

# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EAST HAMPSHIRE DISTRICT COUNCIL**

## **Disclaimer of Opinion**

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

- Comprehensive Income and Expenditure Account,
- Movement in Reserves Statement
- Balance Sheet,
- Cash Flow Statement,
- the related notes 1 to 52 including material accounting policy information and including the Expenditure and Funding Analysis.
- Collection Fund and the related notes 1 to 3

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

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

## **Basis for disclaimer of opinion**

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

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

This is further described in our Report on the Council's proper arrangements for securing economy, efficiency and effectiveness in the use of resources below.

In addition, the Council has not prepared its financial statements in line with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 adoption of IFRS16 Leases, or provided evidence of the process it has been through to assess the impact of this accounting standard. Therefore, the financial statements do not include any potential adjustments as a result of the implementation of IFRS 16. The Council has continued to apply the old leasing standard IAS 17.

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

## **Matters on which we report by exception**

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

We report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 (as amended)
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014 (as amended)

- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 (as amended)
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 (as amended)
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014 (as amended)

We have nothing to report in these respects.

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

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

On the basis of our work having regard to the Code of Audit Practice 2024 and the guidance issued by the Comptroller and Auditor General in May 2024, we have identified the following significant weakness in the Council's arrangements for the year ended 31 March 2025.

#### **Significant weakness in arrangements**

##### The nature of the weaknesses identified

The Council has insufficient resources to support the completion of our audit work by the 27 February 2026 backstop date.

In addition, the council has not prepared its accounts in accordance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

##### The evidence of which our view is based:

The quality of the initial draft of the financial statements submitted for our audit contained significant errors and omissions.

While making progress and able to provide a listing of capital grants and contributions, the Council was unable to respond to requests for information on a timely basis and documentation provided did not support the financial statement balances and disclosures.

We have seen a deterioration in the ability of the Council to reconcile the council tax and business rates balances to those reported in the financial statements.

Additionally the council:

- has not provided us with any support in relation to its implementation of IFRS16, therefore we are unable to determine whether all relevant leases and contracts have been considered,
- was unable to support testing needed before the backstop date in areas of the accounts including Debtors, Creditors and the Comprehensive Income and Expenditure statement to provide sufficient and appropriate assurance these were free from material misstatement, and
- was unable to explain inconsistencies in the Cashflow Statement and supporting disclosures resulting from changes made to the draft financial statements.

##### The impact on East Hampshire District Council:

Failure to improve the Council's processes to report financial information on a timely basis will impact its ability to meet statutory financial reporting deadlines, and rebuild assurance towards an unqualified audit opinion.

##### The action the Council needs to take to address the weaknesses:

The Council needs to assess the capacity and capability of the finance department, and engage sufficient resources to enable it to publish reliable financial statements for the year ended 31 March 2026, by the publication date of 30 June 2026. The financial statements should be prepared on the basis of the CIPFA/LASAAC Code of Practice on Local Authority Accounting.

The issues above are evidence of weakness in proper arrangements for Governance, including for reliable and timely financial reporting that supports the delivery of strategic priorities.

### **Responsibility of the Chief Financial Officer**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 26, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts 2024/2025, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25, for being satisfied that they give a true and fair view and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our responsibility is to conduct an audit of the Council's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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

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

We have undertaken our review in accordance with the Code of Audit Practice 2024, having regard to the guidance on the specified reporting criteria issued by the Comptroller and Auditor General in November 2024, as to whether East Hampshire District Council had proper arrangements for financial sustainability, governance and improving economy, efficiency and effectiveness. The Comptroller and Auditor General determined these criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether East Hampshire District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether East Hampshire District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 (as amended) to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

### **Delay in certification of completion of the audit**

We cannot formally conclude the audit and issue an audit certificate until the NAO, as group auditor, has confirmed that no further assurances will be required from us as component auditors of East Hampshire District Council.

Until we have completed these procedures, we are unable to certify that we have completed the audit of the accounts in accordance with the requirements of the Local Audit and Accountability Act 2014 (as amended) and the Code of Audit Practice issued by the National Audit Office.

### **Use of our report**

This report is made solely to the members of East Hampshire District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 (as amended) and for no other purpose, as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the Council's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Kevin Suter*  
*Ernst & Young LLP*

Kevin Suter (Key Audit Partner)  
Ernst & Young LLP (Local Auditor)  
Southampton  
27 February 2026