The delay was due to staff changes in the finance team and the need for the Council to prioritise finalising the Council's outturn figures. In addition, the Council built in extra time to review the draft accounts for accuracy and compliance with the Cipfa Code of Practice. The required Notice of Delay was issued and the accounts were subsequently published on 18 July 2025.

Working papers and supporting evidence were not provided in line with the agreed timetable and did not meet the expected quality requirements. This is due to ongoing resourcing difficulties faced by the Council, historic delays in the 2021/22, 2022/23 and 2023/24 financial statements which have impacted the timeliness and quality of its statement of accounts preparation. See pages 12 and 13, and appendices A and B for further details.

04 Audit Report

Audit Report

Draft audit report

Our draft opinion on the financial statements

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NORTH NORFOLK DISTRICT COUNCIL

Disclaimer of Opinion

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

- Authority Movement in Reserves Statement,
- Authority Comprehensive Income and Expenditure Statement,
- Authority Balance Sheet,
- Authority Cash Flow Statement
- the related notes 1 to 41 including material accounting policy information and including the Expenditure and Funding Analysis.
- Collection Fund and the related notes 1 to 7

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

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

Basis for disclaimer of opinion

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

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

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

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

The audits of the financial statements for the years ended 31 March 2022, 31 March 2023 and 31 March 2024 for North Norfolk District Council were not completed for the reasons set out in the disclaimers of opinion on those financial statements dated 10 December 2024 and 26 February 2025.

Audit Report (cont'd)

Our draft opinion on the financial statements (continued)

Matters on which we report by exception

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

We report to you if:

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

We have nothing to report in these respects.

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

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

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

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

Significant weaknesses in arrangements

In relation to governance

<u>Our judgement on the nature of the weaknesses identified:</u>

The Council did not publish its statement of accounts by 30 June 2025 as required by the Accounts and Audit Regulations 2015. The unaudited statements were published on 18 July 2025.

Working papers and supporting evidence were not provided in line with the agreed timetable and did not meet the expected quality requirements.

This is due to ongoing resourcing difficulties faced by the Council, historic delays in the 2021/22, 2022/23 and 2023/24 financial statements which have impacted the timeliness and quality of its statement of accounts preparation.

The evidence on which our view is based:

Our audit procedures performed in relation to the draft 2024/25 Statement of Accounts.

Audit Report (cont'd)

Our draft opinion on the financial statements (continued)

The impact on the Council:

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

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

The Council should strengthen its approach to preparing financial statements and supporting the audit process. The Finance Team should:

- Ensure a thorough understanding of the requirements of the Local Government accounting framework and the CIPFA Code of Practice,
- Maintain knowledge of the Council's financial operations to support accurate reporting,
- Maintain sufficient capacity of skilled finance professionals with the necessary skills and training to produce high-quality financial statements together high-quality supporting audit working papers; and
- Provide timely and effective support throughout the audit cycle.

The issue above is evidence of weaknesses in proper arrangements for governance, including ensuring the Council has effective processes and systems in place to support its statutory financial reporting requirements.

Responsibility of the Chief Finance Officer

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities set out on page 13, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the Council financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the 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.

Audit Report (cont'd)

Our draft opinion on the financial statements (continued)

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

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

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

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether North Norfolk 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 North Norfolk 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 North Norfolk District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

David Riglar (Key Audit Partner)
Ernst & Young LLP (Local Auditor)
Cambridge
Date

05 Audit Differences

Audit Differences

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

Summary of unadjusted differences

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

Summary of adjusted differences

Adjusted Audit Differences

We highlight the following misstatements greater than £0.072 million which have been corrected by Management that were identified during our audit:

Factual Misstatement:

- **Balance Sheet – Net Pension Asset/Liability and Pensions Reserve:** Total factual misstatement of £17.144 million due to the change of net pension closing position as liability of £4.768 million as compared to the net asset position of £12.376 million in the initial draft of accounts. The misstatement was due to the impact of the asset ceiling on the valuation of the Pension Liability that is now considered in the updated Valuer's report.
- **Balance Sheet – Long term Investments and Pooled Fund Adjustment Account:** £0.638 million understatement of the long-term investment balance was identified based on confirmation replies for the fair value of investments. The variance arose because the ledger movements for two pooled fund disposals, along with an interest accrual adjustment, were not fully reflected in the 2023/24 year-end rollover. As a result, balance sheet codes to recognize fair value movements did not align with the final 2024/25 investment schedule.
- **Balance Sheet – Cash and Cash Equivalents and Debtors:** The year-end cash reconciliation exercise identified £1.784 million of receipts recorded in the cash book but not reflected in the General Ledger at 31 March 2025. As the correcting journals were not posted, Cash (Direct Credits bank) is understated by £1.784 million, while Cash (Money Market Funds) and Debtors are overstated by £1.24 million and £0.545 million respectively.
- **Balance Sheet – Property, Plant and Equipment and Creditors:** Our PPE additions testing identified two assets, totalling £0.690 million, that were ready for use in 2023/24 but were incorrectly recognised in 2024/25, leading to an overstatement of PPE additions in 2024/25.
- **Balance Sheet – Property, Plant and Equipment and Accruals**: Our PPE additions testing identified a £0.085 million PPE additions overstatement and Accruals understatement arising from the current-year capitalisation of expenditure that had already been accrued in the prior year, with no corresponding reversal of the prior-year accrual.
- **Balance Sheet – Property, Plant and Equipment and Debtors:** An overstatement of £0.131 million was identified within PPE additions, arising from the capitalisation of expenditure not attributable to any existing asset. The costs related to planned infrastructure works; however, no asset was ultimately constructed.
- **Balance Sheet – Property, Plant and Equipment and CIES - Expenditure:** We identified two audit differences relating to funding received from Norfolk CC for the Fakenham roundabout project. As the resulting asset is owned and controlled by Norfolk CC, it should not have been recorded as a fixed asset by NNDC.
    - This resulted in a £0.681 million overstatement of PPE additions due to the capitalisation of grant income without linking it to any specific asset;
    - and a further £0.880 million arising from an erroneous journal posted to correct a miscoding error, without sufficient evidence to support the adjustment.

Audit Differences (cont'd)

Summary of adjusted differences (continued)

Reclassification Misstatement:

- **Balance Sheet – PPE and Assets held for sale**: £0.319 million misclassification relating to partly sold assets that remained incorrectly classified as Assets Held for Sale. As the Council no longer intends to dispose of the remaining portion of these assets, they no longer meet the criteria for classification as held for sale and should have been reclassified back to PPE. This resulted in an overstatement of Assets Held for Sale and a corresponding understatement of PPE.

- **Balance Sheet – PPE and Assets under Construction (AUC)**: £0.146 million misclassification of an asset incorrectly retained as Assets Under Construction (AUC) at year-end, despite the fact that the work had been completed and the asset was ready for use in FY24/25. As the recognition criteria for AUC were no longer met, the asset should have been reclassified to PPE. This resulted in an understatement of PPE and an overstatement of AUC at 31 March 2025.

Disclosure Misstatements

We have identified several disclosure differences which Management are planning to correct in the revised financial statements for authorisation. Please see slide 35 for further details.

Summary of Adjusted Disclosure differences

We also identified several disclosure misstatements, all of which we expect management to correct. The most significant are summarised below:

1. Note 1 – Accounting Policy on Depreciation

   We identified an inconsistency between the policy disclosed applying a 20-year useful life to infrastructure assets and the 50-year useful life applied to a specific infrastructure asset on initial recognition. Management has agreed to update the note to ensure consistency.

2. Note 24 – Defined Benefit Pension Schemes and Related Areas of the Financial Statements

   The impact of the £17.872 million asset ceiling needs to be reflected throughout the accounts and related notes. This adjustment includes amending the CIES Net Actuarial Gains/(Losses) on pension assets and liabilities from £15.013 million to £2.131 million to align with the revised IAS 19 report. An additional disclosure is also required in the IAS 19 note to reflect the implications of the Virgin Media Limited v NTL Pension Trustees II Limited case.

Audit Differences (cont'd)

Summary of adjusted differences (continued)

Corrected misstatements 31 March 2025 (Currency £'000)	Effect on the current period		Net assets (Decrease)/Increase			
	OCI (Equity) Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Factual differences:						
1. Net Pension Asset/Liability – Change in the net pension closing position due to the impact of the asset ceiling in the updated Actuary Report						
Pensions Reserve	12,376					
Net Pension Asset				(12,376)		
Net Pension Liability						(4,768)
Pensions Reserve	4,768					
2. Long-term Investments - Understatement of long-term investment balance based on confirmation replies for fair value of investments						
Long-term investments				638		
Pooled Fund Revaluation Reserve	(638)					
3. Cash and Cash Equivalents - Understatement of cash and cash equivalents balance due to unrecorded cash in bank reconciling item for cash receipts that are already received by the Council in the March 2025 Direct Credits bank statement but was not yet recorded in the General Ledger in 31 March 2025. We are waiting for the details from the Council to confirm the accounts impacted by this adjustment.						
Cash and Cash Equivalents - NNDC Direct Credits bank			1,784			
Cash and Cash Equivalents - Money Market Funds			(1,240)			
Short – term Debtors			(544)			
4. Property, Plant and Equipment (PPE) - Misstatements arising from errors in key items, which relate to 2023/24 additions rather than 2024/25						
Payables					690	
PPE				(690)		

Audit Differences (cont'd)

Summary of adjusted differences (continued)

Corrected misstatements 31 March 2025 (Currency £'000)	Effect on the current period		Net assets (Decrease)/Increase			
	OCI (Equity) Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Factual differences:						
5. PPE – Overstatement due to capitalizing, in the current year, the same capital expenditure that had already been accrued in the prior year, without reversing the prior-year accrual.						
Accruals					85	
PPE				(85)		
6. Capitalisation of expenses not linked to an existing asset due to expenditure being made with the intention of building infrastructure, but no actual building being constructed.						
Debtors/Prepayments			131			
PPE				(131)		
7. Audit difference of £681,462 arising from the capitalisation of grant income from NCC without directly attributing costs to any specific items of PPE						
Other Operating Expenditure		681				
PPE				(681)		
8. Difference of £880,000 relating to an erroneous journal to correct a miscoding error without sufficient evidence of the miscoded entry which the sample entry is correcting.						
Other Operating Expenditure		880				
PPE				(880)		

Audit Differences (cont'd)

Summary of adjusted differences (continued)

Corrected misstatements 31 March 2025 (Currency £'000)	Effect on the current period		Net assets (Decrease)/Increase			
	OCI (Equity) Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/(Credit)	Assets non-current Debit/(Credit)	Liabilities current Debit/(Credit)	Liabilities non-current Debit/(Credit)
Reclassification misstatements:						
1. Misclassification of assets held for sale – partly disposed land assets. We noted that the Assets Held for Sale (AHFS) balance as at 31 March 2025 remained unchanged from the prior year. This was due to a miscommunication on the intent and that the land assets had been partly sold previously, and management no longer intends to sell the remaining portion. As a result, the assets do not meet the criteria for classification as AHFS, which require that the sale of the asset be highly probable within 12 months of reclassification.						
PPE-Land				319		
Assets held for sale			(319)			
2. Misclassification of AUC - the asset was classified as AUC at YE, despite completion of work in FY24/25, as the final payment was not made until FY25/26. However, the asset should have already been reclassified to PPE - Building when work was completed and ready for use, regardless of when payment was made.						
Assets under Construction				(146)		
PPE- Building				146		
Total corrected misstatements	16,506	1,561	(188)	(13,886)	775	(4,768)

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	1	0	0	1
Closed during FY2024-25	0	0	0	0
New points raised in FY2024-25	2	2	0	4
Total open points as at 31 March 2025	3	2	0	5

Key:

- (Green) A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6–12 months.
- (Orange) 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.
- (Red) 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		
Draft Financial Statements and Working Paper Quality The audit identified significant weaknesses in the preparation of draft financial statements and the quality of supporting working papers. Capacity constraints and loss of organisational knowledge within the Finance Team led to delays, incomplete or insufficiently supported evidence, and responses that did not address audit queries. Working papers did not consistently meet required standards, and complex accounting areas lacked reference to the CIPFA Code or relevant accounting standards. These issues hindered audit progress and contributed to areas where assurance could not be obtained.	H			The Council should strengthen its financial reporting processes by enhancing team capacity, improving technical competency in local government accounting and CIPFA requirements, and providing targeted training on complex areas such as judgments and estimates. Robust processes should be implemented to ensure high-quality, well-referenced working papers and timely, complete responses to audit queries. Adherence to agreed turnaround times, clear escalation routes, and continued regular communication between Finance and the audit team will be essential to support efficient audit delivery.	
Lack of Formal Grants Register The absence of a structured and comprehensive register increases the risk of incomplete or inaccurate accounting for grants, including failure to track grant conditions, utilisation, and potential liabilities arising from unspent or repayable amounts.		M		The Council should establish and maintain a formal Grants Register that records key information for each grant, including grant terms, opening balances, income received, and amounts utilised during the period. The register should clearly document any associated grant conditions, assess whether unutilised balances may be subject to repayment, and determine whether remaining balances should be classified as short-term or long-term. Implementing such a register will support accurate financial reporting, compliance with grant requirements, and improved monitoring of funding.	

Assessment of Control Environment (cont'd)

Summary of control observations and recommendations

Control observation and impact	Grading H	Grading M	Grading L	Recommendation	Management Response
Errors within Cash and Cash Equivalents and Long-term Investments The year-end cash reconciliation correctly identified £1.784 million received in the cash book but not recorded in the General Ledger as at 31 March 2025; however, the necessary correcting journal entries were not posted. In addition, a £0.638 million variance was noted between the General Ledger and externally confirmed long-term investment balances, arising from unrecorded pooled fund disposal movements and a minor interest accrual not carried forward in the 2023/24 year-end rollover.	H			We recommend that the Council should ensure that all year-end cash reconciliation adjustments, including amounts received but not recorded in the General Ledger, are promptly posted through appropriate journal entries. The Council should also strengthen controls to confirm that all investment transactions and year-end adjustments are accurately recorded and reviewed as part of the rollover process to prevent misstatements in long-term investment balances.	
Errors within Property, Plant and Equipment (PPE) Our review of PPE has revealed several audit adjustments and disclosure errors. Some of which include: • Unsupported impairment: PPE addition immediately impaired to £0, without sufficient evidence • Incorrect period of recognition: capital additions were recorded in wrong period • Inappropriate capitalisation: - prepayment wrongly included in PPE and - capitalisation without evidence that capitalisation criteria were met. • Delayed asset reclassification: A completed asset remained recorded as "asset under construction" at the year end. • Incorrect classification & valuation uncertainty - land incorrectly classified as "assets held for sale" and no evidence of last valuation date or compliance with the five-year revaluation cycle. • Incorrect valuation methodology: asset was valued using EUV instead of DRC, creating risk of valuation error. These issues increases risk of material misstatements in the PPE balances.	H			**Strengthen impairment processes:** Ensure all impairments are supported by clear evidence, documented rationale, and consistent methodology. **Improve cut-off controls:** Reinforce procedures to ensure capital additions are recorded in the correct financial year. **Enhance capitalisation controls:** Apply the capitalisation policy consistently, use year-end checklists, and conduct periodic reviews of capital expenditure. **Timely asset reclassification:** Regularly reconcile project completion records with the asset register. **Maintain valuation compliance:** Keep a central log of valuation dates and regularly validate "held for sale" classifications against Code requirements. **Robustly challenge valuation reports**: Review assumptions, methods, and valuation movements, ensuring all agreed values are accurately reflected in the asset register.	

Assessment of Control Environment (cont'd)

Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
Lack of independent review and authorization of journal entries The Council's current procedures allow journals to be prepared and posted by the same officer within the accountancy section, with no requirement for independent review or authorization prior to posting. User IDs in Civica show the preparer and approver as the same individual, indicating an absence of segregation of duties. While Management applies a risk-based approach and relies on restricted access, reconciliations, and budget monitoring and system access controls, the absence of an independent pre-posting review increases the risk of inappropriate or erroneous journals being processed without timely detection.				The Council should introduce an independent review and approval control for all journal entries. This should include clear segregation of duties, documented evidence of review, and restricted system permissions to prevent self-approval. Strengthening this control will enhance assurance over the accuracy and validity of journals and mitigate the risk of management override.	

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 North Norfolk District Council Statement of Accounts 2024/25 with the audited financial statements

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

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

We have completed the work on the Annual Governance Statement with no matters to report.

Whole of Government Accounts

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

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

Other powers and duties

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

We have given serious consideration to the need to issue Statutory Recommendations under Schedule 7, given our assessment of the Council's financial reporting (Page 12-13) and the significant weakness we are reporting for Quality of the draft 2024/25 financial statements under our Value for Money responsibilities (Page 22).

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

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

08 Independence

Independence

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

Relationships

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

Services provided by EY

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

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

Independence

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

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

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

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

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

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

	2024/25	2023/24
	£	£
Total Fee – Code Work	164,407	74,796
Other - determined by PSAA	TBC (Note 1)	-
Total fees	**TBC**	**74,796**

All fees exclude VAT

(1) 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.

EXPECTED STATUS

2023/24

Disclaimer opinion

- Pervasive gaps over opening balances, comparators, and in-year movements.
- Lack of assurance over PPE valued on a cyclical basis, from the 22/23 and 21/22 audits.
- Lack of assurance over Reserves (cumulative nature)

CURRENT AUDIT STATUS OF NORTH NORFOLK DISTRICT COUNCIL

- The Council's progress is behind the expected timescales set out in LARRIG 01.
- This is because no audit procedures were completed in the years 2021/22, 2022/23, and 2023/24.
- This was a result of the Council failing to produce accounts in accordance with its planned timetable.

Current audit year 2024/25

Disclaimer or qualified opinion

Continuing impact from 2023/24:

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

CURRENT AUDIT STATUS OF NORTH NORFOLK DISTRICT COUNCIL

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

2025/26

Qualified (except for) opinion

- Assurance in place over opening and closing balances, and assurance gained over each in-year movement.
- Likely gap over specific comparator balances may remain on PPE due to the extent items have not been valued since the periods 2021/22 to 2023/24. The impact on the CIES & reserves would require to be assessed.
- However, with the anticipation of incorporating build-back guidance focusing on reserves, there is increasing probability that gaps in assurance can be specifically identified, leading to higher likelihood of a qualified report (not disclaimed).

LIKELY AUDIT STATUS OF NORTH NORFOLK DISTRICT COUNCIL

- The Council is currently 1-2 years behind the illustrative timescale for the process of re-building assurance, because not all audit procedures were completed during either 2023/24 or 2024/25.
- The audit report on the Council's 2025/26 financial statements will therefore likely also need to be disclaimed due to the pervasive gaps in assurance over opening balances, comparators and in-year movements (akin to the 2023/24 year in the above indicative timetable).

2026/27

Unqualified opinion

- Expectation that all items resolved.
- Auditor will need to reassess the PPE cyclical valuation impact - but may be able to work with the authority to ensure that items previously valued in 2021/22 to 2023/24 were revalued by this time or would be immaterial.

LIKELY AUDIT STATUS OF NORTH NORFOLK DISTRICT COUNCIL

- The ability to issue a qualified opinion on the Council's 2026/27 financial statements will depend on the ability to complete audit procedures during the 2024/25, 2025/26 and 2026/27 audits, as well as the Council taking steps to support the rebuilding of assurance over PPE.

Appendix B – Updated summary of assurances

Summary of Assurances

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

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment ('PPE')	None	Partial	Our PPE procedures on additions and valuations is in progress. We agreed additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2024/25 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets; however, until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2025. See Section 05 of this report for audit adjustments identified.
Investment Property	None	Partial	Our Investment property valuations is in progress. We audited the valuation of a sample of assets revalued in 2024/25. However, until we are able to rebuild assurance over the additions, disposals and revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2025.
Long-Term Investments	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. See Section 05 of this report for audit adjustments identified.
Long-Term Debtors	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short-Term Debtors (including bad debts provisions)	None	None	We have been unable to complete our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit.
Cash and Cash Equivalents	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. See Section 05 of this report for audit adjustments identified.
Short-Term Borrowing	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
Short-Term Creditors	None	None	We have been unable to complete our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit.
Capitals Grants Receipts in Advance	None		We are yet to complete the work in this area.
Short-Term Provisions	None	None	We have been unable to complete our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit. Further, we are unable to complete our planned testing on legal expenditure and contracts testing as satisfactory working papers were not available and there were delays in providing subsequent requests.
Local Government Pension Scheme	None	Partial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025. However, we 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 movements recorded in the statement are accurate.
Leases	None		We are yet to complete the work in this area.
Reserves	None		We are yet to complete the work in this area.
REFCUS	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Taxation & Non-Specific Grant Income	None	None	We have been unable to complete our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit.
Grant Income	None	None	We have been unable to complete our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit.
Employee Benefits (Payroll costs)	None		We are yet to complete the work in this area.
Housing Benefit expenditure	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
Other income and expenditure (including support service recharges)	None	None	We have been unable to complete our planned audit procedures in this area as satisfactory working papers were not available at the start of the audit.
Interest and Investment Income	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Other Operating Expenditure - Parish Precepts and Internal Drainage Broads Levies	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash Flow Statement	None	None	We have not completed our planned testing on Cash Flow Statement in 2024/25 as the Council was unable provide sufficient evidence in a timely manner for related areas that flow into the Cash Flow Statement such as Debtors, Creditors and we have prioritised maximum assurance across the accounts.
Collection Fund	None	None	We have not completed our planned testing on the Collection Fund in 2024/25 as the Council was unable provide sufficient evidence in a timely manner and we have prioritised maximum assurance across the accounts.
Other Disclosures	None	Partial	We have completed our planned audit procedures for all other disclosures except for the following: • Contingent assets and liabilities, going concern and narrative report as the Council was unable provide satisfactory working papers during the allocated audit window, • Financial Instruments as the related accounts covered by the disclosure such as short-term debtors and creditors did not have sufficient timely evidence.
Annual Governance Statement	None	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the Annual Governance Statement for the 2024/25 reporting period.
Journals	None	Partial	Our testing on Journals in 2024/25 is in progress. However, the Council was unable provide sufficient evidence in a timely manner for the areas covered in Journals work such as Debtors, Creditors, Other Income and Expenditure, Grants and we have prioritised maximum assurance across the accounts. We also noted that there is currently no formalised procedure for the review and approval of journal entries prior to posting to the general ledger. This control observation is detailed in Section 06 of this report.

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:

Required communications	What is reported?	Our Reporting to you When and where
Terms of engagement	Confirmation by the Governance, Risk 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	Communication of: ▪ The planned scope and timing of the audit ▪ Any limitations on the planned work to be undertaken ▪ The planned use of internal audit ▪ The significant risks identified When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Audit Plan – 3 June 2025 – Governance, Risk and Audit Committee
Significant findings from the audit	▪ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▪ Significant difficulties, if any, encountered during the audit ▪ Significant matters, if any, arising from the audit that were discussed with management ▪ Written representations that we are seeking ▪ Expected modifications to the audit report ▪ Other matters if any, significant to the oversight of the financial reporting process	Audit Results Report – 12 February 2026 – Governance, Risk 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	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: ▪ Whether the events or conditions constitute a material uncertainty related to going concern ▪ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▪ The appropriateness of related disclosures in the financial statements	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
Misstatements	▪ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▪ The effect of uncorrected misstatements related to prior periods ▪ A request that any uncorrected misstatement be corrected ▪ Material misstatements corrected by management	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee

Fraud	▪ Enquiries of the Governance, Risk and Audit Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity
	▪ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist
	▪ Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving:
	  ▪ Management;
	  ▪ Employees who have significant roles in internal control; or
	  ▪ Others where the fraud results in a material misstatement in the financial statements.
	▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected
	▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud
	▪ Any other matters related to fraud, relevant to Governance, Risk and Audit Committee responsibility.
		Audit Results Report - 12 February 2026 - Governance, Risk 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**
Related parties	Significant matters arising during the audit in connection with the entity's related parties including, when applicable: ▪ Non-disclosure by management ▪ Inappropriate authorisation and approval of transactions ▪ Disagreement over disclosures ▪ Non-compliance with laws and regulations ▪ Difficulty in identifying the party that ultimately controls the entity	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
Independence	Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence. Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: ▪ The principal threats ▪ Safeguards adopted and their effectiveness ▪ An overall assessment of threats and safeguards ▪ Information about the general policies and process within the firm to maintain objectivity and independence Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.	Audit Plan - 3 June 2025 - Governance, Risk and Audit Committee Audit Results Report - 12 February 2026 - Governance, Risk 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**
External confirmations	▪ Management's refusal for us to request confirmations ▪ Inability to obtain relevant and reliable audit evidence from other procedures.	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
Consideration of laws and regulations	▪ Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur ▪ Enquiry of the Governance, Risk 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, Risk and Audit Committee may be aware of	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
Significant deficiencies in internal controls identified during the audit	▪ Significant deficiencies in internal controls identified during the audit.	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
Written representations we are requesting from management and/or those charged with governance	▪ Written representations we are requesting from management and/or those charged with governance	Audit Results Report - 12 February 2026 - Governance, Risk and Audit Committee
System of quality management	▪ How the system of quality management (SQM) supports the consistent performance of a quality audit	Audit Results Report - 12 February 2026 - Governance, Risk 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
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	▪ Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	Audit Results Report – 12 February 2026 – Governance, Risk and Audit Committee
Auditors report	▪ Key audit matters that we will include in our auditor's report ▪ Any circumstances identified that affect the form and content of our auditor's report	Audit Results Report – 12 February 2026 – Governance, Risk 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
Balance Sheet – PPE and Investment Property Valuations	We are awaiting responses to follow-up queries	Management and EY
Capitals Grants Receipts in Advance	We are yet to complete work in this area	Management and EY
Leases	We are yet to complete work in this area	Management and EY
Reserves	We are yet to complete work in this area	Management and EY
Comprehensive Income & Expenditure Statement – Employee Benefits (payroll costs)	We are yet to complete work in this area	Management and EY
Journals testing	We are yet to complete work in this area	Management and EY
Final Manager and Engagement Partner reviews	Review of the working papers	Management and EY
Final financial statements	Review of the final version of the financial statements	Management and EY
Management representation letter	Receipt of signed management representation letter	Management and Governance, Risk and Audit Committee
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	Management and EY
Agreement of the final set of financial statements	Review of the final set of financial set of financial statements	Management and EY

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

Appendix E — Regulatory update

The English Devolution and Community Empowerment Bill – Audit Measures

Background

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

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

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

Part 4 of the Bill - Reforming local audit

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

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

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

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and 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 Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, income and expense and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the financial statements is appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. We confirm the Council 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 Council'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 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 Council (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 Council's financial statements
   - Related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's business, its ability to continue in business, or to avoid material penalties
   - Involving management, or employees who have significant roles in internal control, or others
   - In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
   - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
   - Additional information that you have requested from us for the purpose of the audit; and
   - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have disclosed to you the use of all applications or tools using artificial intelligence, including generative artificial intelligence, that are reasonably likely to have a direct or indirect material effect in the financial statements.
4. We have made available to you all minutes of the Council and committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the date of this letter.
5. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.

Draft Management representation letter

6. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
7. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. From the date of our last management representation letter through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either occurred or is reasonably likely to have occurred, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants), to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material effect on financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Notes 35 and 36 to the 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 41 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

Other than described in Note 5 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

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

Draft Management representation letter

I. Climate-related matters

We confirm that to the best of our knowledge all information that is relevant to the recognition, measurement, presentation and disclosure of climate-related matters has been considered including the impact resulting from the commitments made by the Council and reflected in the financial statements.

J. Ownership of Assets

1. Except for assets capitalised under finance leases, the Council has satisfactory title to all assets appearing in the balance sheet, and there are no liens or encumbrances on the Council's assets, nor has any asset been pledged as collateral. All assets to which the Council has satisfactory title appear in the balance sheet.
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the 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

We agree with the findings of the specialists that we engaged to evaluate the value of the Council's share of the pension fund assets and liabilities, Property, Plant and Equipment and Investment Property 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
- Investment Property – valuations and impairments

1. We confirm that the significant judgments made in making the fair value of PPE, Investment properties, 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 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.

Appendix F — Management representation letter (cont'd)

Draft Management representation letter

M. Retirement benefits

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

N. Reserves

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,

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(Director of Resources & Section 151 Officer)

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(Chair of the Governance, Risk and Audit Committee)

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UKC-038208 (UK) 03/25. Creative UK.
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