

New Forest District Council

Audit results report

Year ended 31 March 2025

January 2026



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Members of the Audit Committee
New Forest District Council
Appletree Court
Beaulieu Road
Lyndhurst
SO43 7PA

28 January 2026

Dear Audit Committee Members

2024/25 Audit results report

We attach our audit results report, summarising the status of our audit for the forthcoming meeting of the Audit Committee. We will update the Audit Committee at its meeting scheduled for 13 February 2026 on further progress to that date and explain the remaining steps to the issue of our final opinion.

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

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

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

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee meeting on 13 February 2026.

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

Scope update

In our Audit Planning Report presented at the 27 June 2025 Audit Committee meeting, we provided you with an overview of our audit scope and approach for the audit of the financial statements. We carried out our audit in accordance with this plan, with the following exception:

- Changes in materiality: We updated our planning materiality assessment using the draft financial statements and have also reconsidered our risk assessment. Based on our materiality measure of gross revenue expenditure on services, we have updated our overall materiality assessment to £2.73 million (Audit Planning Report – £2.62 million). This results in updated performance materiality, at 75% of overall materiality, of £2.05 million, and an updated threshold for reporting misstatements of £0.137 million.

Status of the audit

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

- Completion of our work over journals;
- Completion of our testing of PPE additions samples;
- Issues to resolve on our testing of creditors samples;
- Completion of our procedures over going concern;
- Completion of final review procedures across a number of areas which could lead to further issues to resolve;
- Review of the final version of the financial statements to ensure all adjustments have been made correctly;
- Completion of subsequent events review; and
- Receipt of the signed management representation letter

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

Executive Summary (cont'd)

Value for Money

In our Audit Planning Report dated 29 April 2025, 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 and completed the planned procedures in these areas we did not identify a significant weakness. See Section 03 of the report for further details.

Audit differences

- There were no uncorrected misstatements.
- Management have corrected a relatively small number other misstatements, one of which is material to the financial statements.
- We identified relatively small number of misstatements in disclosures, most of which were adjusted by management.
- Further details of adjusted misstatements are set out in section 5.

Other reporting issues

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

We have not yet completed the procedures required by the National Audit Office (NAO) on the Whole of Government Accounts.

Executive Summary (cont'd)

Areas of audit focus

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

Risk	Status of our work
Fraud Risk - Presumptive risk of management override of controls	<ul style="list-style-type: none"> Based on our work completed to date we have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the council's normal course of business. Our work to test journals remains outstanding at the date of this report.
Fraud Risk - Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	<ul style="list-style-type: none"> Based on our work completed to date on additions and REFCUS testing, we have not identified any material weaknesses in controls or evidence of inappropriate capitalisation of revenue expenditure. We identified a factual misstatement on the REFCUS balance in relation to spend on a Council-owned asset.
Significant Risk - Implementation of IFRS 16	<ul style="list-style-type: none"> Our work in this area is complete. No issues have been noted.
Risk of material misstatement - Valuation of property, plant and equipment (PPE) and investment property land and buildings valued at Existing Use Value (EUV) and Fair Value (FV)	<ul style="list-style-type: none"> Based on our work completed on PPE and IP valuations, a disclosure misstatement has been identified in relation to the presentation of derecognition of land values related to peppercorn leases that have been newly recognised as right of use assets.
Risk of material misstatement - Valuation of Council Dwellings	<ul style="list-style-type: none"> Our work in this area is complete. No issues have been noted.
Risk of material misstatement - Pension Liability Valuation	<ul style="list-style-type: none"> Our work in this area is complete. Hampshire Pension Fund's actuary had identified a discrepancy in their actuarial valuations which impacted all IAS19 reports for employers within the same accounting period. As a result, a further IAS 19 report was requested by the Council.

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

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

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

Executive Summary (cont'd)

Control observations

During the audit we identified a number of observations and improvement recommendations in relation to management's financial processes and controls. We have provided further details in Section 06.

- From all previous recommendations communicated in the 2023/24 Audit Results Report, only one has been fully actioned by management. The provision of proper breakdowns of the closing position of debtors and creditors and the streamlining of journal postings have been partially actioned. Management failed to prepare for the transition to IFRS 16 before the publication of the draft financial statements despite the urgency stressed in our recommendation in the previous year.

Independence

Please refer to Section 08 for our update on Independence.

Factors impacting the execution of the audit

Management, and the Audit Committee, as the Council's body charged with governance, have an essential role in supporting the delivery of an efficient and effective audit. Our ability to complete the audit is dependent on the timely formulation of appropriately supported accounting judgements, provision of accurate and relevant supporting evidence, access to the finance team and management's responsiveness to issues identified during the audit. The table over-page sets out our views on the effectiveness of the Council's arrangements to support external financial across a range of relevant measures.

Executive Summary (cont'd)

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

Area	Status			Explanation	Further detail
	R	A	G		
Timeliness of the draft financial statements	Effective			The financial statements were published by the 30th June 2025 deadline set out in the Accounts and Audit Regulations.	N/A
Quality and completeness of the draft financial statements	Ineffective			There were minimal non-material internal inconsistencies, typographical and arithmetic errors in the draft financial statements that demonstrates effective internal quality review prior to publication. However, the published draft financial statements were incomplete due to the failure to make adjustments for the implementation of IFRS 16.	We consider this further in our VFM reporting. See Section 03. We have also raised a related control recommendation in Section 06.
Delivery of working papers in accordance with agreed client assistance schedule	Requires improvement			Most working papers were provided to the agreed timetable. However, due to the IFRS 16 implementation still being in progress, we received working papers for property, plant and equipment three weeks after the commencement of the year end visit. This caused significant delay in our testing of property, plant and equipment.	We expect to raise a scale fee variation in respect of this. See Section 08 for further details.
Quality of working papers and supporting evidence	Requires improvement			Working papers and supporting evidence were generally of a good standard. However, we faced significant difficulty trying to map income and expenditure ledger codes as part of extracting transactional data from the Council's ledger that is needed to deliver the audit. This caused a significant delay in our testing of cost of services income and expenditure.	We expect to raise a scale fee variation in respect of this. See Section 08 for further details. We have also raised a related control recommendation in Section 06
Timeliness and quality of evidence supporting key accounting estimates	Effective			Working papers and supporting evidence supporting key accounting estimates were generally of a good standard.	N/A
Access to finance team and personnel to support the audit in accordance with agreed project plan	Requires improvement			There were no significant issues with access to the finance team and key personnel, apart from the first three weeks of the audit when the finance team were still working on IFRS 16 implementation and therefore had less availability to support our audit.	We expect to raise a scale fee variation in respect of this. See Section 08 for further details.
Volume and value of identified misstatements	Effective			A small number of material misstatements were detected as a result of our work which have been corrected by management.	See Section 05 for details of corrected misstatements.
Volume of misstatements in disclosure	Effective			A small number of misstatements in disclosure were detected in our work.	N/A



02 Areas of Audit Focus

Areas of Audit Focus

Presumptive risk of management override of controls (Fraud risk)



What is the risk?

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

As identified in ISA (UK) 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.

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 page 14.

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 complete. No issues were identified.

In addition, our testing of journal entries remains ongoing.

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

Our response to the key areas of challenge and professional judgement

We:

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

What else did we do and further relevant information

For our testing of journals, we obtained downloads of all financial ledger transactions posted in the year. We performed completeness analysis over the data, reconciling the sum of transactions to the movement in the trial balances and financial statements to ensure we have captured all data. Our analysers then reviewed and sorted transactions, allowing us to more effectively identify and test journals that we consider to be higher risk, as identified in our audit planning report.

Having evaluated this risk we have considered whether we need to perform other audit procedures not referred to above. We concluded that those procedures included under 'Inappropriate capitalisation of revenue expenditure' were required. See the following page for the results of our work in this area.

Areas of Audit Focus (cont'd)

Inappropriate capitalisation of revenue expenditure (Fraud risk)



Significant Risk

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 are our conclusions?

Our testing of additions and REFCUS is complete and has not identified any evidence of inappropriate capitalisation of revenue expenditure. However, we identified a factual misstatement in relation to spend which is capital in nature but wrongly classified as REFCUS instead of a PPE addition.

Our testing of journal entries remains ongoing. 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:

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

What else did we do and further relevant information

We selected a sample of PPE 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)

IFRS 16 Implementation (Significant risk)



What is the risk?

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

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

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

Based on our prior year work the Council had made little progress in collecting the information necessary to implement IFRS 16 and determine the impact on its financial statements.

What is the status of our work?

Our work in this area is complete. This detailed testing includes focusing on the reasonableness of the underlying assumptions used for valuation of right of use assets on peppercorn leases. No issues were identified. However, as set out on page 9 the published draft financial statements were incomplete due to the failure to make adjustments for the implementation of IFRS 16. We have raised a related control recommendation for improvement in Section 06.

Our response to the key areas of challenge and professional judgement

We:

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

What else did we do and further relevant information

We have done a two-way completeness check to ensure that all relevant leases disclosed in the previous year exist in the current year lease working papers and vice versa.

Areas of Audit Focus (cont'd)

Valuation of PPE and IP land and buildings valued at Existing Use Value (EUV) and Fair Value (FV) (Risk of material misstatement)

What is the risk?

PPE and investment property land and buildings measured at EUV and FV represent significant balances in the Council's accounts and are subject to valuation changes, impairment reviews and depreciation charges (for PPE assets only).

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

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 and FV assets may be under/overstated or the associated accounting entries incorrectly posted.

What are our conclusions?

Our work in this area is complete.

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

We identified a disclosure misstatement in relation to the presentation of derecognition of land values related to peppercorn leases that have been newly recognised as right of use assets.

Our response to the key areas of challenge and professional judgement

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;
- Considered the appropriateness of key assumptions used to inform the valuation and of the basis on which the valuation has been undertaken e.g. yield, or other comparable market evidence;
- Sample tested key asset information used by the valuers in performing their valuation (e.g. floor plans to support valuations based on price per square metre);
- Considered the annual cycle of valuations to ensure that assets have been valued within a 5-year rolling programme as required by the Code for PPE and annually for IP. We will also considered if there were any specific changes to assets and that these have been communicated to the valuer;
- Reviewed any EUV assets not subject to valuation in 2024/25 to confirm that the remaining asset base is not materially misstated;
- Considered changes to useful economic lives as a result of the most recent valuation; and
- Tested accounting entries have been correctly processed and disclosed 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 employed by the Council's valuer and considered whether we are 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.

The Council revalued 27 land and building (L&B) assets, 5 using DRC and 22 using EUV and all 13 investment properties in 2024/25. We sample tested 1 L&B asset valued using DRC and 4 L&B assets using EUV achieving coverage of 18% and 59% of the assets in value. We also sample tested 4 investment properties covering 19% of the assets in value.

Areas of Audit Focus (cont'd)

Pension Liability / Asset Valuation (Risk of material misstatement)

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. At 31 March 2025 this totalled £5.2 million.

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 are our conclusions?

Hampshire Pension Fund's actuary had identified a discrepancy in their actuarial valuations which impacted all IAS19 reports for employers within the same accounting period. As a result, a further IAS 19 report was requested by the Council. Based on the revised report, management have agreed to update related disclosures. We are satisfied this revised valuation is accurate within a reasonable tolerance.

Our response to the key areas of challenge and professional judgement

We have:

- Liaised with the auditors of Hampshire Pension Fund, to obtain assurances over the information supplied to the actuary in relation to the Council.
- 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 considered any relevant reviews by the EY actuarial team
- Evaluated the reasonableness of the Pension Fund actuary's calculations by comparing them to the outputs of our own auditor's specialist's model; and
- Reviewed and tested the accounting entries and disclosures made within the Council's financial statements in relation to IAS19.

What else did we do and further relevant information

We have considered outturn information available at the time we undertook our work after production of the Council'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.

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 Council's IAS 19 reports and run a parallel actuarial model which was compared to that produced by Hymans Robertson.



03 Value for Money

Value for Money

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

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

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

Risk assessment and status of our work

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

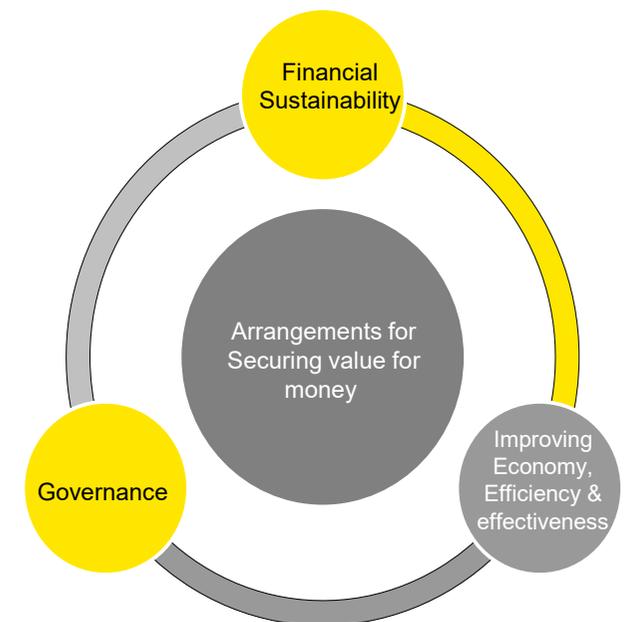
Our value for money planning and the associated risk assessment is focused on gathering sufficient evidence to enable us to document our evaluation of the Council's arrangements, to enable us to draft a commentary under three reporting criteria (see below). This includes identifying and reporting on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

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

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

We have completed our detailed VFM work and identified no risks of significant weaknesses in arrangements and therefore expect to have no matters to report by exception in our audit report.

We gave serious consideration as to whether the failure to include IFRS 16 entries and disclosures in the draft financial statements published by the statutory deadline constituted a significant weakness in the Council's governance arrangements for external statutory reporting. We have ultimately concluded that this is not a matter to report by exception in our audit report and recognise the hard work of the finance team to update the financial statements while also supporting the execution phase of the audit. However, it is important that the Council's arrangements are improved such that this does not reoccur in the future if and when new financial reporting standards are adopted in the financial reporting framework for local government. We have raised a related control recommendation for improvement in Section 06 of the report.





04 Audit Report

Audit Report

Expected modification to the audit report

As reported in our 2023/24 Auditors Annual Report to Those Charged with Governance, we issued a disclaimed audit report on the Council's financial statements for 2023/24 under the arrangements to reset and recover local government audit.

As a result of the 2023/24 disclaimed audit report, we do not have assurance over all the brought forward balances from 2023/24 (the opening balances). This means we do not have assurance over 2024/25 in-year movements and some closing balances. We also do not have assurance over the 2023/24 comparative amounts disclosed in the 2024/25 financial statements.

We are aiming to complete all planned procedures for 2024/25 but, 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 usable and unusable reserves of the Council reported in the financial statements.

We therefore anticipate issuing a disclaimed 2024/25 audit opinion.



05 Audit Differences

Audit Differences

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

Summary of adjusted differences

We highlight the following misstatements greater than £136,677 which have been corrected by management that were identified during the course of our audit:

- £161,138 overstatement of REFCUS due to spend incurred on a Council-owned asset wrongly recognised as REFCUS instead of additions to property, plant and equipment (PPE).
- £3.99 million understatement of net cash flows from investing activities due to inclusion of liabilities recognised on IFRS16 transition within purchase of PPE.

There were no uncorrected misstatements.



06

Assessment of Control Environment

Assessment of Control Environment

Financial controls

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

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. As we have adopted a fully substantive approach, we have therefore not tested the operation of controls.

Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control.

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.

We have identified a recurrence of some control issues, reported in our 2023/24 Audit Results Report findings. These include:

- Management's approach to journal entry posting is not efficient. To address this the Council should continue to seek to group, automate or eliminate the postings made.
- Management cannot provide breakdowns of the closing position of creditors at year end. Specifically, we were only transaction reports showing transactions posted during the financial year rather than outstanding balances at year-end.

Further to this, we identified the following control deficiencies in the current year:

- Management have not included purchaser's costs in their valuations of Investment Properties or Land and Buildings valued using the EUV method.
- Although declarations of interests are obtained annually from Councillors, the register of interests for Councillors are not up to date on the Council's website, with some not being updated since 2019.

These matters have been discussed with management for resolution in future years, see further detail on the following pages.

We had no further matters to report.

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

Assessment of Control Environment (cont'd)

Summary of control observations and recommendations

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
Management have not included purchaser's costs in their valuations of Investment Properties or Land and Buildings valued using the EUV method. This increases the risk of material misstatement of valuations.	Moderate			Include purchaser's costs in the valuations of Investment Properties and Land and Buildings valued using the EUV method.	The Council's valuers will continue to have due regard to RICs guidance around purchase costs and the need or otherwise to reflect these in EUV methodology.
Declarations of interests are obtained annually from Councillors. However, the register of interests for Councillors are not up to date on the Council's website. Some of the registers having not been updated since 2019.	Low			Update register of interests as and when new interests are declared by Councillors or at least on an annual basis.	The Council notes the observations and will review the guidance around the register of interests to determine whether an annual update is required.
Entries and disclosures needed to adopt IFRS 16 were not included in the draft financial statements initially published. This delayed commencement of the audit, with finance team capacity needed to address this during the execution phase of the audit. This has had an adverse impact on audit delivery.	High			Where there are known future changes to the financial reporting framework likely to have a material impact on the financial statements, ensure that a timely, properly resourced and monitored project plan is established to ensure required changes are completely reflected in the published draft financial statements.	The Council's finance team will appropriately consider future changes to the financial reporting framework and will consider the use of a project plan to ensure the necessary changes are resourced, and timely.
Transactional breakdowns of creditor balances included brought forward balances which needed to be eliminated before we were able to select samples for detailed testing. This was a time-consuming process and increases the risk of error in the year end balance.	Moderate			Ensure that breakdowns of creditor balances outstanding at year-end are readily available and support the outstanding position as opposed to in-year movements. This recommendation is partially repeated from the prior year.	The Council will try to ensure that all information pertaining to creditors is presented in the format as desired by the auditor.

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

Assessment of Control Environment (cont'd)

Summary of control observations and recommendations (cont'd)

Control observation and impact	Grading			Recommendation	Management Response
	H	M	L		
Our current year work continued to identify thousands of journals made to income and expenditure ledger codes that need to be eliminated before we can perform sampling procedures on the income and expenditure transactional data. The exercise of eliminating the irrelevant journals or account codes has proven difficult for management. This also required further time to be input by us and caused further delays in completion of the audit.	High			The Council should consider whether its current approach to journal entry posting is the most efficient and seek to group, automate or eliminate the postings made. This recommendation is repeated from the prior year.	The number of journal posting has significantly reduced over the last 2 financial year cycles, in accordance with previous recommendations. It is also worthy of note that batch journals are posted, not individual lines one by one. Any further changes will require a far more significant overhaul of financial reporting and budget setting and so is not something that we consider appropriate so close to LGR, which ultimately would render this significant work abortive. Efforts will however be made to further streamline our reporting and working papers to the auditor.

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

Assessment of Control Environment (cont'd)

Status of previous year's recommendations

Recommendation	Grading			Update
	H	M	L	
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.	Moderate			Based on our audit procedures performed on PPE valuations, we can confirm that all assets have been fully revalued within a 5-year cycle. We are satisfied the recommendation is addressed.
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.	Low			Based on our audit procedures performed on debtors, brought forward balances have been eliminated from the breakdowns provided to us, hence only the items related to the outstanding balance remain at year end. This aspect of the recommendation is therefore addressed. However, this was not the case for creditors, where brought forward balances remained in the breakdowns. We have therefore repeated this as a control recommendation in the current year on the previous page. We now consider the recommendation priority to be moderate rather than low.
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.	High			We have concluded that this recommendation was not implemented. The draft financial statements submitted for audit did not include IFRS 16 related entries and disclosures. We have considered the impact of this on our current year reporting by exception on the Council's VFM arrangements. See further details in section 03.
The Council should consider whether its current approach to journal entry posting is the most efficient and seek to group, automate or eliminate the postings made. This recommendation was originally raised as part of the 2021/22 audit. Although a review of internal recharging process was undertaken designed to reduce the overall number of journal entries, we had not concluded the recommendation to be fully addressed at the end of 2023/24.	Moderate			This recommendation has not been implemented. Our current year work continued to identify thousands of journals made to income and expenditure ledger codes that need to be eliminated before we can perform sampling procedures on the income and expenditure transactional data. The exercise of eliminating the irrelevant journals or account codes has proven difficult for management. This also required further time to be input by us and caused further delays in completion of the audit.



07

Other Reporting Issues

Other Reporting Issues

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

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

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

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

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

Whole of Government Accounts

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

We have not yet performed the procedures required by the NAO on the Whole of Government Accounts submission. We cannot issue our Audit Certificate until these procedures are complete, and the NAO has confirmed no further procedure are required.

Other powers and duties

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

We did not identify any issues which required us to issue a report in the public interest or statutory recommendations under Schedule 7.



08

Independence

Independence

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

Relationships

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

Services provided by EY

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

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

Independence

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

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

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

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

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

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

	Current Year	Prior Year
	£	£
Scale Fee - Code Work	180,610	165,261
Additional work not considered by the scale fee to assess the council's adoption of IFRS 16 and to consider related disclosures in the financial statements	TBD Note 2	
Other scale fee variations due to the issues identified through the 2024/25 audit	TBD Note 3	
Scale fee variation determined for the 2023/24 audit		36,013 Note 1
Total fees	TBD	201,274

All fees exclude VAT

(1) As set in our 2024/25 Audit Planning Report a scale fee variation was submitted to PSAA covering the following areas:

- Additional procedures to implement the revised ISA 315 (UK) auditing standard.
- Additional procedures to consider the Council's readiness for the implementation of IFRS 16.
- Work performed by EY Pensions to review the assumptions used in the Pensions Liability alongside additional work performed by the EY Audit Team to review the revised IAS 19 report requested from the Pension Fund Actuary, as a result of a misstatement.
- Additional procedures required as a result of the number of recharge journals posted by the Council.

That scale fee variation has now been determined at a total value of £36,013.

(2) An in-year scale fee variation will be submitted in relation to the work to comply with the requirements of IFRS 16. We will report our final proposed scale fee variation on completion of our work.

(3) An in-year scale fee variation will be submitted in relation to the work performed in the year, the issues identified and specialists involved in the audit. The main issues requiring additional time and leading to delay are detailed on page 9 of this report. They are:

- A failure to provide a complete set of draft financial statements containing adjustments for the implementation of IFRS 16 by the deadline for accounts publication.
- The need for us to eliminate thousands of journals and account codes from the income and expenditure listings before we can proceed with sampling.
- The need for us to eliminate opening balances from the creditor transactional reports before we can proceed with sampling.

We are continuing to raise control recommendations for improvement in the current year in each of these areas.

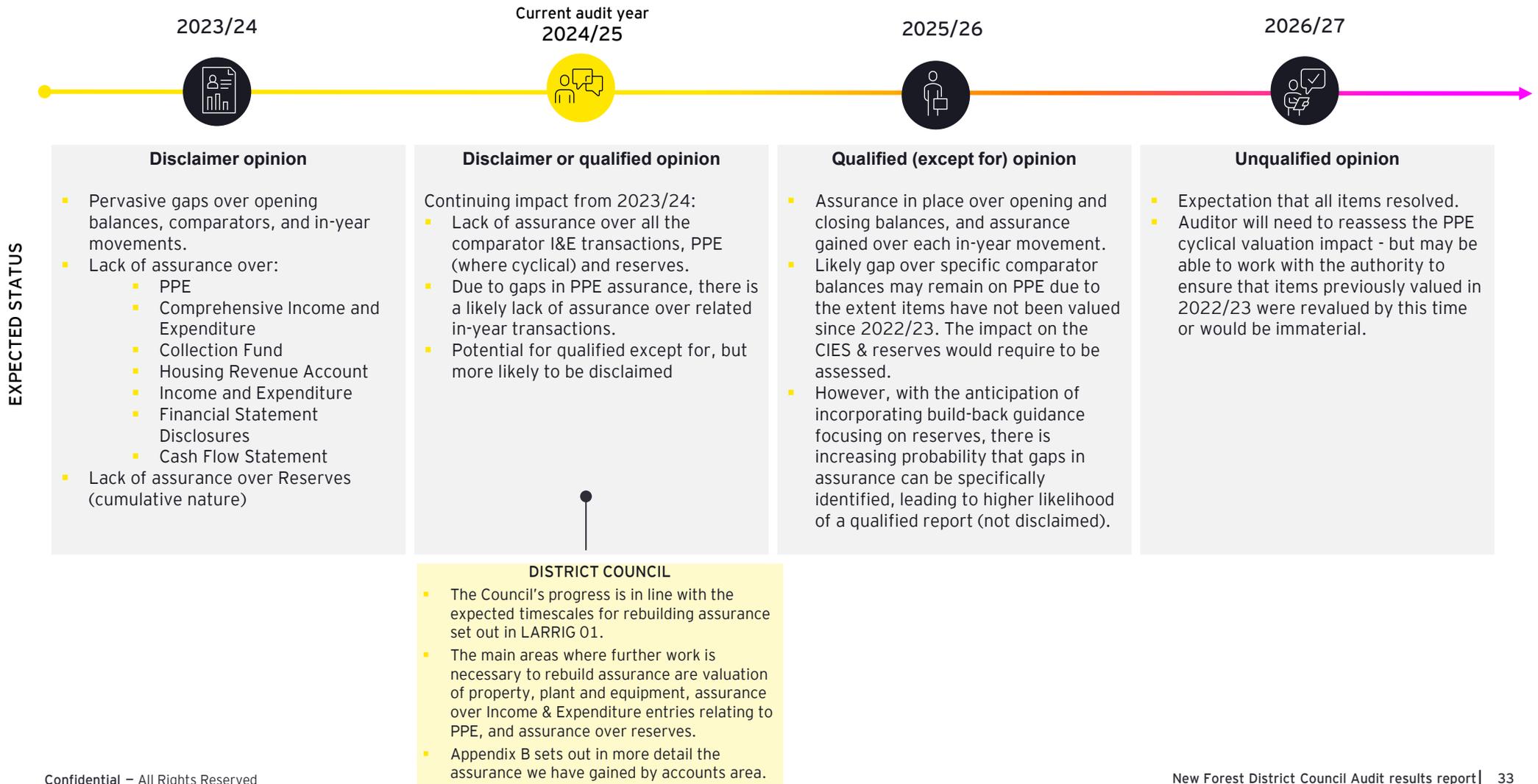


09 Appendices

Appendix A – Progress to full assurance

Progress to full assurance

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



Appendix B – Updated summary of assurances

Summary of Assurances

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

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Property, Plant and Equipment ('PPE')	Partial	Partial*	We have completed testing of the 2023/24 and 2024/25 additions and disposals to the fixed asset register, audited the valuation of a sample of assets revalued in 2023/24 and 2024/25 and performed procedures to obtain assurance over the existence of assets on the fixed asset register and the Council's right to recognize those assets; however, until we are able to rebuild assurance over PPE additions, disposals and revaluations in the disclaimed periods, we are unable to obtain full assurance over the completeness and valuation of PPE at 31 March 2025.
Investment Property	Partial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term Investments	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Long Term Debtors	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Investments	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Short Term Debtors	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash and Cash Equivalents	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

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

Appendix B – Updated summary of assurances

Summary of Assurances (continued)

Account area	Assurance rating 2023/24	Assurance rating 2024/25	Summary of work performed
Creditors (short and long term)	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Borrowings (short and long term)	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Provisions (short and long term)	Substantial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Local Government Pension Scheme Liability	Substantial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Collection Fund	Partial	Partial*	We have completed our planned audit procedures in this area. As we do not have assurance over the closing balance position at 31 March 2023 or at 31 March 2024, we do not have assurance over the opening position at 1 April 2024. Whilst we have tested and obtained assurance over all of the in-year movements recorded in the 2024/25 financial statements, the lack of assurance over the opening position means that we do not have substantial assurance over the closing position at 31 March 2025.
Comprehensive Income and Expenditure Statement (including the Housing Revenue Account and REFCUS but excluding NCOS expenditure)	Partial	Partial*	We completed our planned testing on the Comprehensive Income and Expenditure Statement in 2023/24 and 2024/25 but, as we do not have full assurance over income and expenditure entries relating to PPE and intangible assets, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Comprehensive Income and Expenditure Statement (NCOS expenditure)	None	Partial*	We completed our planned testing on the Comprehensive Income and Expenditure Statement in 2024/25 but, as we do not have full assurance over income and expenditure entries relating to PPE and intangible assets, we are unable to obtain assurance that all of the in-year movements recorded in the statement are accurate.
Reserves	None	None*	We have completed our work on the movements in reserves in 2022/23 and 2023/24 but, 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 do have full assurance over the closing 2024/25 position of the Pensions Reserve.
Financial Statement Disclosures	Partial	Substantial*	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.
Cash Flow Statement	Partial	Substantial	We have completed our planned audit procedures in this area and have obtained assurance over the closing balance at 31 March 2025.

Appendix C – Required communications with those charged with governance

Required communications with those charged with governance

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

		Our Reporting to you
Required communications	What is reported?	When and where
Terms of engagement	Confirmation by the audit committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.	The statement of responsibilities serves as the formal terms of engagement between the PSAA's appointed auditors and audited bodies
Our responsibilities	Reminder of our responsibilities as set out in the engagement letter.	Audit Planning Report - April 2025
Planning and audit approach	Communication of: <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 	Audit Planning Report - April 2025
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 - January 2026
Going concern	Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <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 - January 2026

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

		Our Reporting to you
Required communications	What is reported?	When and where
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 - January 2026
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: <ul style="list-style-type: none"> ▪ Management; ▪ Employees who have significant roles in internal control; or ▪ Others where the fraud results in a material misstatement in the financial statements. ▪ The nature, timing and extent of audit procedures necessary to complete the audit when fraud involving management is suspected ▪ Matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud ▪ Any other matters related to fraud, relevant to Audit Committee responsibility. 	Audit Results Report - January 2026
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 - January 2026

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

		Our Reporting to you
Required communications	What is reported?	When and where
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 - April 2025</p> <p>Audit Results Report - January 2026</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 - January 2026
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 - January 2026
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 - January 2026

Appendix C – Required communications with those charged with governance (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 - January 2026
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 - January 2026
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 - January 2026
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 - January 2026
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 - January 2026

Appendix D – Regulatory update

The English Devolution and Community Empowerment Bill – Audit Measures

Background

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

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

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

Part 4 of the Bill - Reforming local audit

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

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

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

Appendix E – Draft management representation letter

Draft management representation letter

As the audit work is ongoing, we have included below an indicative version of the draft letter.

Management Rep Letter

[To be prepared on the entity's letterhead]

[Date]

Simon Mathers
Ernst & Young LLP
Grosvenor House
Grosvenor Square
Southampton
SO15 2BE

This letter of representations is provided in connection with your audit of the financial statements of New Forest District Council ("the Council") for the year ended 31 March 2025. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the Council financial position of New Forest District Council as of 31 March 2025 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

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

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

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The material accounting policy information adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. We have not corrected these differences identified by and brought to the attention from the auditor because [specify reasons for not correcting misstatement].

Appendix E – Draft management representation letter

Draft management representation letter

As the audit work is ongoing, we have included below an indicative version of the draft letter.

Management Rep Letter

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

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of a system of internal control to prevent and detect fraud and that we believe we have appropriately fulfilled those responsibilities.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
 - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to

continue to operate, or to avoid material penalties;

- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council, Cabinet and Governance committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the year to the most recent meeting on the following date: [list date].

Appendix E – Draft management representation letter

Draft management representation letter

As the audit work is ongoing, we have included below an indicative version of the draft letter.

Management Rep Letter

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

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 2024/25.

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

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 to the best of our knowledge is reasonably likely to have occurred based on our investigation, 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 impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount.

D. Liabilities and Contingencies

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

E. Going Concern

1. Note 1 to the financial statements discloses all the matters of which we are aware that are relevant to the Council's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

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

Appendix E – Draft management representation letter

Draft management representation letter

As the audit work is ongoing, we have included below an indicative version of the draft letter.

Management Rep Letter

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.
3. We confirm that the Annual Governance Statement for 2024/25 is a true reflection, in all material respects, of the governance arrangements and the effectiveness of those arrangements in 2024/25 and includes disclosure of all significant governance issues and findings relating to that financial year, through to the date of this letter.

H. 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.
2. The key assumptions used in preparing the 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 2024/25, aligned with the statements we have made in the other information or other public communications made by us (see section G).

I. Ownership of Assets

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

J. Reserves

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

K. Contingent Liabilities

1. We are unaware of any violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial statements or as the basis of recording a contingent loss (other than those disclosed or accrued in the financial statements).
2. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance, except as matters of routine, normal, recurring nature (e.g., examinations by bank and insurance examiners or 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 financial statements or as a basis for recording a loss contingency.

Appendix E – Draft management representation letter

Draft management representation letter

As the audit work is ongoing, we have included below an indicative version of the draft letter.

Management Rep Letter

L. Use of the Work of a Specialist

1. We agree with the findings of the specialists that we engaged to evaluate the property, plant and equipment and investment property valuations, the IAS 19 liability, and the business rates appeals provision and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

M. Estimates

1. We confirm that the significant judgments made in making the property, plant and equipment and investment property valuations, the IAS 19 liability, and the business rates appeals provision estimates 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 property, plant and equipment and investment property valuations, the IAS 19 liability, and the business rates appeals provision estimates.
3. We confirm that the significant assumptions used in making the property, plant and equipment and investment property valuations, the IAS 19 liability, and the business rates appeals provision estimates appropriately reflect our intent and ability to carry out any specific courses of action on behalf of the entity.

4. We confirm that the disclosures made in the financial statements with respect to the accounting estimate, 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 2024/25.

5. We confirm that appropriate specialized skills or expertise has been applied in making the property, plant and equipment and investment property valuations, the IAS 19 liability, and the business rates appeals provision estimates.

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

N. 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.

Yours faithfully,

(Chief Financial Officer)

(Chairman of the Audit Committee)

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