

New Forest District Council Audit results report

Year ended 31 March 2024

8th January 2025





Members of the Audit Committee
New Forest District Council
Appletree Court
Beaulieu Road
Lyndhurst
S43 7PA

8th January 2025

Dear Audit Committee Members

2023/24 Audit results report

We are pleased to attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 24th January 2025 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 2023/24 financial statements and address current statutory and regulatory requirements. This report contains our findings related to the areas of audit emphasis, our views on New Forest District Council's (the Council's) accounting policies and judgements and material internal control findings.

This report considers the impact of Government proposals, which have now been enacted through secondary legislation, to clear the backlog in local audit and put the local audit system on a sustainable footing. The proposals recognise that timely, high-quality financial reporting and audit of local bodies is a vital part of our democratic system. Not only does it support good decision making by local bodies, by enabling them to plan effectively, make informed decisions and manage their services, it ensures transparency and accountability to local taxpayers. All stakeholders have a critical role to play in addressing the audit backlog.

The Audit Committee, as the (Council's) body charged with governance, has an essential role in ensuring that it has assurance over both the quality of the draft financial statements prepared by management and the Council's wider arrangements to support the delivery of a timely and efficient audit. We will consider and report on the adequacy of the Council's external financial reporting arrangements and the effectiveness of the audit committee in fulfilling its role in those arrangements as part of our assessment of Value for Money arrangements and consider the use of other statutory reporting powers to draw attention to weaknesses in those arrangements where we consider it necessary to do so.

Given that Statutory Instrument 2024/907 "The Accounts and Audit (Amendment) Regulations 2024 ("SI 2024/907") imposes a backstop date of 28 February 2025 by which date we are required to issue our opinion on the financial statements, we have considered whether the time constraints imposed by the backstop date mean that we cannot complete all necessary procedures to obtain sufficient, appropriate audit evidence to support the opinion and fulfil all the objectives of all relevant ISAs (UK).

We have also taken into account SI 2024/907 and Local Authority Reset and Recovery Implementation Guidance Notes issued by the National Audit Office and endorsed by the Financial Reporting Council, together with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

As reported in our 05/11/2024 Audit Completion Report, we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to be able to conclude that the financial statements are free from material and pervasive misstatement. Taken together with the requirement to conclude our work by the 2023/24 back stop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

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

Yours faithfully

Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

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Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

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

This report is made solely to the Audit Committee and management of New Forest District Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit Committee and management of New Forest District Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit Committee and management of New Forest 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 – Department for Levelling-up, Housing and Communities (DLUHC) and Financial Reporting Council (FRC) 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
- Increased regulatory pressure on auditors, which in turn has increased the scope and extent of audit procedures performed.

MHCLG (formerly DLUHC) has worked collaboratively with the FRC, as incoming shadow system leader, and other system partners, to develop and implement measures to clear the backlog. SI 2024/907, together with the updated National Audit Office Code of Audit Practice 2024 and the Local Authority Reset and Recovery Implementation Guidance, have all been developed to ensure auditor compliance with International Standards on Auditing (UK) (ISAs (UK)). 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 2023/24 financial statements is 28 February 2025.
- ▶ Phase 3: Reform involving addressing systemic challenges in the system and embedding timely financial reporting and audit.

As reported in our 05/11/2024 Audit Completion Report to the Audit Committee we issued a disclaimed audit report on the Council's financial statements for 2022/23 under these arrangements to reset and recover local government audit. Although we have commenced limited work to rebuild assurance ahead of the 2023/24 backstop date, we have not obtained sufficient evidence to have reasonable assurance over all closing balances. As a result of the 2022/23 disclaimed audit report, we do not have assurance over the brought forward balances from 2022/23 (the opening balances). This means we do not have assurance over 2023/24 in-year movements and some closing balances. We also do not have assurance over the 2022/23 comparative amounts disclosed in the 2023/24 financial statements. Taken together with the requirement to conclude our work by the 2023/24 backstop date, the lack of evidence over these movements and balances mean we are unable to conclude that the 2023/24 financial statements are free from material and pervasive misstatement of the financial statements. We therefore anticipate issuing a disclaimed 2023/24 audit opinion.

A summary of the assurances we have gained from our 2023/24 audit procedures is set out at Appendix A.



Executive Summary

Scope update

In our audit planning report tabled at the 31 May 2024 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 exception:

- ▶ **Changes in materiality:** We updated our planning materiality assessment using the draft consolidated results and have also reconsidered our risk assessment. Based on our materiality measure of gross expenditure, we have updated our overall materiality assessment to £2.65m (Audit Planning Report – £2.47m). This results in updated performance materiality, at 75% of overall materiality, of £1.988m, and an updated threshold for reporting misstatements of £0.132m.
- ▶ **Portfolio heading changes:** We noted that the Council have updated the Cost of Services headings within the 2023/24 Statement of Comprehensive Income and Expenditure in order to be in line with the new service line structure which was updated in 2023/24. To allow the user of the financial statements to compare one year to the next, the prior year figures have been restated in the CIES and EFA to reflect these updated service lines. We are required to review the changes and perform testing over the remapping of the prior year figures to confirm the restatement has been completed correctly.

Status of the audit

Our audit work in respect of the Council opinion is in progress. Details of each outstanding item, actions required to resolve, and responsibility is included in Appendix B.

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

Value for Money

In our Audit Planning Report Update dated 31 May 2024, we reported that we had completed our value for money (VFM) risk assessment, and we had identified no risks of significant weaknesses in arrangements. Having updated our risk assessment at the execution phase of the audit we continued to identify no risks of significant weakness in the Authority's VFM Arrangements. See Section 03 of the report for further details.

Audit differences

After preparation of the draft financial statements by management but prior to the commencement of our audit testing, management notified us of a change being required to the Pension Liability balance of £520k. Management plan to correct this in the updated financial statements. Our audit testing has been based on these updated balances. In addition to this, the review of the IAS 19 liability by our pensions audit specialist has identified a misstatement in some of the assumptions made by the fund actuary in determining the 2023/24 valuation. As a result of this, a new IAS 19 report has been requested from the actuary by the Council. This report has been received and has resulted in a further material adjustment to the pension liability valuation.

This above change has resulted in updates being required to the Pensions Liability disclosures.

In addition, in completing our asset valuation procedures, various misstatements have been identified in the valuation of Property, Plant and Equipment assets and Investment Property Assets. The Property, Plant and Equipment balance is understated by £2,015k across 6 different assets and the Investment Property balance is overstated by £224k across 3 different assets.

One further disclosure misstatement has been identified in relation to the leases' disclosure, for operating leases where the Council is acting as lessor. No further misstatements have been identified at the time of writing; however, our work remains ongoing as detailed in Appendix C.

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, although this work remains subject to final review.

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts. We will provide a further update on our work in this area in due course.

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 New Forest District Council. This report sets out our observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is explained within the 'Areas of Audit Focus' section of this report and summarised below.

Significant and Fraud Risk: Misstatement due to fraud or error

- ▶ We are still concluding our work in this area. We have not identified any misstatements due to fraud at the time of writing. However, some misstatements due to error have been identified within the valuation of Investment Property and Property, Plant and Equipment Assets as detailed within the specific Significant and Inherent Risks below.

Significant and Fraud Risk: Inappropriate capitalisation of revenue expenditure

- ▶ Our testing of Property, Plant and Equipment and Investment Property additions is complete. Our testing of REFCUS spend is complete subject to internal review and our journals testing remains ongoing.

Significant Risk: Valuation of investment property land and buildings – valued at Fair Value (FV)

- ▶ We have completed our work over the valuation of investment properties under FV. We have identified 3 misstatements totalling £224k due to judgemental differences in yield values which should be adopted in determining the asset valuation.

Inherent Risk: Valuation of property, plant and equipment (PPE) land and buildings – valued at Depreciated Replacement Cost (DRC)

- ▶ We have completed our work over the valuation of PPE under DRC. We have identified misstatements in all DRC assets valued in 2023/24 totalling £1,317k due to incorrect determinations of the land values.

Inherent Risk: Valuation of PPE land and buildings – valued at Existing Use Value (EUUV)

- ▶ We have completed our work over the valuation of PPE under EUUV. We have identified a misstatement in 1 EUUV assets which was incorrectly subject to an impairment review in 2023/24 as opposed to a full valuation. This resulted in a misstatement of £698k.

Executive Summary (cont'd)

Areas of audit focus (continued)

Inherent Risk: Valuation of Council Dwellings

- ▶ The work on this area is complete and we have not identified any misstatements, including incorrect valuation of Council Dwellings.

Inherent Risk: Pension Liability / Asset Valuation

- ▶ This work remains ongoing at the time of writing this report. Prior to commencement of the audit testing, management notified us of a change being required to the financial statements in respect of the pension liability valuation due to the receipt of an updated IAS 19 valuation report from the Actuary. We have completed our audit testing based on these updated values. A further misstatement was identified during the review performed by our EY pension specialist such that a further IAS 19 report was required to be obtained by the Council. This updated report has been received although our testing on this updated report remains ongoing.

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

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

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

Control observations

During the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls:

- ▶ **Property, Plant and Equipment Valuations:** During our testing of Property, Plant and Equipment Valuations, one asset was identified as subject to an impairment review in 2023/24 as opposed to a full asset valuation. This asset was last revalued in 2017/18 and as such, was not subject to a full asset valuation in the last 5 years in accordance with the Council's accounting policies and as suggested in the CIPFA Code.
- ▶ **Debtor and Creditor Reports:** During our audit testing, we encountered difficulties in obtaining debtor and creditor listing detailing outstanding balances held at year-end which should be readily available and collated as part of the Council's production of their financial statements.

Independence

Please refer to Section 08 for our update on Independence.

A close-up photograph of a person's hand holding a white marker, pointing at a bar chart displayed on a tablet. The chart features several bars in shades of green, brown, and red. The background is dark, and the lighting is focused on the hand and the tablet.

02 Areas of Audit Focus

Areas of Audit Focus

Significant and Fraud Risk – Misstatement due to fraud or error

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

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

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

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

Our response to the key areas of challenge and professional judgement

We carried out the following procedures:

- ▶ We identified fraud risks during the planning stages.
- ▶ We inquired of management about risks of fraud and the controls put in place to address those risks.
- ▶ We sought to understand the oversight given by those charged with governance of management's processes over fraud.
- ▶ We 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).
- ▶ We have considered the effectiveness of management's controls designed to address the risk of fraud.
- ▶ We determined an appropriate strategy to address those identified risks of fraud.
- ▶ We performed mandatory procedures regardless of specifically identified fraud risks, including testing of journal entries and other adjustments in the preparation of the financial statements.
- ▶ We undertook procedures to identify significant unusual transactions.
- ▶ We considered whether management bias was present in the key accounting estimates and judgements in the financial statements.

What else did we do?

As part of our risk evaluation, we considered the need to perform other audit procedures not referred to above. We concluded that those procedures included under the 'risk of inappropriate capitalisation of revenue expenditure' were required. See the following page for the results of work in this area.

Areas of Audit Focus

Significant and Fraud Risk – Misstatement due to fraud or error (continued)

What is the status of our work?

Our audit work in this area is ongoing.

We have completed our work in respect of the estimates of Property, Plant and Equipment valued on an Existing Use Value (EUV) basis and a Depreciated Replacement Cost (DRC) basis, as well as the valuation of Investment Property valued on a Fair Value (FV) basis and are satisfied that there is no evidence of misstatement due to fraud arising. We have however, identified some misstatements due to error as detailed on pages 14, 15 and 16.

We have also completed our work in respect of the estimate to Council Dwellings valuations and are satisfied that there is no evidence of misstatement due to fraud arising.

Our testing in respect of other identified key accounting estimates and judgements (including the Pension Assets and Liabilities valuation and NNDR Appeals Provision valuation) is ongoing.

In addition, our testing of journal entries to for proper posting for genuine business reasons is ongoing.

From the work performed to date, we have not identified any material issues, inappropriate judgements or unusual transactions which indicated that there had been any misreporting of the Council's financial position, or that management had overridden control.

Areas of Audit Focus (cont'd)

Significant and Fraud Risk – Inappropriate capitalisation of revenue expenditure

What is the risk?

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

We have assessed the risk is most likely to occur through the inappropriate capitalisation of revenue expenditure.

What is the status of our work?

Our testing of PPE and IP additions is complete and has not identified any evidence of inappropriate capitalisation of revenue expenditure.

Our testing of REFCUS and journal entries remains ongoing, with the testing of REFCUS pending internal review. From the work completed to date, we have not identified any instances of spend being inappropriately financed from ringfenced capital resources or journals inappropriately transferring expenditure from revenue to capital codes.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ We tested Property, Plant and Equipment (PPE) and Investment Property (IP) additions to ensure that the expenditure incurred and capitalised is clearly capital in nature.
- ▶ We assessed whether the capitalised spend clearly enhances or extends the useful life of assets rather than simply repairing or maintaining the asset on which it is incurred.
- ▶ We considered whether any development or other related costs that have been capitalised are reasonable to capitalise i.e. the costs incurred are directly attributable to bringing the asset into operational use.
- ▶ We tested REFCUS, to ensure that it is appropriate for the revenue expenditure incurred to be financed from ringfenced capital resources.
- ▶ We identified and understood the basis for any significant journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year.

What else did we do and further relevant information

We selected a sample of PPE and IP additions and REFCUS spend using lowered testing thresholds, to ensure that they were appropriately supported by documentary evidence, and that the expenditure incurred and capitalised was clearly capital in nature.

We used our data analytics tools to identify and understand the basis for any significant journals transferring expenditure from non-capital codes to PPE or IP additions or from revenue to capital codes on the general ledger at the end of the year.

Areas of Audit Focus (cont'd)

Significant Risk - Valuation of investment property land and buildings – valued at Fair Value (FV)

What is the risk?

The valuation of those assets valued on a FV basis is reliant upon expert valuations based on information provided by the Council, which includes a number of judgements and assumptions.

Errors within the judgements, assumptions or information provided to the valuer can have a material impact on the financial statements.

What are our conclusions?

Our work in this area is complete. We have confirmed that all investment property assets were revalued in year, being 14 assets. We have selected 6 investment property assets for detailed testing.

This detailed testing includes focusing on the reasonableness of the underlying assumptions used, including the key assumptions of yield and forecast future income.

Of the 6 assets selected for testing, we identified misstatements in the valuation of 3 assets. This generated a total overstatement of the Investment Property balance of £224k. These misstatements related to judgemental differences in the yields adopted by the valuer.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ We considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their competence, capability and objectivity;
- ▶ We ensured that investment property assets have been revalued as per the valuer instructions and in compliance with the Code;
- ▶ We considered whether there are any specific changes to assets that should have been communicated to the valuers;
- ▶ We tested a sample of key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ We considered the appropriateness of key assumptions used to inform the valuation and of the basis on which the valuation has been undertaken; and
- ▶ We reviewed journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.

What else did we do and further relevant information

Our testing followed a fully substantive approach and considered the judgements and assumptions employed by the Council's valuer.

We understood the valuation methodology applied by the Council's valuer and considered whether we were required to employ an EY Specialist valuer to support our audit procedures. We did not determine that it was necessary to employ such a specialist.

Areas of Audit Focus (cont'd)

Inherent Risk - Valuation of property, plant and equipment (PPE) land and buildings – valued at Depreciated Replacement Cost (DRC)

What is the risk?

Land and buildings valued at DRC 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.

What are our conclusions?

Our work in this area is complete. We have confirmed that 5 assets have been revalued in year on a DRC basis and we have selected all 5 assets for detailed testing.

This detailed testing includes focusing on the reasonableness of the underlying assumptions used, including the key assumptions of floor areas.

Of the 5 assets selected for testing, we identified misstatements in the valuation of all 5 assets. These misstatements all related to the incorrect determination of the land value associated with each asset and as a result, a revised valuation was provided by the valuer for each asset. This generated a total understatement of the Property, Plant and Equipment balance of £1,317k.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ We considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their competence, capability and objectivity;
- ▶ We ensured that PPE assets valued on a DRC basis have been revalued as per the valuer instructions and in compliance with the Code;
- ▶ We considered whether there are any specific changes to assets that should have been communicated to the valuers;
- ▶ We tested a sample of key asset information used by the valuers in performing their valuation (e.g. floor plans to support area inputs used);
- ▶ We considered the appropriateness of key assumptions used to inform the valuation and of the basis on which the valuation has been undertaken; and
- ▶ We reviewed journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.

What else did we do and further relevant information

Our testing followed a fully substantive approach and considered the judgements and assumptions employed by the Council's valuer.

We understood the valuation methodology applied by the Council's valuer and considered whether we were required to employ an EY Specialist valuer to support our audit procedures. We did not determine that it was necessary to employ such a specialist.

Areas of Audit Focus (cont'd)

Inherent Risk - Valuation of PPE land and buildings – valued at Existing Use Value (EUV)

What is the risk?

PPE land and buildings measured at EUV represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges.

Material judgemental inputs and estimation techniques are required to calculate the year-end EUV balances held in the balance sheet. As the Council's asset base is significant, and the outputs from the valuers are subject to estimation, there is a higher inherent risk that EUV assets may be under/overstated or the associated accounting entries incorrectly posted.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ We considered the work performed by the Council's valuers, including the adequacy of the scope of the work performed, their competence, capability and objectivity;
- ▶ We ensured that PPE assets valued on a EUV basis have been revalued as per the valuer instructions and in compliance with the Code;
- ▶ We considered whether there are any specific changes to assets that should have been communicated to the valuers;
- ▶ We tested a sample of key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- ▶ We considered the appropriateness of key assumptions used to inform the valuation and of the basis on which the valuation has been undertaken; and
- ▶ We reviewed journals for the valuation adjustments to confirm that they have been accurately processed in the financial statements.

What else did we do and further relevant information

Our testing followed a fully substantive approach and considered the judgements and assumptions employed by the Council's valuer.

We understood the valuation methodology applied by the Council's valuer and considered whether we were required to employ an EY Specialist valuer to support our audit procedures. We did not determine that it was necessary to employ such a specialist.

What are our conclusions?

We have completed our work in this area.

We have confirmed that 14 PPE assets were revalued in 2023/24. We have selected 4 PPE assets for detailed testing. We have also selected 1 further asset to review prior to determining whether detailed testing is required.

This detailed testing includes focusing on the reasonableness of the underlying assumptions used, including the key assumptions of yield and forecast future income.

We did not identify any material misstatements arising from our testing of the 4 assets initially selected for testing. However, in performing our review of the fifth asset, we noted that this asset had only been subject to an impairment review in 2023/24 and not a full valuation. The previous full valuation was undertaken in 2017/18 and therefore, has not been revalued in the last 5 years as required under the Council's accounting policies and suggested within the CIPFA Code. The valuer therefore completed a full valuation and as such, we performed full detailed testing over this revised valuation. The revised valuation differed to the initial valuation by £698k being an understatement of the asset value. We consider this further in Section 05 of this report.

Areas of Audit Focus (cont'd)

Inherent Risk - Valuation of Council Dwellings

What is the risk?

As with land and buildings, the value of Council Dwellings in the Council's accounts are subject to valuation changes and impairment reviews. Management is required to make material judgemental inputs and apply estimation techniques to calculate the year-end balances recorded in the balance sheet.

What are our conclusions?

Our testing on this area is complete and we have identified no material misstatements.

The Beacon Methodology has been correctly applied and properties have been assessed to be appropriately classified within each beacon.

Council dwelling valuations are in line with current market data.

We have not identified any instances of inappropriate judgements being applied.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ We evaluated the application of the Beacon Methodology;
- ▶ We tested a sample of Council Dwellings valuations against equivalent property market sales; and
- ▶ We tested the accounting entries to ensure that they have been correctly processed in the financial statements.

What else did we do and further relevant information

Our testing followed a fully substantive approach and considered the judgements and assumptions employed by the Council's valuer.

We understood the valuation methodology applied by the Council's valuer and considered whether we were required to employ an EY Specialist valuer to support our audit procedures. We did not determine that it was necessary to employ such a specialist.

Areas of Audit Focus (cont'd)

Inherent Risk – Pension Liability / Asset Valuation

What is the risk?

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 deficit is a material estimated balance and the Code requires that this liability be disclosed on the Council's balance sheet.

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

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.

What else did we do and further relevant information

We considered outturn information available at the time we undertook our work after production of the Authority's draft financial statements, for example the year-end actual valuation of pension fund assets. We used this to inform our assessment of the accuracy of estimated information included in the financial statements and whether any adjustments are required.

What is the status of our work?

In response to the requirements of ISA540, the auditing standard on accounting estimates, we based our audit approach on procedures to evaluate management's process. The standard requires auditors to test the method of measurement of accounting estimates to determine whether the model is appropriately designed, consistently applied and mathematically accurate, and that the integrity of the assumptions and the data has been maintained in applying the model. Neither we, nor PWC as consulting actuaries commissioned by the NAO for all local public sector audits, are able to access the detailed models of the actuaries in order to evidence these requirements. Therefore, we undertook further procedures to create an auditor's estimate, to gain assurance. We employed the services of an EY pensions specialist to review the Authority's IAS 19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson.

After preparation of the draft financial statements by management but prior to the commencement of our audit testing, management notified us of a change being required to the Pension Liability balance of £520k. Our audit testing undertaken has been based on these updated balances.

The work performed by the EY pensions specialist identified a misstatement in some of the assumptions adopted by the actuary and as a result, a further IAS 19 report has been requested by the Council. This report was received by the Council on the 13th December 2024 and at the time of writing, we are completing our testing on this updated report which is different to the balance disclosed in the draft financial statements by £7,022k.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ We liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Authority
- ▶ We assessed the work of the pension fund actuary 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 considering any relevant reviews by the EY actuarial team
- ▶ We evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- ▶ We reviewed and tested the accounting entries and disclosures made within the Authority's financial statements in relation to IAS19.



03 Value for Money

Value for Money

The Authority's responsibilities for value for money (VFM)

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

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

Risk assessment and status of our work

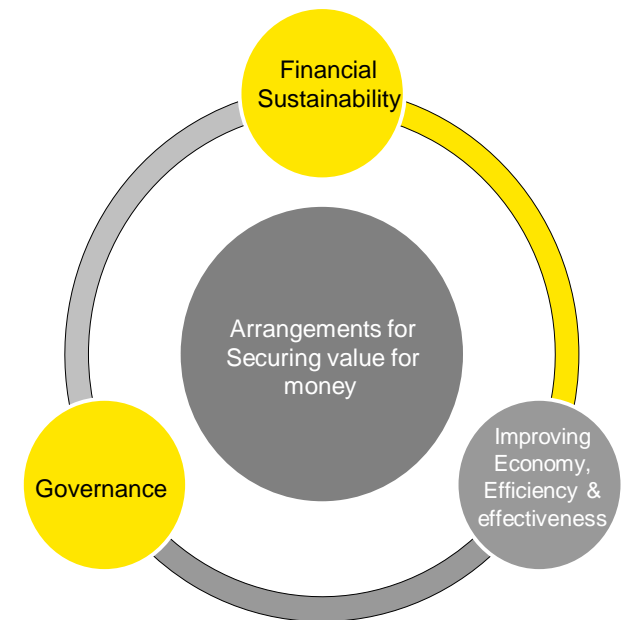
We are required to consider whether the Council has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

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

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

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

We have completed our detailed VFM work and identified no risks of significant weaknesses in arrangements.





04 Audit Differences



Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £132k which have been corrected by management that were identified during the course of our audit:

- ▶ £1,317k understatement of Property, Plant and Equipment balances valued on a DRC basis due to incorrect land values being determined
- ▶ £698k understatement of Property, Plant and Equipment balances valued on an EUV basis due to an asset not being subject to a full revaluation in the current year, despite being required in line with the Council's accounting policies

As noted on page 18 of this report, a misstatement has also been identified in relation to the valuation of the pension liability as at 31/03/2024. Our audit work remains ongoing in this area, although it is expected that this will be adjusted within the financial statements.

Disclosure misstatements have also been identified and corrected within the financial statements, including in relation to the leases disclosure note where the Council is acting as lessor.

Audit Differences (cont'd)

Summary of adjusted differences

In addition, we highlight the following misstatements to the financial statements and/or disclosures which were not corrected by management. We ask that the Audit Committee request of management that these uncorrected misstatements be corrected or the rationale as to why they are not corrected be considered and approved by the Audit Committee in line with the wording provided within the Letter of Representation attached in Appendix D:

Uncorrected misstatements 2023/24 (Currency'000)	Effect on the current period:		Net assets (Decrease)/Increase			
	OCI Debit/(Credit)	Income statement Debit/(Credit)	Assets current Debit/ (Credit)	Assets non- current Debit/ (Credit)	Liabilities current Debit/ (Credit)	Liabilities non- current Debit/ (Credit)
Errors						
Judgemental differences:						
▶ Investment Property Valuations: Judgemental differences were identified in relation of the valuation of 3 investment property assets		224		(224)		
Cumulative effect of uncorrected misstatements		224		(224)		

There are no amounts that we identified that are individually or in aggregate material to the presentation and disclosures of the consolidated financial statements for the year ended 31 March 2024.



05

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 any significant deficiencies in internal control.

We have identified the following weaknesses in internal control, which we do not consider to be a significant deficiency, as well as continued scope for improvement in some areas based on our work undertaken to the date of this report.

Valuation of Property, Plant and Equipment

As part of our work on the valuation of Property, Plant and Equipment in the financial statements, we discovered one asset which had been subject to an impairment review in the current year. However, this asset had not been subject to a full revaluation since 2017/18 and as such, had not been subject to a full asset valuation in the last 5 years in accordance with the Council's accounting policies and as suggested in the CIPFA Code which states in paragraphs 4.1.2.37 and 4.1.2.38 (within the 2023/24 CIPFA Code):

"Where assets are revalued (ie the carrying amount is based on current value), revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period.

The items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and the revaluations are kept up to date. A short period for property, plant and equipment is interpreted to mean that assets are normally measured once every five years for each class of assets, provided that current value meets the requirements of paragraph 4.1.2.37. Valuations shall be carried out at intervals of no more than five years."

Recommendation 1: Management should ensure that all assets are subject to a full revaluation on a significantly regular basis to ensure material accuracy of the Property, Plant and Equipment valuation in accordance with the entity's own accounting policies and the CIPFA Code.

Management Response: A full review of previous valuations will be undertaken to ensure all PPE are revalued every five years (max) and records updated to ensure the date of 5 yearly valuation are adhered to and can be checked by both valuers and accountants.

Preparation of Debtors and Creditors Listings at Year-End

As part of our audit testing of debtors and creditors, we experienced some difficulties in obtaining breakdowns of debtors and creditors balances, showing the outstanding amount at 31st March 2024. In some instances, transaction reports were provided showing transactions posted during the financial year as opposed to outstanding balances at year-end. When listings cannot be provided, or are not provided on a timely basis, this can require additional or alternative procedures to be performed which exceeds those initially planned.

Recommendation 2: The Council should ensure that breakdowns of debtor and creditor balances outstanding at year-end are readily available and support the outstanding position as opposed to in-year movements.

Management Response: This has been noted, and the Council will try to ensure that all information is more readily available. Some reports need all transactions to be included as they are unable to be clearly cleansed.



06

Other Reporting Issues

Other Reporting Issues

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

We must give an opinion on the consistency of the financial and non-financial information in the New Forest District Council Statement of Accounts 2023/24 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 New Forest District Council's Statement of Accounts 2023/24 and published with the financial statements was consistent with the audited financial statements, although this work remains subject to internal review.

We have reviewed the Annual Governance Statement and can confirm it is consistent with other information from our audit of the financial statements and we have no other matters to report, although this work remains subject to internal review.

Whole of Government Accounts

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

We have not yet performed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete.

Other powers and duties

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

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

Other Reporting Issues (cont'd)

Other matters

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

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

We have one issue to bring to your attention around the Council's arrangements for the adoption of the financial reporting standard IFRS 16 Leases which we consider to be a qualitative weakness in the Council's financial reporting arrangements. IFRS 16 will become effective for the local authorities for the 2024/25 financial year. At the point of writing:

- We have not been provided with a full listing of those leases impacted by IFRS 16.
- The Council has not identified the relevant lease categorisations.
- All significant data points have not been identified, collected, logged and checked.
- Relevant accounting policy choices have not yet been determined.
- Transitional and ongoing accounting arrangements are therefore not yet clear.

Other Reporting Issues (cont'd)

Other matters

This has meant that the Council has not been able to quantify the likely impact of the transition to IFRS 16 in its 2023/24 financial statements. The disclosure included in the 2023/24 financial statements as part of Note 2, Accounting Standards that have been Issued but not yet Adopted, only notes that the impact has not been assessed and does not explain why assessment of the impact has not been possible. Progress in this area now needs to be accelerated as a matter of urgency.

Recommendation 3:

Accelerate the rate of progress in arrangements for the implementation of IFRS 16 so the Council is able to comply fully with the requirements of the standard in its 2024/25 financial statements.

Management Response:

Work is ongoing in this area to move it forward as required for the 24/25 year end.

Other Reporting Issues (cont'd)

ISA (UK) 315 (Revised): Identifying and Addressing the Risks of Material Misstatement

ISA 315 is effective from FY 2022/23 onwards and is the critical standard which drives the auditor's approach to the following areas:

- ▶ Risk Assessment
- ▶ Understanding the entity's internal control
- ▶ Significant risk
- ▶ Approach to addressing significant risk (in combination with ISA 330)

Given that we are intending to disclaim the 2022/23 audit of the financial statements we have undertaken ISA (UK) 315 (Revised) procedures for the first time in 2023/24.

The International Auditing & Assurance Standards Board (IAASB) concluded that whilst the existing version of the standard was fundamentally sound, feedback determined that it was not always clear, leading to a possibility that risk identification was not consistent. The aims of the revised standard is to:

- ▶ Drive consistent and effective identification and assessment of risks of material misstatement
- ▶ Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities ('scalability')
- ▶ Modernise ISA 315 to meet evolving business needs, including:
 - ▶ how auditors use automated tools and techniques, including data analytics to perform risk assessment audit procedures; and
 - ▶ how auditors understand the entity's use of information technology relevant to financial reporting.
- ▶ Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.

Subject to review and conclusion of the audit, we set out the findings and conclusions from our work to implement ISA 315 in the table below.

Audit Procedures

We performed the following procedures:

- ▶ We enquired with management as to the relevant IT systems that would impact the statement of accounts for the audit.
- ▶ We made subsequent enquiries to understand the key IT process for the relevant material IT systems. This included the manage access, manage change and manage operation processes for these IT systems.

Audit findings and conclusions

- ▶ We identified the relevant material IT systems at the Council which includes the Council's general ledger system (Unit 4 Agresso).
- ▶ Our understanding of the IT processes for the Authority's material IT systems did not result in any additional audit risks.



07

Data Analytics



Data Analytics

Data analytics – Journal Entries (Follow Up from 2021/22 Audit)

As part of our 2021/22 audit, we noted the Council initiates the majority of journal entry postings based on budget figures. The amounts are allocated out to multiple business units on a monthly basis through recharges. In order to then record the actual rather than budgeted figures in the financial statements, clearing transactions are posted at year end.

This approach has been followed by the Council for a number of years and while it does not result in misstatements in the accounts, the multiple recharge and budgetary postings lead to difficulties in identifying a clear audit trail when testing a sample of Income and Expenditure transactions. It also makes the process of reconciling financial statements related general ledger codes to subledgers including Payroll and Accounts Receivable significantly more complex and time-consuming, which is a key procedure performed to confirm the completeness of listings.

In 2023/24, management revisited its approach in this area. Based on discussions with management, we recognise an intention to post one transaction per year to record these budget transactions, instead of the previous monthly postings. As this was discussed part way through 2023/24, the first 6 months of monthly transactions had been posted and therefore, management elected to post one transaction for the final 6 months.

The understanding obtained as part of the prior audit, and the reduced number of journals, did enable us to identify an efficient method of testing the various populations (namely income and expenditure balances) for the current year audit.

However, the volume of entries remained high, and this continued to require more resources to complete our testing in these areas than we would usually expect.



08

Independence

Independence

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY) and New Forest District Council, and its directors and senior management and its affiliates, including all services provided by us and our network to New Forest District Council, 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.

Confirmation

We confirm that, in our professional judgment, EY is independent, our integrity and objectivity is not compromised, and we have complied with the FRC Ethical Standard.

We confirm that your engagement team (partner, manager and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.

We confirm that we have communicated with the Council, information about the proposed non-audit service to enable them to make an informed assessment about the independence impact of the provision of the proposed services. There are no non-audit services in relation to the New Forest District Council.

EY has policies and procedures that instil professional values as part of firm culture and ensure that the highest standards of objectivity, independence and integrity are maintained. Details of the key policies and processes in place within EY for maintaining objectivity and independence can be found in our annual Transparency Report which the firm is required to publish by law. The most recent version of this Report is for the period ended 30 June 2024 and can be found here: [EY UK 2024 Transparency Report | EY - UK](#).

Relationships

There are no relationships from 1st April 2023 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 1st April 2023 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 - Fees

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

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

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

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

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

If any of the above assumptions prove to be unfounded, we seek a variation to the agreed fee. Details of our proposed scale fee variations for the audit of the Council are set out in the fee analysis on this page.

	2023/24	2022/23	2021/22
	£	£	£
Total Fee – Scale Fee	165,261	57,121	63,956
Scale fee adjustment	TBC – Note 3	TBC – Note 2	31,920 Note 1
Total audit fees	165,261	57,121	95,876

All fees exclude VAT

(1) As reported in our 2021/22 Audit Results Report, we submitted a proposal to PSAA for rebasing of the 2021/22 scale fee and for scale fee variations. The total value of the additional fee request submitted to PSAA, including both rebasing and scale fee variation elements was £48,380. Of this PSAA actually determined an amount of £31,920.

(2) As set out in the joint statement on update to proposals to clear the backlog and embed timely audit issued by DHLUC (now MHCLG), PSAA will use its fee variation process to determine the final fee the Council have to pay for the 2022/23 audit.

(3) The 2023/24 work is ongoing and a final fee will be determined on completion. This final fee is anticipated to include an adjustment for the following areas:

- Additional procedures to implement the revised ISA 315 (UK) auditing standard as originally set out in our Audit Planning Report.
- Additional procedures to consider the Council's readiness for the implementation of IFRS 16 as originally set out in our in our Audit Planning Report.

This is subject to change until the audit is complete and all additional scale fee adjustments are subject to PSAA approval.



09

Appendices

Appendix A – Summary of assurances

Summary of Assurances

As we have set out in Section 5 and the Executive Summary of this report, we anticipate issuing a disclaimer of opinion on the 2023/24 financial statements. Due to the disclaimer of opinion issued on the 2022/23 financial statements, we do not have assurance over the comparative figures disclosed in the financial statements, the opening balance position on 1 April 2023, the closing reserves balances on 31 March 2024 or the in-year movements recorded in the Comprehensive Income and Expenditure Statement. This is considered material and pervasive to the 2023/24 financial statements. The table below summarises the audit work we have completed on the 2023/24 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	Summary of work performed
Property, Plant and Equipment ('PPE')	Partial*	Our work in this area remains ongoing, however, we expect to have completed testing of the 2023/24 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 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 2024.
Investment Property	Partial*	Our work in this area remains ongoing, however, we expect to have completed testing of the 2023/24 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 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 Investment Property additions and disposals in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of Investment Property at 31 March 2024.
Long Term Debtors	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term & Long Term Investments	Substantial*	We are still in progress with regards to planned audit procedures on the short-term and long-term investments balance but expect to obtain assurance over the closing balance at 31 March 2024.
Short Term Debtors	Substantial*	We are still in progress with regards to planned audit procedures on the short-term debtors balance but expect to obtain assurance over the closing balance at 31 March 2024.
Cash and Cash Equivalents	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term & Long Term Borrowing	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2024.
Short Term Creditors	Substantial*	We are still in progress with regards to planned audit procedures on the short-term creditors balance but expect to obtain assurance over the closing balance at 31 March 2024.
Provisions	Substantial*	We are still in progress with regards to planned audit procedures on the provisions balance but expect to obtain assurance over the closing balance at 31 March 2024.
Pension Scheme Liability	Substantial*	We are still in progress with regards to our planned audit procedures in this area. Subject to completion of these planned procedures, we expect to obtain assurance over the closing balance at 31 March 2024.

* Assurance level is subject to completion of our planned audit procedures

Appendix A – Summary of assurances

Summary of Assurances

Account area	Assurance rating	Summary of work performed
Reserves	None*	Subject to completion of our planned audit procedures, until we have completed our work programme on the rebuilding of assurance following the disclaimed audit opinions, we are unable to obtain assurance over the useable and unusable reserves of the Council reported in the financial statements. We will provide more information on our proposed approach for rebuilding of assurance as part of our 2024/25 audit planning reports.
Comprehensive Income and Expenditure Statement (including REFCUS)	Partial*	Subject to completion of our planned audit procedures, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Collection Fund Statement	Partial*	Subject to completion of our planned audit procedures, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Housing Revenue Account Statement	Partial*	Subject to completion of our planned audit procedures, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Financial Statement Disclosures	Partial*	Testing over some financial statement disclosures is ongoing but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the disclosures are accurate.
Cash Flow Statement	Partial*	Testing over the cash flow statement is ongoing but, as we do not have assurance over the opening balance position at 1 April 2023, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.

Appendix B - Required communications with the Audit Committee

Required communications with the Audit Committee

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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies.
Planning and audit approach	<p>Communication of:</p> <ul style="list-style-type: none"> • The planned scope and timing of the audit • Any limitations on the planned work to be undertaken • The planned use of internal audit • The significant risks identified <p>When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.</p>	<p>External audit update report – 22nd March 2024</p> <p>Audit planning report – 31st May 2024</p>
Significant findings from the audit	<ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures • Significant difficulties, if any, encountered during the audit • 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 – 24 th January 2025

Appendix B - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Going concern	<p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • 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 – 24 th January 2025
Misstatements	<ul style="list-style-type: none"> • 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 – 24 th January 2025
Fraud	<ul style="list-style-type: none"> • Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity • Any fraud that we have identified or information we have obtained that indicates that a fraud may exist • Unless all of those charged with governance are involved in managing the entity, any identified or suspected fraud involving: <ol style="list-style-type: none"> a. Management; b. Employees who have significant roles in internal control; or c. Others where the fraud results in a material misstatement in the financial statements. • The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected • Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud • Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit results report – 24 th January 2025

Appendix B - Required communications with the Audit Committee (cont'd)

Required communications	What is reported?	When and where
Related parties	<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • 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 – 24 th January 2025
Independence	<p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, integrity, objectivity and independence.</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> • 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 <p>Communications whenever significant judgements are made about threats to integrity, objectivity and independence and the appropriateness of safeguards put in place.</p>	<p>Audit planning report – 31st May 2024</p> <p>Audit results report – 24th January 2025</p>
External confirmations	<ul style="list-style-type: none"> • Management's refusal for us to request confirmations • Inability to obtain relevant and reliable audit evidence from other procedures. 	Audit results report – 24 th January 2025
Consideration of laws and regulations	<ul style="list-style-type: none"> • Subject to compliance with applicable regulations, matters involving identified or suspected non-compliance with laws and regulations, other than those which are clearly inconsequential and the implications thereof. Instances of suspected non-compliance may also include those that are brought to our attention that are expected to occur imminently or for which there is reason to believe that they may occur • Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of 	Audit results report – 24 th January 2025
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> • Significant deficiencies in internal controls identified during the audit. 	Audit results report – 24 th January 2025

Appendix B - Required communications with the Audit Committee (cont'd)

Our Reporting to you

Required communications	What is reported?	When and where
Group Audits	<ul style="list-style-type: none"> An overview of the type of work to be performed on the financial information of the components An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements. 	Audit results report – 24 th January 2025
Written representations we are requesting from management and/or those charged with governance	<ul style="list-style-type: none"> Written representations we are requesting from management and/or those charged with governance 	Audit results report – 24 th January 2025
System of quality management	<ul style="list-style-type: none"> How the system of quality management (SQM) supports the consistent performance of a quality audit 	Audit results report – 24 th January 2025
Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	<ul style="list-style-type: none"> Material inconsistencies or misstatements of fact identified in other information which management has refused to revise 	Audit results report – 24 th January 2025
Auditors report	<ul style="list-style-type: none"> 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 – 24 th January 2025

Appendix C – 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
Financial Statement Disclosures	EY to complete testing on cash flow statement and financial instruments disclosures. Testing on other financial statement disclosures, including officers remuneration and the expenditure and funding analysis is complete pending internal review.	EY
Trade Receivables	EY to complete testing over reconciliation of general ledger balance to subledger balance for one account code. Management to provide support for one account code balance held for EY to review.	EY and Management
Short-Term and Long-Term Investments	EY to complete documentation over 3 investment confirmations received.	EY
Property, Plant and Equipment (PPE)	EY to complete documentation PPE disclosure notes, as well as testing over PPE disposals, existence, impairments, depreciation and major repairs additions. Some of these procedures may require some input from management.	EY
Investment Property	EY to complete testing over the revaluation movements posted during 2023/24.	EY
Trade Creditors	EY to complete testing and internal review over Collection Fund creditors and the accumulated absences accrual.	EY
Provisions	EY to complete testing over provisions held at 31 st March 2024.	EY
Pension Scheme Liability	EY to review updated IAS 19 report received from the actuary and adjustments made to the pension liability disclosures once posted by management.	EY and Management
Revenue Testing	EY to complete testing over Net Cost of Services income.	EY
Payroll Testing	EY to complete testing over a sample of starters and leavers within 2022/23 and 2023/24.	EY
Expenditure Testing	EY to complete testing over Net Cost of Services income.	EY

Appendix C – 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
Housing Revenue Account	EY to complete testing over disclosures notes included within the Housing Revenue Account statement.	EY
REFCUS	EY to complete testing over REFCUS transactions recorded.	EY
IT Applications	Management to provide responses to queries on the IT processes for the identified relevant IT applications. EY to review and document responses received.	EY and management
Internal Review	Testing has been completed on a number of areas although is pending internal EY review. These areas include the Annual Governance Statement, Narrative Statement, reserves, taxation and non-specific grant income, the Collection Fund and Related Parties.	EY
Whole of Government Accounts	EY to complete Whole of Government Accounts work.	EY
Journal Entry Testing	EY to complete testing over journal entry postings made.	EY
Going concern review and disclosures	EY central review process and finalisation of disclosures and opinion wording	EY
Annual Report and accounts	Management to share updated financial statements and EY to review changes made	EY and management
Management representation letter	Receipt of signed management representation letter	Management and those charged with governance
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY and management

Until all our audit procedures are complete, we cannot confirm the final form of our audit opinion as new issues may emerge or we may not agree on final detailed disclosures in the Financial Statements. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on going concern, officers' remuneration and those relating to our areas of audit focus remain to be finalised and audited.

Appendix D – Management representation letter

Management representation letter

Management Rep Letter

Ernst & Young
Grosvenor House
Grosvenor Square
Southampton
Hampshire
SO15 2BE

This letter of representations is provided in connection with your audit of the consolidated and parent Council financial statements of New Forest District Council (“the Group and Authority”) for the year ended 31 March 2024. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and parent Council financial statements give a true and fair view of the Group and Council financial position of New Forest District Council as of 31 March 2024 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with, for the Group and the Council, CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with, for the Group and the parent Council, the Accounts and Audit Regulations 2015 and the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
2. We acknowledge, as members of management of the Group and Council, our responsibility for the fair presentation of the consolidated and parent Council financial statements. We believe the consolidated and parent Council financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Group and parent Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the Group and Council financial statements are appropriately described in the Group and Council financial statements.
4. As members of management of the Group and Council, we believe that the Group and Council have 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 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)) for the Group and Council that are free from material misstatement, whether due to fraud or error.

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5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated and parent Council financial statements taken as a whole. We have not corrected these differences because of the materiality and the nature of the difference being judgemental, as opposed to finite.
6. We confirm the Group and Council does not have securities (debt or equity) listed on a recognized exchange.

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

1. We acknowledge that we are responsible to determine that the Group and 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 consolidated and parent Council financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud, that may have affected the Group or Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - Involving financial improprieties

- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and parent Council financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the consolidated and parent Council financial statements, but compliance with which may be fundamental to the operations of the Group and 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 consolidated and parent Council financial statements.

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3. We have made available to you all minutes of the meetings of shareholders, directors and committees of directors (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and 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 consolidated and parent Council financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
6. We have disclosed to you, and the Group and Council has complied with, all aspects of contractual agreements that could have a material effect on the consolidated and parent Council financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

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

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the consolidated and parent Council financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent, and have disclosed in Note 33 to the consolidated and parent Council financial statements all guarantees that we have given to third parties.

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E. Ownership of Assets

1. Except for assets capitalised under finance leases, the Group and Council has satisfactory title to all assets appearing in the balance sheet(s), and there are no liens or encumbrances on the Group and Council's assets, nor has any asset been pledged as collateral, other than those that are disclosed in the financial statements. All assets to which the Group and Authority has satisfactory title appear in the balance sheet(s).
2. All agreements and options to buy back assets previously sold have been properly recorded and adequately disclosed in the consolidated and parent Council financial statements.
3. There are no formal or informal compensating balance arrangements with any of our cash and investment accounts. Except as disclosed in the consolidated and parent Council financial statements, we have no other line of credit arrangements.

F. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the IAS 19 Pension valuation, Property, Plant and Equipment and Investment Property valuations and NNDR Appeals Provision valuation and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the consolidated and parent Council 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.

G. Estimates

1. We confirm that the significant judgments made in making the IAS 19 Pension valuation, Property, Plant and Equipment and Investment Property valuations and NNDR Appeals Provision valuation have taken into account all relevant information 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 IAS 19 Pension valuation, Property, Plant and Equipment and Investment Property valuations and NNDR Appeals Provision valuation.
3. We confirm that the significant assumptions used in making the IAS 19 Pension valuation, Property, Plant and Equipment and Investment Property valuations and NNDR Appeals Provision valuation appropriately reflect our intent and ability to carry out any relevant specific courses of action on behalf of the entity.
4. We confirm that the disclosures made in the consolidated and parent Authority financial statements with respect to the accounting estimates, including those describing estimation uncertainty are complete and are reasonable in the context of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)).
5. We confirm that appropriate specialized skills or expertise has been applied in making the IAS 19 Pension valuation, Property, Plant and Equipment and Investment Property valuations and NNDR Appeals Provision valuation.
6. We confirm that no adjustments are required to the accounting estimates and disclosures in the consolidated and parent Council financial statements.

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H. Retirement benefits

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

I. Reserves

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

J. 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 consolidated and parent Council financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the consolidated and parent Council 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:

(1) 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 non-compliance with laws or regulations that should be considered for disclosure in the consolidated and parent Council financial statements or as a basis for recording a loss contingency.

K. Going Concern

1. Note 46 to the consolidated and parent Council financial statements discloses all the matters of which we are aware that are relevant to the Group and 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.

L. Subsequent Events

1. Other than those events described in Note 6 to the consolidated and parent Council financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the consolidated and parent Council financial statements or notes thereto.

M. Group audits

1. There are no significant restrictions on our ability to distribute the retained profits of the Group because of statutory, contractual, exchange control or other restrictions other than those indicated in the Group financial statements.
2. Necessary adjustments have been made to eliminate all material intra-group unrealised profits on transactions amongst parent Council, subsidiary undertakings and associated undertakings.

N. Other information

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

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

O. Climate-related matters

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

2. The key assumptions used in preparing the consolidated and parent financial statements are, to the extent allowable under the requirements of the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (as amended by the Update to the Code and Specifications for Future Codes for Infrastructure Assets (November 2022)), aligned with the statements we have made in the other information or other public communications made by us.

Yours faithfully,

(Strategic Director Corporate Resources & Transformation)

(Chairman of the Audit Committee)

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