

**AUDIT COMMITTEE - FRIDAY, 27 JULY 2018**

**UPDATE FOR COMMITTEE**

**4. AUDIT RESULTS REPORT UPDATE**

Revised Management Representation Letter to replace (Appendix C) of the report.

This page is intentionally left blank

## Finance

Head: Alan Bethune

Kevin Suter  
Ernst & Young LLP  
Wessex House  
19 Threefield Lane  
Southampton  
SO14 3QB

My Ref:  
Your Ref:

Date: 27 July 2018

Dear Kevin

This letter of representations is provided in connection with your audit of the financial statements of New Forest District Council ("the Council") for the year ended 31 March 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the financial position of New Forest District Council as of 31 March 2018 and of its income and expenditure for the year then ended in accordance with CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

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

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

### A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, under the relevant statutory authorities, for the preparation of the financial statements in accordance with the Accounts and Audit Regulations 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
2. We acknowledge, as members of management of the Council, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of the financial position, financial performance (or results of operations) and cash flows of the Council in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18. We have approved the financial statements.

3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.
4. As members of management of the Council, we believe that the Council has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 that are free from material misstatement, whether due to fraud or error.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

1. We acknowledge that we are responsible to determine that the Council's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Council (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
  - involving financial statements;
  - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the Council's financial statements;
  - related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Council's activities, its ability to continue to operate, or to avoid material penalties;
  - involving management, or employees who have significant roles in internal controls, or others; or
  - in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

### **C. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
3. We have made available to you all minutes of the meetings of the Council and Audit Committees held through the year to the most recent meeting on the following date: 27 July 2018.
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period end, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. We have disclosed to you, and the Council has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

### **D. Liabilities and Contingencies**

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

## **E. Subsequent Events**

1. There have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

## **F. Other information**

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Narrative Statement and Annual Governance Statement.
2. We confirm that the content contained within the other information is consistent with the financial statements.

## **G. Use of the Work of a Specialist**

1. We agree with the findings of the specialists that we engaged to evaluate the Local Government Pension Fund balances and have adequately considered the qualifications of the specialists in determining the amounts and disclosures included in the financial statements and the underlying accounting records. We did not give or cause any instructions to be given to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an effect on the independence or objectivity of the specialists.

## **H. Estimates**

1. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
2. Accounting estimates recognised or disclosed in the financial statements:
  - We believe the measurement processes, including related assumptions and models, we used in determining accounting estimates is appropriate and the application of these processes is consistent.
  - The disclosures relating to accounting estimates are complete and appropriate in accordance with the applicable financial reporting framework.
  - The assumptions we used in making accounting estimates appropriately reflects our intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures.
  - No subsequent event requires an adjustment to the accounting estimates and disclosures included in the financial statements.

## **I. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

Yours faithfully

---

Alan Bethune  
Responsible Financial (S151) Officer

I confirm that this letter has been discussed and agreed at the New Forest District Council Audit Committee on 27 July 2018.

---

Cllr Alan O'Sullivan  
Chairman of the Audit Committee

**Communication schedule for uncorrected misstatements**

 Entity: New Forest District Council

 Period Ended: 31-Mar-2018

 Currency: GBP

Uncorrected misstatements			Analysis of misstatements Debit/(Credit)							Income statement effect of the prior period	
No.	W/P ref.	Account (Note 1)	Assets Current	Assets Non-current	Liabilities Current	Liabilities Non-current	Equity components	Effect on the current period OCI	Income statement effect of the current period	Prior period Debit/(Credit)	Non taxabl
(misstatements are recorded as journal entries with a description )			Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit) (Note 2)	Debit/(Credit)	Debit/(Credit )	Debit/(Credit )	Debit/(Credit )	Non taxabl
<b>Factual misstatements:</b>											
		Incorrectly recorded PPE Addition - FY error									
		HRA Expenditure - non enhancing capital expenditure		(204,256)							
		Creditors			204,256						
<b>Judgmental misstatements:</b>											
		Pension asset understatement									
		Pension Liability				799,960					
		Pension Reserve					(799,960)				
<b>Total of uncorrected misstatements before income tax</b>			0	(204,256)	204,256	799,960	(799,960)	0	0	0	0
<b>Total of uncorrected misstatements</b>			0	(204,256)	204,256	799,960	(799,960)	0	0	0	0
<b>Financial statement amounts</b>			52,362,000	472,860,000	(24,218,000)	(235,060,000)	(265,944,000)		(2,551,000)		
<b>Effect of uncorrected misstatements on F/S amounts</b>			0.0%	0.0%	-0.8%	-0.3%	0.3%		0.0%	0.0%	0.0%
<b>Memo: Total of non-taxable items (marked 'X' above)</b>									0	0	0
<b>Uncorrected misstatements before income tax</b>								0.0%	0	0	0
<b>Less: Tax effect of misstatements at current year marginal rate</b>								0%	0	0	0
<b>Uncorrected misstatements in income tax</b>									0	0	0
<b>Cumulative effect of uncorrected misstatements after tax but before turnaround</b>								0.0%	0	0	0
<b>Turnaround effect of prior period uncorrected misstatements</b>											
<b>All factual and projected misstatements:</b>									0	0	0
<b>Judgmental misstatements (Note 3):</b>									0	0	0
<b>Cumulative effect of uncorrected misstatements, after turnaround effect</b>								0.0%	0	0	0
<b>Current year income before tax</b>											
<b>Current year income after tax</b>									(2,551,000)		

Do not remove any categories of misstatements above, even if there are no misstatements; removing these categories may adversely affect the formulas or template functionality.

Page 6