



Headed paper needed

Karen Lee
Manager
Ernst & Young LLP
Wessex House
19 Threefield Lane
Southampton
SO14 3QB

22nd March 2013

Dear Karen

Understanding how the Audit Committee gains assurance from management

The Audit Committee oversees management processes for identifying and reporting the risk of fraud or error and possible breaches of internal control within the Council. In response to your questions;

1) In line with the Committee's Terms of Reference this oversight is achieved through receiving and appraising reports as to the effectiveness of internal control arrangements, through internal and external audits' annual audit report and opinion, the risk scored audit plan and annual governance review, through assessing the Financial Statements and reviewing the Annual Governance Statement. Audit progress reports are presented by the Internal Audit Manager throughout the year.

The Committee is not aware of any significant risks facing the Council which might have an effect on the 2012/13 financial statements or of the likelihood of those risks occurring, which are not already recorded within your Audit Plan report.

Any significant issues on key financial system controls are reported to the Committee by Internal Audit.

The Committee receives the Internal Audit annual report which includes the Internal Audit Manager's opinion on the adequacy of the Council's control environment.

2) Management processes and internal controls are reviewed by both Internal and External Audit. These professional opinions together with any breaches are reported to Committee.

3) No significant breaches of internal control have been reported to Committee to date, however the final reports for 2012/13 are not yet due. The Internal Audit Manager has access to the Chair if there were any serious concerns to report immediately.

The Committee does receive progress reports from the Internal Audit Manager, where assurance opinions are provided together with the number of recommendations made in each audit. If high priority recommendations are not agreed, or if there is an overdue high priority recommendation then the details are

reported to Committee. The Committee can request a copy of any Internal Audit report, or request additional information from the Audit team if required.

Actual, suspected or alleged frauds affecting the Council, are made known through audit reports and the Annual Governance Statement.

The Committee is receiving a fraud report at the March meeting where actual, suspected or alleged frauds will be reported. This detail can be shared with your team.

4) The general economic climate brings financial pressures to all Government bodies. The Council has agreed its budget for 2013/14 whilst maintaining a freeze to Council Tax. There are a number of legislative changes coming in from 2013/14 in relation to Council Tax and Business Rates, where there will be pressure to maintain collection rate performance. There are further pressures as a result of the economic climate, such as Housing needs.

5) In respect of complying with all relevant laws and regulations, assurance is gained through the Monitoring Officer, who works closely with the Committee. The Monitoring Officer can advise Committee before decisions are taken if there are legal or regulatory implications. All EMT and Committee reports are administered through the Legal and Democratic Services. Further, Heads of Service and Managers are familiar with their own disciplines and if at any time, require legal advice, they will ask the Head of Legal and Democratic Services.

6) The Committee is not aware of any actual or potential litigation or claims, which are likely to have a significant impact on the financial statements at this time (other than a claim in respect of a Tree Preservation Order which is at an early stage). If this were to change prior to the accounts being approved in September 2013, the Council will bring this to your attention.

7) There are no events which may cast significant doubt on the Councils ability to continue as a going concern. A balanced budget has been set for 2013/14. There is already work in progress, led by EMT, to make further savings for 2014/15.

Yours sincerely

Cllr A O'Sullivan
Chair of the Audit Committee
on behalf of New Forest District Council