

New Forest National Park Authority Interim Audit Results Report

Year ended 31 March 2024

26th September 2024





New Forest National Park Authority
Lymington Town Hall,
Avenue Road,
Lymington,
SO41 9ZG

26th September 2024

Dear Authority Members

2023/24 Interim Audit results report

We are pleased to attach our interim audit results report, summarising the status of our audit for the forthcoming meeting of the Authority. We will update the Authority at its meeting scheduled for 17 October 2024 on further progress to that date and explain the remaining steps to the issue of our final opinion.

As you will be aware, the new Minister of State responsible for Local Government and English Devolution made a statement to parliament on Tuesday 30 July 2024, setting out the Government's policy proposal for addressing the local government audit backlog. This statement outlines immediate actions the Government – together with the Financial Reporting Council (FRC), the National Audit Office (NAO) and organisations in the wider system – is taking, which are designed to address the backlog and put local audit on a sustainable footing. These now provide helpful clarity on the government's policy intentions and recognise the commitment of finance teams and auditors and the important role that we will all play to restore timely financial reporting.

While further guidance remains to be issued, this interim audit results report contains our provisional findings for the 2023/24 audit related to the areas of audit emphasis, our views on New Forest National Park Authority's (the Authority's) accounting policies and judgements and material internal control findings, which will form the basis of our Final Audit Results Report to be issued in advance of the 2023/24 audit opinion.

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.

This report is intended solely for the information and use of the Authority Members and management. It 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 Authority meeting on 17 October 2024.

Yours faithfully

Simon Mathers

Partner

For and on behalf of Ernst & Young LLP

Encl

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Public Sector Audit Appointments Ltd (PSAA) issued the "Statement of responsibilities of auditors and audited bodies". It is available from the PSAA website (<https://www.psaa.co.uk/audit-quality/statement-of-responsibilities/>). 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 Authority Members and management of New Forest National Park Authority in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Authority Members and management of New Forest National Park Authority 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 Authority Members and management of New Forest National Park Authority 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

Scope update

In our audit planning report tabled at the 3 June 2024 Resources, Audit and Performance 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 on provision of services, we have updated our overall materiality assessment to £100k (Audit Planning Report – £116k). This results in updated performance materiality, at 75% of overall materiality, of £75k, and an updated threshold for reporting misstatements of £5k.

Status of the audit

Our audit work in respect of the Authority opinion is well progressed. The following items relating to the completion of our substantive audit procedures were outstanding at the date of this report.

- Pensions valuation – we have not yet received final output from our pensions audit specialist to gain assurance over the roll forward of the actuarial data that forms the basis of the IAS 19 liability accounted for in the financial statements.
- Income – we continue to require audit evidence for 3 income items selected for detailed testing.

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 9 April 2024, we reported that we had completed our value for money (VFM) risk assessment and that 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

At the time of writing, no audit differences have been identified within the financial statements of New Forest National Park Authority. We have however, identified some casting errors within the Movement in Reserves Statement.

Disclosure misstatements have been identified in various notes contained in the financial statements including in relation to Capital Expenditure and Financing, Property, Plant and Equipment, Related Parties, Expenditure and Funding Analysis and Uncertainties relating to Assumptions and Estimates Used. Other typographical misstatements have also been identified within the financial statements and disclosure notes.



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 Authority. 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. We will provide a further update on our work in this area in due course.

Areas of audit focus

In our Audit Plan we identified a number of key areas of focus for our audit of the financial report of New Forest National Park Authority. 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

- ▶ Our audit work to date has not identified any evidence of material misstatement due to fraud or error, including through management override of controls.

Significant and Fraud Risk: Inappropriate capitalisation of revenue expenditure

- ▶ We have completed our testing in this area and have not identified any misstatements or instances of inappropriate capitalisation of costs.

Inherent Risk: Pension Liability / Asset Valuation

- ▶ Our work in this area remains ongoing at the date of this report. We have identified no issues to bring to your attention based on our procedures completed to date.

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 Authority or Management.



Executive Summary (cont'd)

Control observations

During the audit, we identified the following weaknesses in internal control which we do not consider to be significant deficiencies :

- Related Parties: Our testing showed that some member declaration forms were not completed during the annual declaration confirmation process.

Independence

Please refer to Section 07 for our update on Independence.

A background image showing a close-up of a person's hand holding a silver pen, pointing at a tablet screen. The screen displays a bar chart with several bars of varying heights and colors (green, yellow, orange, red). The person is wearing a blue shirt and a dark tie.

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 are our conclusions?

Based on our work undertaken as at the date of this report, we have not identified any material weaknesses in controls or evidence of management override, instances of inappropriate judgements being applied, or any other transactions during our audit which appear unusual or outside the Authority's normal course of business.

However, our testing in respect of the key accounting estimate of the Pension Assets and Liabilities valuation is ongoing.

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 (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. We focused on the Authority's judgements exercised in determining whether expenditure is capital in nature, and therefore, appropriate to be capitalised rather than charged to the Comprehensive Income and Expenditure Statement.

Our response to the key areas of challenge and professional judgement

We performed the following procedures:

- ▶ We tested Property, Plant and Equipment (PPE) 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 asset 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 Revenue Expenditure Funded from Capital Under Statute (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 are our conclusions?

Our procedures to address this risk are complete.

Our testing of PPE additions has not identified any evidence of inappropriate capitalisation of revenue expenditure and our testing of REFCUS spend has not identified any instances of spend being inappropriately financed from ringfenced capital resources.

Our relevant journal testing did not identify any journals transferring expenditure from revenue to capital codes on the general ledger at the end of the year that were indicative of the inappropriate capitalisation of revenue expenditure.

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 additions or from revenue to capital codes on the general ledger at the end of the year.

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 Authority to make extensive disclosures within its financial statements regarding its membership of the Local Government Pension Scheme administered by the Authority.

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

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

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

Our response to the key areas of challenge and professional judgement

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.

What are our conclusions?

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.

This work, together with the receipt of final IAS 19 assurances from the auditor of Hampshire Pension Fund, remains ongoing at the date of this report.

We have no other findings to draw to your attention at this stage.

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.



03 Value for Money

Value for Money

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

The Authority 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 Authority 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 CIPFA code of practice on local authority accounting. 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

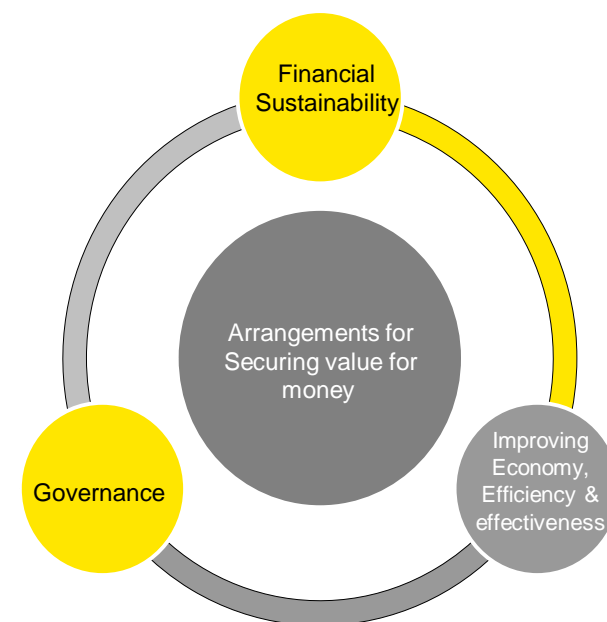
We are required to consider whether the Authority has made 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources.

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 Authority'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 Authority's arrangements against three reporting criteria:

- ▶ Financial sustainability - How the Authority plans and manages its resources to ensure it can continue to deliver its services;
- ▶ Governance - How the Authority ensures that it makes informed decisions and properly manages its risks; and
- ▶ Improving economy, efficiency and effectiveness - How the Authority 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 the Authority's VFM 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

At the time of writing, no audit differences have been identified within the financial statements of New Forest National Park Authority as either corrected or uncorrected. We have however, identified some casting errors within the Movement in Reserves Statement.

Disclosure misstatements have been identified in various notes contained in the financial statements including in relation to Capital Expenditure and Financing, Property, Plant and Equipment, Related Parties, Expenditure and Funding Analysis and Uncertainties relating to Assumptions and Estimates Used. Other typographical misstatements have also been identified within the financial statements and disclosure notes.



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 weakness 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.

Related Parties

As part of our work to on the identification and disclosure of related party transactions in the financial statements, we observed that a number of member declaration forms were not updated on a timely basis. This results in an increased risk of the inaccurate or incomplete disclosure of related party transactions in the Authority's accounts.

Recommendation 1:

Member declaration forms should be completed on a timely basis to ensure that related parties are sufficiently disclosed.



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 National Park Authority's 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 National Park Authority Statement of Accounts 2023/24 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 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 to consider whether to report on any matter that comes to our attention in the course of the audit, either for the Authority to consider it or to bring it to the attention of the public (i.e. "a report in the public interest").

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 Authority's arrangements for the adoption of the financial reporting standard IFRS 16 Leases which we consider to be a qualitative weakness in the Authority's financial reporting arrangements. IFRS 16 will become effective for the local authorities for the 2024/25 financial year. Although we have been informed that management has identified the leases that it considers will be in the scope for the implementation of IFRS 16:

- We have not been provided with a full listing of those leases.
- The Authority 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 Authority 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, New Accounting Standards yet to be Adopted, only notes that the impact is not likely to be material and does not explain why quantification of the impact has not been possible. Progress in this area now needs to be accelerated as a matter of urgency.

Recommendation 2

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

We anticipate that the current year audit report may be modified with respect to opening balances and prior period comparatives within the current year financial statements. Further information on the impact of the audit report will be reported subsequently to the committee in our final audit results report.

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	Audit findings and conclusions
<p>We performed the following procedures:</p> <ul style="list-style-type: none">▶ 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.	<ul style="list-style-type: none">▶ We identified the Authority's general ledger system (Unit 4 Agresso) and payroll system (I-Trent) as relevant material IT systems.▶ Our understanding of the IT processes for the Authority's material IT systems did not result in any additional audit risks.



07

Independence

Independence

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

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 2023 and can be found here: [EY UK 2023 Transparency Report](#).

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 accounts opinion and value for money conclusion being unqualified;
- ▶ Appropriate quality of documentation is provided by the Authority; and
- ▶ The Authority has an effective control environment
- ▶ The Authority complies with PSAA's Statement of Responsibilities of auditors and audited bodies. See <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/statement-of-responsibilities-of-auditors-and-audited-bodies-from-2023-24-audits/>. In particular the Authority 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 Authority are set out in the fee analysis on this page.

	2023/24	2022/23	2021/22
	£	£	£
Total Fee – Scale Fee	40,100	14,829	10,226
Scale fee adjustment	TBC – Note 3	TBC – Note 2	10,397 Note 1
Total audit fees	TBC	TBC	20,623

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 £32,515 (£31,154 rebasing and £1,361 scale fee variation). Of this PSAA actually determined an amount of £10,397.

(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 Authority have to pay for the 2022/23 audit.

(3) We expect to charge additional fees in 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 Authority's readiness for the implementation of IFRS 16 as originally set out in our in our Audit Planning Report.
- Additional sampling required within the substantive testing of income due to the identification of an error within our original representative sample selection.



08 Appendices

Appendix A - Required communications with the Authority

Required communications with the Authority

There are certain communications that we must provide to those charged with governance 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 Authority 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 – 21st March 2024</p> <p>Audit planning report – 3rd June 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	Interim Audit results report – 17 October 2024

Appendix A - Required communications with the Authority (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 	Interim Audit results report – 17 October 2024
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 	Interim Audit results report – 17 October 2024
Fraud	<ul style="list-style-type: none"> • Enquiries of those charged with governance 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"> 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 the Authority responsibility. 	Interim Audit results report – 17 October 2024

Appendix A - Required communications with the Authority (cont'd)

		Our Reporting to you
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 	Interim Audit results report – 17 October 2024
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 – 3rd June 2024</p> <p>Interim Audit results report – 17 October 2024</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. 	Interim Audit results report – 17 October 2024
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 those charged with governance into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the authority may be aware of 	Interim Audit results report – 17 October 2024

Appendix A - Required communications with the Authority (cont'd)

		Our Reporting to you
Required communications	What is reported?	When and where
Significant deficiencies in internal controls identified during the audit	<ul style="list-style-type: none"> Significant deficiencies in internal controls identified during the audit. 	Interim Audit results report – 17 October 2024
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 	Interim Audit results report – 17 October 2024
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 	Interim Audit results report – 17 October 2024
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 	Interim Audit results report – 17 October 2024
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 	Interim Audit results report – 17 October 2024

Appendix B – 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
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
Pension Liability / Asset Valuation	We have not yet received final output from our pensions audit specialist to gain assurance over the roll forward of the actuarial data that forms the basis of the IAS 19 liability accounted for in the financial statements.	EY and management
Income Testing	We have received the supporting audit evidence for the additional income sample of 16 items on 23 September 2024 and have identified further queries which have been raised with management on 3 of these items. EY to complete testing of these items once a response has been received.	EY and management
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 Annual Report. At this point no issues have emerged that would cause us to modify our opinion, but we should point out that key disclosures on pensions remain to be finalised and audited.

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