

# The UK's independent public spending watchdog





National Audit Office

National Highways Limited

# **Audit completion report on the 2023-24 financial statements audit**

Report to those charged with governance  
June 2024

## This report presents our findings from the audit of the 2023-24 financial statements

Dear Audit Committee Members:

We anticipate recommending to the Comptroller and Auditor General (C&AG) that he should certify the 2023-24 financial statements with an unqualified audit opinion, without modification in respect of both regularity and the true and fair view on the financial statements.

We have provided you with a copy of our extended auditor's report and letter of representation.

At the date of this report our audit of the financial statements is complete.

The total audit fee charged for the year is in line with that set out in our Audit Planning Report, £355,000. There are no contingent fees in respect of National Highways

### Actions for the Audit Committee

We would like to invite Audit Committee members to:

- Review the findings set out in this report; and
- Consider whether the unadjusted misstatements set out on page 20 should be corrected. The Committee minutes should provide written endorsement of management's reasons for not adjusting misstatements; and
- Consider the adequacy of the going concern disclosures included in the draft financial statements and conclude on whether this is a fair assessment. We request that this consideration is included in the letter of representation to the Comptroller and Auditor General (C&AG).

We will issue a separate management report of our findings for 2023-24 and progress on prior year recommendations at the next Audit Committee meeting. We would like to thank [REDACTED] and his team for their assistance during the audit process.

Yours Sincerely,

**Sarah Che**

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## Audit risks (pages 9 to 15)

### Presumed risk of management override of controls

There is a presumed risk for all audits of management override of controls. For National Highways, our work focuses on management bias in estimates, journals, and significant and unusual transactions.

Our work on this risk **is complete, with no indications of management override of controls identified.**

### Recognition and measurement of Land and Property Provisions

Our testing of provisions, **including testing conducted by our auditor's expert, is complete.**

**While we have identified some immaterial misstatements, we have concluded that the Land and Property Provisions are materially fairly stated.**

### Accounting for the Strategic Road Network (SRN)

Our work over the SRN **is complete.**

We have reviewed the controls over the SRN valuation process and have not identified any significant issues.

We have engaged an auditor's expert to review the condition-based depreciation methodology supporting the valuation of structures and pavement assets, including reviewing a sample of both pavements and structures to confirm the methodology has been applied appropriately. **While our experts made recommendations for improvement, no material issues were identified.**

The scope of this significant risk has changed from what we reported in the Audit Planning Report – see page 7 for details.

## Overall materiality

# £1.5bn

- This has not changed since planning. Overall materiality is set as approximately 1% of the total value of infrastructure assets (currently £156bn). This reflects the significant interest of users of the accounts in the condition and maintenance of the SRN.
- We have reported all misstatements above £300,000.

## Additional materiality

# £74m

- Our additional materiality has increased, primarily due to an increase in capital additions during the year. Additional materiality is set at approximately 1.5% of adjusted gross expenditure, which includes balances that reflect cash spending such as SRN capital additions.
- We have reported all misstatements above £300,000.

### Audit adjustments (page 19)

£700m

The net effect of adjustments on the statement of comprehensive net expenditure. These all relate to the SRN valuation.

### Unadjusted misstatements (pages 21-23)

£192.6m

We have identified unadjusted misstatements with a net impact of £192.6m on the statement of comprehensive net expenditure.

This is made up of a £227m reduction in assets relating to the SRN, plus a £34.4m reduction in expenditure/increase in net assets relating to non-SRN balances.

### Changes of our assessment of risk since planning

*Our high-level audit risks have not changed since planning. This slide documents small changes to our risk assessment within those high-level risks. Changes since planning are noted in **bold**. There have been no changes to our risks relating to land and property provisions or management override of controls.*

#### Accounting for the SRN

Our significant risk relating to the SRN can be broken down to a more granular level, and covers the following risks:

- Disclosures relating to the SRN balance are incomplete or inaccurate (roads, land, structures)
- Entries within the SRN database do not exist in real life – **downgraded. We do not consider this to be a significant risk given the stable nature of the balance and the lack of year-on-year movement.**
- Impairment of SRN assets has not been considered on a sufficiently frequent basis (roads, structures)
- Depreciation methodology has not been calculated or applied appropriately – including errors in the calculation or incorrect Useful Economic Lives (UELs) – **changed. We now recognise significant risks for depreciation on roads and structures relating to inappropriate choice of method, errors in the calculation, use of inappropriate data, and use of inappropriate assumptions. We do not recognise a significant risk relating to UELs because these are not used in the calculation of condition-based depreciation, and depreciation of technology assets is a relatively low-value balance against our materiality.**
- Disclosures – revaluation and depreciation estimation uncertainty disclosures are not sufficient or accurate – **partially downgraded. For roads and structures we continue to recognise a significant risk over depreciation-related estimation uncertainty disclosures. We no longer recognise a significant risk over revaluation-related estimation uncertainty disclosures. This is because for non-technology assets no full revaluation is taking place in year. For technology assets, given the relatively low value of the balance against materiality, we do not think that there is a high level of estimation uncertainty relating to the revaluation. Therefore we have not recognised a significant risk.**
- Revaluation – the assumptions, data and method used in the revaluation are not appropriate. There are errors in the revaluation calculation – **downgraded. We do not consider the revaluation to be a significant risk due to the relatively low value of technology assets against materiality. In addition, the data used in the revaluation is more straightforward than that used in the revaluations of roads, land or structures, as it is largely based on existing contracts for identical assets. This reduces the level of management judgement involved.**
- Indexation – assets have not been indexed appropriately. The method of indexation used is not appropriate. **We have added risks that, for land, roads and structures, the data used to index the assets is inappropriate. This is to cover the risk that the underlying database is inaccurate.**
- The SRN balances are incomplete (roads and structures) – **new. Similarly to indexation above, this is to cover the risk that the underlying RAAVS database is incomplete.**

# Key audit findings

Findings from our work on significant risks

Financial**Audit**Completion

## Presumed risk of management override of controls

This significant risk is not a key audit matter

### Details and Audit Response

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by using its position to override controls that otherwise appear to be operating effectively.

This is a presumed risk for all audited bodies under International Standards on Auditing (ISA 240) (UK). We have not identified any particular risk factors relating to National Highways.

This significant risk is consistent with previous years.

### Audit Findings and Conclusion

We have reviewed the accounts preparation process and adjustments made to the accounts in the year-end Extended Trial Balance (ETB). We will continue to test ETB adjustments made before the accounts are signed.

We have performed a risk-based analysis of manual journals and selected those which we consider to be high risk (due to their size or nature) for further testing. We will agree these journals to appropriate evidence and confirm that they have been appropriately reviewed and approved.

**This testing is complete with no issues identified.**

We have tested significant judgements and estimates made by management, including the valuation of the Strategic Road Network, the recognition and valuation of land and property provisions, and the valuation of accruals. **Our evaluation of judgements is complete, and no indications of management bias were identified.**

We have performed a retrospective review of estimates made in the prior year and have found no evidence that these were inappropriate.

We have reviewed the general ledger for significant and unusual transactions. We did not identify any transactions which we considered to fall into this category.

**We have not identified any evidence of management override of controls through our work.**



### Accounting for the Strategic Road Network

This significant risk is a key audit matter

#### Details

The Strategic Road Network (SRN) and related Assets Under Construction (AUC) balances are significant balances within the financial statements, with a value of £156bn in the draft accounts (also £156bn in 2022-23).

In accordance with the Government Financial Reporting Manual (the FReM), the value of the SRN is derived using the Depreciated Replacement Cost method, which uses the best available information to establish an estimate of the cost of replacing the asset with a modern equivalent, less deductions for physical deterioration and relevant obsolescence and optimisation. NH perform revaluations of the SRN on a rolling basis, with each element of the SRN (roads, land, structures and technology) undergoing a full revaluation every five years.

As well as revaluation, the value of the SRN is affected by depreciation on roads, structures, and technology assets. Depreciation for roads and structures is calculated using a condition-based methodology. This is a complex method which requires significant amounts of management judgement to identify the best source of conditions data and to assess the percentage of the assets which should be subject to depreciation (rather than being part of the substructure of the road, for example). Technology assets are depreciated on a straight-line basis; this depreciation method is less judgemental and therefore does not form part of our significant risk.

In between full revaluations, the elements of the SRN are revalued using indexation. There is a risk that the method of indexation (i.e. the index used) is inappropriate, and that the indexation has been inappropriately applied. There is also a risk that the underlying database is incorrect, for example if a parcel of land is classified as rural rather than urban, as this affects which index is applied.

As noted elsewhere, we have not identified a significant risk relating to the full quinquennial revaluation (QQR) of technology assets. One reason for this is that the value of technology assets is relatively low compared to our materiality (£1.8bn against materiality of £1.5bn), which reduces the likelihood of material uncertainty in the valuation. Another is that, unlike for roads and structures, costs for technology assets are readily available under NH's own contracting frameworks. This is a good source of evidence and reduces the level of management judgement involved in the QQR.

As in previous years, capital additions and renewals sit outside the scope of this significant risk and are subject to our standard audit testing.

### Accounting for the Strategic Road Network

#### Audit Response, Findings and Conclusion

##### Controls

- We have reviewed the design and implementation of controls operated by National Highways and Atkins over the asset valuations for the SRN. This confirmed that the controls were adequately designed and implemented at year end. The key controls supporting the SRN valuation include quarterly exception reporting and corrections carried out by Atkins on roads and structures valuation runs, as well as review, investigation and sign-off for changes carried out by NH in response to issues identified by Atkins.
- National Highways identified an issue with the initial depreciation figures produced by the RAAVS model. This was due to a third-party update to the AGILE system which transforms conditions data from the structures database (IAMIS) into a format that RAAVS can use. The issue was identified by NH's review of the RAAVS output, showing that the controls are working. The financial statements have been corrected for this issue.

##### Substantive

- We reviewed the **revaluation model** (RAAVS) this year and confirmed it was operating in line with our expectations, including applying the valuation methodology and assumptions used by NH appropriately. This included reviewing Atkins' work as operator of the RAAVS process. We treat Atkins as a management expert, so under auditing standards we are required to assess their competence and independence. We have not identified any concerns. This work is complete with no issues identified.
- We obtained assurance over **asset quantities** and **completeness** through testing of the asset databases and RAAVS, checking figures between sources to confirm they were consistent. We also reviewed the **classification** of assets within the databases, particularly the classification of land as rural or urban. Completed as part of the existence and completeness testing.
- We **corroborated** this by updating NAO modelling work on the road network length using *Openstreetmap* as an independent data source. We **reviewed** in year additions, road openings and detrunkings to confirm that the closing length of the roads has not significantly changed from the modelled figure. **This work is complete with no issues identified.**
- We selected a sample of **roads and structures conditions data** to our expert for them to assess the quality of the underlying data and the appropriateness of the depreciation methodology. **While our expert made similar recommendations to previous years, no material issues were identified through this work.**
- We have reviewed the work of Transport Research Laboratory in certifying the **road survey vehicles used to obtain road conditions data** and performed procedures to confirm their competence and independence. **No issues were identified.**
- We have reviewed and challenged brought-forward management judgements in relation to **AUC write-down percentages, depreciable percentages**, and the **greenfield assumption**. We are content that these judgements remain appropriate. – **Completed**

### Accounting for the Strategic Road Network

#### Audit Response, Findings and Conclusion

##### *Areas of judgement – Indexation*

- During 2022-23 management changed the index used to revalue roads and structures from HECI (a bespoke index) to the publicly available IOPI. We concluded that this change was appropriate, but we are required to keep this under review each year as it is a significant judgement. We **have reviewed** the reliability and appropriateness of the use of IOPI, as well as the indices used to revalue land, including benchmarking against other indices available to the NAO.
- Indexation this year has led to only a minor net movement in the valuation of the network (£264m). This is made up of a £1.5bn increase in the construction value of roads and structures determined by IOPI, offset by a £0.6bn reduction due to movement in location factors and a reduction in the value of Land by £0.6bn.
- We **have tested the application of indices and found** that the indices used have been applied correctly. The first draft accounts used the December IOPI figure as that is what was available at the time. The March figures became available during the audit and management have appropriately adjusted for them. This resulted in a £755m downwards revaluation.

##### *Areas of judgement – Expert Review of Roads and Structures Depreciation*

We have sought advice from a structural engineering expert in respect of NH's transformation of physical data into depreciation estimates for roads and structures. **While our expert made similar recommendations to previous years, no material issues were identified through this work.**

##### *Areas of judgement – Historic Cost Disclosure*

Where assets are carried at fair value, accounting standards (IAS 16 – Property, Plant and Equipment) require disclosure of the value of these assets on a historic cost basis. National Highways does not currently disclose this information in respect of the SRN, on the grounds that it would be of limited use to stakeholders due to significant technological changes since the building of much of the network in the 1950s and 1960s meaning historic cost is not comparable to current value, and because collecting historic cost data would be impracticable.

We have evaluated management's judgement on the materiality to this omission in the financial statements, and we are satisfied that it is appropriate.

##### *Related element of the Key Audit Matter - Technology assets*

While we do not consider technology assets to be subject to significant risk of material misstatement due to their value compared with our materiality, we do consider it to form part of the Key Audit Matters included within our Extended Auditor's Report. This is due to the effect it had on the overall audit strategy, the allocation of resources and directing the efforts of the engagement team. Further information on this part of the key audit matter is included on **page X**.

### Recognition and valuation of Land and Property Provisions

This significant risk is a key audit matter

#### Details

Land and property is acquired as part of improving the road network. National Highways recognises a provision in its accounts relating to these acquisitions, which was valued at £539m in the draft accounts (2022-23: £406m). This provision is derived using complex underlying valuations which are inherently judgemental, and therefore the risk of material misstatement is high.

In valuing the provision, NH relies on estimates provided by the Valuation Office Agency (VOA) that often lack a robust evidence base. In 2022-23, we made recommendations relating to the consistency of assumptions, the quality of evidence for estimates provided, and the level of secondary checks (to reduce the level of error within samples). Our expert valuer was able to conclude that the estimates were materially correct.

NH recognises provisions based on the stage that a scheme is at. This includes Blight being recognised at Preferred Route Announcement stage, Compulsory Purchase being recognised when a Development Consent Order (DCO)/CPO is granted, and Part 1 at the start of construction. Given the increase in challenges to DCO approvals within the 6-week challenge period after a DCO is granted, during 2022-23 NH reassessed the recognition point for Compulsory Purchase provisions. We were content with management's assessment but will continue to review the success rate of challenges to DCO approvals to ensure that recognition before the 6-week challenge period remains appropriate.

#### Audit Response, Findings and Conclusion

##### Controls

We have carried out an assessment of the design and implementation of controls. The controls have remained the same as in 2022-23. Controls are appropriately designed and implemented.

We noted that NH is expecting to move to a different information system for the provisions in late 2024. We are however satisfied that this does not have an impact on the 2023-24 audit. The NAO will revisit the processes and controls with NH as part of the 2024-25 audit.

### Recognition and valuation of land and property provisions

#### Audit Response, Findings and Conclusion

##### *Substantive testing*

We are in the process of substantively testing a sample of provisions, which includes 12 scheme level ('8888') cases and 46 cases relating to individual parcels of land.

Provisions are calculated based on a valuation provided by the VOA, adjusted for manual entries and payments made against the provision. Payments consist of genuine payments where part of a provision is settled or a capital addition is made against the scheme but can also be due to aggregation where individual cases are set up for each claimant and a deduction is made against the scheme level provision to avoid double counting.

We tested the VOA valuation by tracing the values in HAL (the provisions database) to either a VOA valuation report or to a confirmation email from the VOA outlining the basis for the valuation. We reperformed manual calculations and selected a subsample of payments and aggregation against the sampled provisions. For individual cases, we were able to agree the payments to our wider testing of capital expenditure.

Our testing identified the following:

- Sample errors arising due to manual entries being incorrectly calculated or input onto the HAL database by National Highways. There were several instances where the manual entry was not entered into HAL when it should have been leading to an under provision at the year-end. Most of the errors represent a small percentage of the overall Provision figure and are easily remedied.
- Valuations are required to be updated every 6 months – there were some instances where the figures have not been updated. There is one instance where a scheme has been paused awaiting a new contractor and another instance the team were awaiting wider information to provide an accurate valuation. Other instances occurred where an estimate refresh was missed and then requested post year-end.

Please see the next page for areas of judgement.

### Recognition and valuation of land and property provisions

#### Audit Response, Findings and Conclusion

##### *Areas of judgement – application of recognition criteria*

In previous years we have reviewed NH's application of the IAS 37 recognition criteria for provisions in detail. Last year we challenged management on whether the recognition policy remains appropriate given increased challenge to DCO approvals within the 6-week challenge period. Management's judgement is that although there has been an increase in challenges, this hasn't led to an increase in DCOs being quashed and therefore the policy remains appropriate. We have reassessed this judgement based on challenges received in 2023-24 and are content that it remains appropriate.

##### *Engagement of a valuations expert*

As set out in our Audit Planning Report we have engaged an expert valuer (Knight Frank) to review a subset of land and property valuations for 5 of our sampled provisions. *While our experts made recommendations for improvement similar to those raised in 2022-23, no material issues were identified by this review.*

### Quinquennial revaluation of SRN technology assets

This is not a significant risk, but forms part of our key audit matter

#### Details

As at 31 March 2024, management carried out a quinquennial revaluation (QQR) of technology assets (net book value of £1.8 billion). As described on page 11 we consider this to form part of our key audit matter relating to the valuation of the SRN. We have reviewed management's methodology for performing the revaluation. We also tested a sample of costing rates to supporting evidence, and tested that rates had been consistently applied.

#### Audit Response, Findings and Conclusion

Our testing identified a significant deficiency in internal controls related to the revaluation of technology assets. The methodology underpinning the QQR did not fully define the modern equivalent asset for each asset type, and the costing rates used were not derived from relevant, reliable data.

Many of the costing rates were drawn from data derived from a system migration in 2018. This meant that the audit trail supporting the 2018 data was no longer identifiable by management. We have also challenged the reliability of costing data from 2018 and before as a source of information to update the value of technology assets in 2024, given fast paced advancements in technology over recent years.

As the balance is stated at only £300m in excess of our materiality, there is low risk of overstatement of the value. However, the limited evidence to support a significant number of sample items creates some risk of material understatement. We have revisited our risk assessment with respect to Technology assets in light of the findings and concluded that there continues to be no significant risk of material misstatement.

We have been able to complete our testing by reference to evidence of recent purchases made by NH. The evidence supports that costing rates overall are broadly reasonable, but this masks variability in the prices of individual items making up those costing rates (for example, the prices of pieces of equipment, installation and commissioning). Management's assumption is that the modern equivalent can be defined by reference to a recent purchase of a similar asset type, which we consider to be materially reasonable for this type of asset.

Our audit work identified three types of misstatement:

- Asset types for which NH aren't able to identify the quantities of items, and have indexed the existing value, or where evidence isn't available to support the costing rates used – we have recorded an estimated uncertainty of £53m on page 23.
- Sample items where costing rates have been incorrectly applied, or where there's no evidence to support existence of the asset – extrapolated overstatement of £222m.
- Sample item differences between the costing rates, and the evidence by reference to a recent purchase – extrapolated understatement of £14m.

The extrapolated understatement of £14m included some sample items for which no evidence was available to support the rate used. Where no evidence was available, we have identified value of the gross population of the asset type to evaluate the extent of the population at risk. This included masts (£16m) and traffic signal devices (gross value: £193m). We concluded that risk of material misstatement in respect of these populations is minimal.

We are satisfied that the value of technology assets is materially fairly stated.

The following are other matters which we wish to bring to the attention of those charged with governance in relation to the audit of the financial statements.

Title	Audit response	Audit findings and conclusion
<p><b>Accruals</b></p> <p><i>In previous years we have reported a significant level of error in the accruals population. In addition, this is an area of some management judgement. In our risk assessment we have not identified any significant audit risks relating to accruals, but we continue to report it as an other matter which we wish to bring to your attention.</i></p>	<p>At interim we reviewed a sample of 5 accruals to enable us to give specific feedback to management on the quality of evidence provided.</p> <p>We will also test a sample of both resource and capital accruals back to supporting evidence. For capital accruals, we will stratify our sampled population to focus our effort on areas of increased risk.</p>	<p>Our sample testing is <b>complete</b>. We have noted a significant improvement in the quality of evidence provided for capital accruals compared to that provided in previous years and provided at interim.</p> <p>However, we have still identified misstatements in our sample. These are now largely on low-value sample items which have not been subject to detailed review by the finance team. The errors on the low-value sample items are caused by accruals that were not removed or updated before year-end when new information became available. As a result of these errors, we have had to extend our sample testing. This is because, <b>due to the number of errors identified, our original sample did not provide</b> a sufficiently precise estimate of the error to rule out a material misstatement in the accruals balance. <b>After completing testing of our extended sample, our extrapolated misstatement is immaterial.</b></p> <p>In the past, we have raised accruals as a Key Audit Matter (KAM) within our Extended Auditor’s Report. At present, given the improved quality of evidence, we do not consider accruals to be a KAM.</p>



The following are other matters which we wish to bring to the attention of those charged with governance in relation to the audit of the financial statements.

Title	Audit response	Audit findings and conclusion
<p><b>Prior period classification error – SRN technology additions</b></p> <p><i>We have identified an issue where technology additions were not transferred from assets under construction (AUC) in a timely manner due to limitations in the old technology assets database. This affects assets which went live during 2021-22 and 2022-23.</i></p> <p><i>Management have assessed this as an immaterial prior period error and have corrected it during 2023-24. Therefore the 2023-24 balance of technology transfers from AUC also includes assets which should have been transferred in previous years. The total value of these assets is estimated at £146m, with a further £20m transferred during 2023-24. A new technology assets database is now in place which should mean transfers are accurately recorded in future years.</i></p>	<p>Management have told us that technology additions were included in the AUC balance for the correct years, so total additions to the SRN are correct. We will confirm this. We will also perform a sample test over the technology assets transferred from AUC balance.</p> <p>Assets within the AUC balance are not depreciated, whereas “live” technology assets are. Therefore, depreciation for 2021-22 and 2022-23 was understated. The maximum impact of this error is approximately £19m.</p> <p>We are in discussion with management about the reasons for the error and the likelihood of something similar happening again.</p> <p>We will need to assess this error against our materiality. This is a judgement, as we assess additions against our secondary materiality threshold (£74m), but transfers from AUC against our primary threshold of £1.5bn (to reflect the fact that additions are cash spend, while AUC transfers are not).</p>	<p>As this is a classification issue between lines of the SRN note (note 6.2), and additions were recorded correctly in each year, there is no impact on the primary financial statements for 2023-24.</p> <p>Our audit work identified a prior period classification error of £146m and a further £19m of catch up depreciation. The classification error has been corrected and the catch up depreciation is reported as an unadjusted error on page 23.</p> <p>We have assessed this error against our primary materiality, as we are content that Highways’ use of taxpayer funds was correctly recorded for each year, through additions to assets under construction.</p> <p>We are satisfied that Technology additions are materially complete and accurate, and appropriately disclosed.</p>

The following are the matters which we did not consider to represent significant risks to the financial statements but that the Audit Committee should be aware of, as they are areas of management judgement:

Description	Management's judgement	Our view
<p><b>Valuation of material assets and liabilities</b> Because NH chooses to comply with the UK Corporate Governance Code, we are required under ISA260 to report on management's valuation of material assets and liabilities.</p> <p>Material assets and liabilities not covered elsewhere in this report are:</p> <ul style="list-style-type: none"> <li>• Deposits and advances</li> <li>• VAT receivable</li> <li>• PFI liabilities</li> <li>• Trade payables</li> </ul>	<p><u>Deposits and advances</u> Due to the short-term nature of current receivables, their carrying amount is considered to be the same as their fair value.</p> <p><u>VAT receivable</u> As for deposits and advances above.</p> <p><u>PFI liabilities</u> The substance of the PFI contract under IFRIC 12 is that NH has a finance lease, with the corresponding asset being recognised as a non-current asset. The lease liability is initially reported at the fair value of the asset. Liabilities are then adjusted each year for interest on the liability and expenditure on services provided.</p> <p>PFI obligations are not recognised at fair value because there is no active market and it is not possible to make a reliable estimate of fair value. In addition, NH has no intention of disposing of the PFI obligations.</p> <p><u>Trade payables</u> Due to the short-term nature of trade payables, their carrying amount is considered to be the same as their fair value.</p>	<p><u>Deposits and advances</u> We consider this measurement basis to be reasonable and appropriate. We have not identified deposits and advances as an area of risk but <b>have tested</b> a small sample to confirm they have been accurately recorded.</p> <p><u>VAT receivable</u> We consider this measurement basis to be reasonable and appropriate. We confirmed through our testing of income, expenditure and capital additions that appropriate VAT rates have been applied.</p> <p><u>PFI liabilities</u> We consider this measurement basis to be reasonable and appropriate. We have performed detailed testing on PFI liabilities and the service charges paid. We have not identified any issues in our testing.</p> <p><u>Trade payables</u> We consider this measurement basis to be reasonable and appropriate. We have not identified trade payables as an area of risk but have tested a small sample to confirm they have been accurately recorded.</p> <p>For all areas, we consider that disclosures are appropriate and adequately reflect the underlying accounting policies used.</p>

# Key audit findings

## Areas of management judgement

## Financial Audit Completion

The following are the matters which we are required to report to the Audit Committee for bodies who follow the UK Corporate Governance Code.

Description	Management's judgement	Our view
<b>Director's assessment of principal risks facing National Highways</b>	<p>Principal risks are owned by the Executive team and monitored by the Board. Collectively, the Board and the Executive team maintain visibility of all risks sitting at principal and secondary levels, including status and mitigation plans, through a periodic risk reporting and review process.</p> <p>The principal risks are disclosed in the annual report and are assessed against strategic outcomes including improving safety for all, delivering better environmental outcomes and meeting the needs of all road users.</p>	<p>The disclosures within the Annual Report around the Company's risk assessment and management processes are adequate. NH's risk management process is considered robust.</p> <p>The principal risks set out on pages 72-77 of the draft annual report are consistent with our knowledge of NH.</p>
<b>Director's assessment of National Highways' future prospects and going concern.</b>	<p>The directors have a reasonable expectation that the company has adequate resources to operate for the foreseeable future. In forming this view the directors/management have:</p> <ul style="list-style-type: none"><li>• Reviewed the company's future funding commitments under RIS2</li><li>• Kept the DfT fully aware of commitments made which stretch beyond the period covered by RIS2</li><li>• Reviewed internal budgets, plans and cash flow forecasts</li><li>• Reviewed DfT's Main Estimate for 2024-25</li></ul>	<p>We have reviewed management's assessment and agree that the financial statements should be prepared on a going concern basis.</p> <p>We have requested some amendments to management's disclosure to reflect the fact that RIS2 only runs until March 2025 and that RIS3 has not yet been agreed. We are content that these amendments do not affect our overall judgement on going concern.</p>
<b>Internal controls</b>	<p>The Company establishes internal controls to mitigate risks related to fraud, error or non-compliance with laws and regulations. The Corporate Assurance function provides an objective and independent opinion on the effectiveness of internal control, and the Company participates in DfT's management assurance process.</p>	<p>Following our review of NH's internal control environment and the design and implementation of controls relating to significant audit risks, we conclude that the Company's system of internal controls affecting financial reporting is effective. We will report specific controls findings in our Management Letter, which we will present at the October committee meeting.</p>

# Key audit findings

## List of adjusted misstatements

Financial **Audit** Completion

### Adjusted misstatements

Misstatements that we have identified, have been adjusted and are above our clearly trivial threshold of £300,000. The net effect of these adjustments on the statement of comprehensive net expenditure is £500m.

Adjusted misstatements								
Title	Error type	Description	Account Line	Unit	SOCNE		SOFP	
					DR	CR	DR	CR
Depreciation	Known	Management identified an error where the value of structures depreciation was understated. This was because not all condition scores were correctly transferred from the IAMIS structures database into AGILE, which calculates the value of depreciation using those condition scores.	SRN depreciation	£m	700			
			SRN structures	£m				700
Indexation	Known	Management identified a change in the IOPI index between the December figures used in the first draft accounts and the March figures which became available in early May. This has been appropriately adjusted for.	SRN carrying value	£m				755
			Revaluation reserve	£m			755	
		Cumulative misstatements:	Debits and credits		700		755	1,455
			Net impact on financial statements		700			700

# Key audit findings

## List of unadjusted misstatements

### Unadjusted misstatements

The table below lists **unadjusted misstatements** which exceed our clearly trivial threshold of £300,000. Actual errors identified would have a trivial impact on the financial statements individually but are above our reporting threshold when extrapolated.

We request that these uncorrected misstatements be corrected or a rationale as to why they are not corrected be considered and approved by the Audit Committee and provided within the Letter of Representation. The extrapolated portion of the errors shown cannot be corrected by management as they are estimates of potential error present in the accounts; further work would be required to establish an actual value to correct.

Unadjusted misstatements								
Title	Error type	Description	Account Line	Unit	SOCNE		SOFP	
					DR	CR	DR	CR
Capital accruals	Extrapolated	Various extrapolated errors with different causes. Net overstatement.	Accruals	£m			25.4	
			Expenditure/Assets under construction	£m		25.4		
Capital accruals	Known	Individual error above our reporting threshold where an accrual was not updated correctly for the amount paid (included in extrapolation above)	Accruals	£m			0.4	
			Expenditure	£m		0.4		
Resource accruals	Extrapolated	Various extrapolated errors with different causes. The largest actual error identified was £243k. Net overstatement.	Accruals	£m			7.8	
			Expenditure	£m		7.8		
Provisions	Extrapolated	Various extrapolated errors with different causes. The largest actual error identified was £253k. Net overstatement.	Provisions	£m			1.2	
			Expenditure (provisions)	£m		1.2		
Provisions	Known	Individual error above our reporting threshold where a provision was not updated for a known settlement agreed before year-end (included in extrapolation above)	Provisions	£m			0.3	
			Expenditure (provisions)	£m		0.3		
		Totals are shown on the next page.						

# Key audit findings

## List of unadjusted misstatements

### Unadjusted misstatements

Financial **Audit** Completion

Unadjusted misstatements								
Title	Error type	Description	Account Line	Unit	SOCNE		SOFP	
					DR	CR	DR	CR
Pensions payments	Known	We identified an error where payments to pension providers were not accrued for before year end but instead were treated as if the cash had already been paid.	Accruals	£m				5.4
			Cash	£m			5.4	
Prepayments	Known	One prepayment recognised although cash had not been paid out	Accruals	£m			1	
			Prepayments	£m				1
		Cumulative misstatements (across slides 21 and 22):	Sum of debits and credits			34.4	40.8	6.4
			Net impact on financial statements				34.4	34.4

# Key audit findings

## List of unadjusted misstatements (continued)

Financial **Audit** Completion

### Unadjusted misstatements - SRN

Unadjusted misstatements								
Title	Error type	Description	Account Line	Unit	SOCNE		SOFP	
					DR	CR	DR	CR
Prior period error on technology additions	Known	We have identified an issue where technology additions were not transferred from assets under construction (AUC) in a timely manner due to limitations in the old technology assets database. This affects assets which went live during 2021-22 and 2022-23. See slide 17 for details.	Note 6.2 – technology transfers from AUC <b>(adjusted)</b>	£m			146	
			Note 6.2 – AUC <b>(adjusted)</b>	£m				146
			Note 6.2 – brought forward depreciation balance	£m				19
			Depreciation	£m	19			
Errors on technology QQR data	Extrapolated	Errors were identified where one mast asset could not be verified and for other assets incorrect costing rates were used. Balance overstated.	Technology SRN assets	£m				222
			Revaluation/impairment	£m	222			
Errors on technology QQR costing rates	Extrapolated	Errors were identified where underlying evidence for costing rates used by NH did not match the rates used. Balance understated	Technology SRN assets	£m			14	
			Revaluation	£m		14		
			Debits and credits		241	14	160	387
			Net impact on financial statements		227			227

We would also like to note the following areas of uncertainty.

- 2.8% unreconciled structures conditions data relating to the depreciation adjustment reported on page 19, estimated value £8.3m
- Tech assets where NH don't have complete datasets (NRTS cables and transmission stations, HADECS, Loop sites and LIDAR). Estimated impact is £53m (net of depreciation)

## Financial statement disclosures

We have challenged management over the adequacy of disclosures in the financial statements in the following areas:

- The SRN valuation, including key judgements disclosed in Note 9
- Provisions

We have made a number of suggestions to improve narrative disclosures and to ensure completeness of the disclosures required under the Companies Act, FReM and other relevant guidance. This includes the following disclosures:

- KPIs
- Fair pay disclosure

We also noted through our audit that the Severn River Crossing pensions scheme liability (£5m) is currently accounted for within provisions. We are satisfied that, given the value, the classification and disclosure is materially appropriate.

We are content with the overall neutrality, consistency and clarity of the disclosures in the financial statements as well as judgments made in formulating particularly sensitive financial statement disclosures. We are satisfied that all suggested amendments have been made by management.

## Accounting policies and financial reporting

We have performed the following procedures with regards to the appropriateness of the judgements made by the entity on accounting policies, particularly new or changed policies:

- Ensured that all accounting policies are in line with IFRS

We have performed procedures on the appropriateness of the judgements made by the entity on the required accounting estimates, particularly regarding the valuation of the SRN (including depreciation) and the valuation of land and property provisions. These procedures are detailed in the relevant significant risk pages of this report.

We have not identified any material inconsistencies in the annual report.

We are content that the accounting policies are complete, accurate and compliant with the relevant standards and have been appropriately applied.

## Regularity, propriety and losses

We found no issues of irregularity or impropriety during our audit.

Losses, including those relating to the cancellation of the smart motorways programme, have been appropriately disclosed.



### **Risk of Fraud**

We shall communicate, unless prohibited by law or regulation, with those charged with governance any other matters related to fraud that are, in our auditor's judgment, relevant to their responsibilities. It is our responsibility as auditors to report to those charged with governance:

- Any risks of material misstatement identified due to fraud
- Any matters we think are relevant to those charged with governance regarding management's process for identifying and responding to the risks of fraud in the entity

The only risk of material misstatement due to fraud identified and reported at planning was the presumed risk of management override of controls. We rebutted the presumed risk of fraud in revenue recognition.

Since we last reported to you, we have not identified any further risks of material misstatement due to fraud.

We have nothing to report in respect of management's processes for identifying and responding to the risks of fraud.

The General Election is scheduled for 4 July 2024. As Parliament is now prorogued, we expect that Parliamentary business will resume after the King's Speech and State Opening of the new Parliament on 17 July, and therefore Annual Reports and Accounts will be able to be laid from 18 July until the Summer Parliamentary Recess.

The NAO is keen to work with the organisations we audit to maintain planned timetables as much as possible and support the publication of Annual Reports and Accounts where this is planned before the Summer Parliamentary Recess. This slide sets out areas for consideration and discussion with your NAO audit team.

## Shadow certification

Where audit opinions were expected to be issued before 17 July before the General Election was announced, the NAO is introducing a shadow certification process. This will allow the NAO audit team to conclude audit procedures and for the C&AG to confirm he is content to issue his audit opinion, subject to any changes resulting from further events after the reporting period.

This means your NAO team will work with you to maintain originally planned timetables, including Audit Committee reporting and obtaining final versions of Annual Report and Accounts. The intention is to confirm that the C&AG is able to issue his audit opinion once Parliament resumes and it is possible to lay the Annual Report and Accounts. Actual certification would then take place shortly prior to 17 July (subject to securing a laying slot and ministerial approval where needed).

### **What do you need to do:**

- Agree with your NAO audit team to work to originally planned timetables, including providing the final version Annual Report and Accounts.
- Confirm that your Annual Report and Accounts can be laid in Parliament after 18 July and a laying date has been secured.

## Ministerial input

Where Ministerial input (for example, a Ministerial Foreword or Ministerial approval) is expected for Annual Reports and Accounts, this may need to be obtained prior to the accounts being published. Obtaining Ministerial approval is one of the key factors that needs to be planned in to help avoid delays in accounts production and audit timetables.

### **What do you need to do:**

- Determine (with your sponsor department, if appropriate) whether Ministerial approval is expected for your Annual Report and Accounts and plans for managing this, particularly if a change in Minister occurs.
- Monitor for any HM Treasury guidance that is issued relating to Ministerial input and take action accordingly.

## Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Two types of events can be identified:

- (a) those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period); and
- (b) those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

It is possible that announcements will be made following the General Election that could impact on future policy, the operations and activities of the organisations we audit.

### **What do you need to do:**

The General Election itself is not considered to be a material event after the reporting period as it does not impact on the financial statements. However, you will need to consider whether any announcements following the General Election and before the signing of the accounts should be considered for disclosure as non-adjusting events after the reporting period, where these have a material impact on the financial statements.

During the pre-election period, the NAO will not issue any publications relating to Financial Audit or our Value for Money work that would usually be laid in Parliament. However, we are continuing our Financial Audit and Value for Money work so that we can recommence publication following the King's Speech and State Opening of the new Parliament on 17 July.

Your NAO Engagement Director and Engagement Manager would be happy to discuss the impact on your Financial Audit and Value for Money work and answer any questions you may have.

# Appendices

We have performed our audit of the 2023-24 financial statements in accordance with International Standards on Auditing (ISAs) (UK) issued by the Financial Reporting Council and with the audit planning report presented to the Audit Committee in February 2024. We have also read the content of the draft annual report and the governance statement to confirm that:

- the parts of the Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006, with additional disclosures under the Government Financial Reporting Manual.
- in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report
- the information given in the Strategic and Directors' Reports for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- that the corporate governance statement has been prepared in accordance with the Companies Act 2006

As part of our audit, we assessed:

- whether the accounting policies are appropriate to National Highways' circumstances and have been adequately disclosed;
- the reasonableness of significant accounting estimates made by the Directors; and
- the overall presentation of the financial statements.

We are also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Further disclosures on responsibilities:

- ISAs (UK) do not require the auditor to design procedures for the purpose of identifying supplementary matters to communicate with those charged with governance.
- When an extended auditor's report is issued, the auditor's responsibilities are to determine and communicate key audit matters in the auditor's report.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

### Independence

We are independent of National Highways 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 as applied to listed entities. We have fulfilled our ethical responsibilities in accordance with these requirements and have developed important safeguards and procedures in order to ensure our independence and objectivity.

Information on NAO quality standards and independence can be found on the NAO website:

<https://www.nao.org.uk/about-us/our-work/governance-of-the-nao/transparency/>.

### International standards on Auditing (ISAs) (UK)

We consider that there are no additional matters in respect of items requiring communication to you, per International Standards on Auditing (ISAs) (UK), that have not been raised elsewhere in this report or our audit planning report. Items requiring communication cover:

- Fraud
- Going concern
- National Highways' compliance with laws and regulations
- Significant difficulties completing the audit
- Disagreements or other significant matters discussed with management
- Other matters which may be relevant to the board or the audit committee in the context of fulfilling their responsibilities under the UK Corporate Governance Code

### Cooperation with other auditors

Internal Audit

Our risk assessment and the development of our audit plan was informed by the work of Corporate Assurance, including internal audit. We met with internal audit as part of our audit planning process to inform our risk assessment and have reviewed Corporate Assurance reports issued during the year to identify areas of operating and financial statement risk.

### Communication with the NAO

Organisations we audit tell us they find it helpful to know about our new publications, cross-government insight and good practice.

Our [website](#) holds a wealth of information from latest publications which can be searched, to pages sharing our insights on important [cross-cutting issues](#). We also publish blogs and send email notifications to subscribers about our work on particular sectors or topics. If you would like to receive these alerts, please sign up at: [Main newsletter \(nao.org.uk\)](#) You will always have the option to amend your preferences or unsubscribe from these emails at any time.

### Management of personal data

During the course of our audit we have had access to personal data to support our audit testing.

The General Data Protection Regulations (GDPR) came into force in May 2018. These regulations make no difference to the C&G's access rights.

The Data Protection Act provides the C&AG with an exemption from the individual rights provisions where to apply the provisions would be likely to prejudice the proper discharge of the C&AG functions. For example this would mean that we would not need to inform an individual about processing nor could an individual object to processing of their information for audit purposes where that would disrupt an efficient audit.

We take our obligations under GDPR seriously. We have appointed a Data Protection Officer and all our staff are required to comply with formal data protection policies, guidelines and procedures designed to keep third party data secure and support privacy by design. We will destroy, return, or store personal data as necessary on completion of our work.

We confirm that we have discharged those responsibilities communicated to you in the NAO's Statement on Management of Personal Data.

The statement on the Management of Personal Data is available on the NAO website:

<http://www.nao.org.uk/freedom-of-information/publication-scheme/how-we-make-decisions/our-policies-and-procedures/policies-and-procedures-for-conducting-our-business>

**ISA (UK) 600**  
**(Revised September 2022): Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)**

Effective for audits of group financial statements for periods beginning on or after 15 December 2023 (the 2024-25 audit cycle)

**ISA 600** is the critical standard which drives the auditor's approach to auditing the group financial statements, with a particular focus on the following areas:

- Risk Assessment
- Quality management in an audit of group financial statements
- Understanding the group and its environment, the applicable reporting framework and the Group's System of Internal Control
- Using the work of component auditors

ISA 600 is the key source of guidance for auditors in performing a group audit and fulfilling the requirements of other ISAs (UK) in the context of an audit of group financial statements

The aim of the revised standard is to:

- Clarify the scope and applicability of ISA 600
- Embed the principles of the revised quality management standards into the delivery of the audit of group financial statements
- Focus the group engagement team's attention on the identification and assessment of risk of material misstatement at the group financial statement level and emphasise the importance of designing and performing appropriate procedures to respond to those risks.
- Increase requirements for robust communications between the group engagement team, the group engagement partner and component auditors.

The key impacts are:

- A revised top-down approach to group risk assessment, which may mean assurance being required of a different profile of components.
- Greater involvement from the group engagement team in component auditors, taking a quality management perspective on the work of the component auditor.
- A clearer workflow employed by the auditor when performing a group audit.

Management should be aware that the new standard is likely to affect the scoping of the DfT group audit, with the result that the group auditor may request different work to be performed on National Highways to support the group audit than had previously been the case.

## Appendix 4 - Changes to the valuation for FReM non-investment assets

In 2023 HM Treasury conducted a review on the valuation approach in place for all non-investment assets. HM Treasury expect to make changes to the valuation basis for non-investment assets in 2025-26. The current asset classes under the FReM are set out below alongside the current and proposed valuation approaches. This is relevant to National Highways' accounting for the valuation of the SRN, although the actual measurement basis is unlikely to change.

Asset Category under the FReM	Current Measurement	Proposed measurements
Networked assets	Depreciated replacement cost	<p>These three asset categories will be merged into a new category 'operational assets'. Operational assets are proposed to be measured at Existing Use Value, the methodology for calculating this value will often be Depreciated Replacement Cost.</p> <p>The proposed new guidance is designed to ensure full revaluations are not required more frequently than quinquennially. The frequency and type of valuations should follow one of the three following options:</p> <ul style="list-style-type: none"> <li>• A quinquennial revaluation supplemented by annual indexation in intervening years.</li> <li>• A rolling programme of revaluations over a 5-year cycle, with indexation applied to assets not revalued in a given financial year.</li> <li>• For non-property assets, revaluation by indexation only.</li> </ul> <p>HMT have proposed Depreciated Replacement Cost valuations within the new regime will be valued based on their current locations and not based on alternative locations.</p>
Specialised assets	Depreciated replacement cost	
Non-specialised assets	Market value in existing use	
Heritage assets	Current value in line with other IAS 16 assets, but where not practicable to value, non-operational heritage assets reported at historical cost	Current value in line with other IAS 16 assets, but where not practicable to value, non-operational heritage assets reported at historical cost
Surplus assets	Fair value	Fair Value
Intangible assets	Market value in existing use or historical cost for low value assets or assets with short useful lives	Historical (deemed) cost



# Appendix 5 - Updated UK Corporate Governance Code

On the 22 January 2024 the Financial Reporting Council published the [2024 UK Corporate Governance Code](#). The updated Code takes a targeted approach, focusing on a limited number of changes to ensure the right balance is struck between UK competitiveness and positive outcomes for companies, investors and the wider public.

Section	Principal Code Change	Effective Date
Section 1 – Board leadership and company purpose	New: <b>Principle C</b> . Governance reporting should focus on board decisions and their outcomes in the context of the company’s strategy and objectives. Where the board reports on departures from the Code’s provisions, it should provide a clear explanation.	1 January 2025
	<b>Provision 2</b> has been amended to include that boards should not only assess and monitor culture, but also how the desired culture has been embedded.	1 January 2025
Section 3 – Composition, succession and evaluation	<b>Principle J</b> has been amended to promote diversity, inclusion and equal opportunity, without referencing specific groups. The list of diversity characteristics has been removed to indicate that diversity policies can be wide ranging.	1 January 2025
	<b>Provision 23</b> has been amended to reflect the fact that companies may have additional initiatives in place alongside their diversity and inclusion policy.	1 January 2025
	References to ‘board evaluation’ have been changed to ‘board performance review’.	1 January 2025
Section 4 – Audit, risk and internal control	<b>Principle O</b> has been amended to make the board responsible not only for establishing, but also for maintaining the effectiveness of, the risk management and internal control framework.	1 January 2025
	<b>Provision 25 and Provision 26</b> have been updated to reflect the Minimum Standard: Audit Committees and the External Audit, and duplicative language has been removed.	1 January 2025
	New: <b>Provision 29</b> . The board should monitor the company’s risk management and internal control framework and, at least annually, carry out a review of its effectiveness. The monitoring and review should cover all material controls, including financial, operational, reporting and compliance controls. The board should provide in the annual report: <ul style="list-style-type: none"> <li>• A description of how the board has monitored and reviewed the effectiveness of the framework;</li> <li>• A declaration of effectiveness of the material controls as at the balance sheet date; and</li> <li>• A description of any material controls which have not operated effectively as at the balance sheet date, the action taken, or proposed, to improve them and any action taken to address previously reported issues.</li> </ul>	1 January 2026

Section	Principal Code Change	Effective Date
Section 5 – Remuneration	<b>Provision 37</b> has been amended to include that Directors' contracts and/or other agreements or documents which cover director remuneration should include malus and clawback.	1 January 2025
	<p>New: <b>Provision 38</b> asks companies to include in the annual report a description of its malus and clawback provisions. Including:</p> <ul style="list-style-type: none"> <li>• The circumstances in which malus and clawback provisions could be used;</li> <li>• A description of the period for malus and clawback and why the selected period is best suits to the organisation; and</li> <li>• Whether the provisions were used in the last reporting period. If so, a clear explanation of the reason should be provided in the annual report.</li> </ul>	1 January 2025

National Highways' management and Audit Committee should be aware of the changes in the UK Corporate Governance Code and consider the actions they need to take ahead of 1 January 2025 to ensure compliance with the revised provisions of the UK Corporate Governance Code.

Legislation	Detail
<p><b>Economic Crime and Corporate Transparency Act 2023</b></p> <p>Royal assent was received on 26 October 2023.</p> <p>Companies House is aiming to introduce the first set of measures under the Economic Crime and Corporate Transparency Act at Spring 2024. However, the introduction of these changes needs secondary legislation, so this date is still dependent on parliamentary timetables.</p>	<p>Economic Crime and Corporate Transparency Act 2023 gives Companies House the power to play a more significant role in disrupting economic crime and supporting economic growth.</p> <p>The first set of changes introduced by the Economic Crime and Corporate Transparency Act includes:</p> <ul style="list-style-type: none"> <li>• greater powers to query information and request supporting evidence;</li> <li>• stronger checks on company names;</li> <li>• new rules for registered office addresses;</li> <li>• a requirement for all companies to supply a registered email address;</li> <li>• a requirement for all companies to confirm they're forming the company for a lawful purpose when they incorporate, and to confirm its intended future activities will be lawful on their confirmation statement;</li> <li>• the ability to annotate the register when information appears confusing or misleading;</li> <li>• taking steps to clean up the register, using data matching to identify and remove inaccurate information; and</li> <li>• sharing data with other government departments and law enforcement agencies.</li> </ul> <p>Other measures under the act, such as identity verification, will be introduced later.</p> <p>The additional powers and resources provided to Companies House is likely to lead to greater scrutiny on submissions with an increased likelihood of rejection. Management and Those Charged with Governance will need to ensure consistency of the returns with the register to mitigate against rejection.</p>