

# New Forest District Council

Audit Results Report - ISA (UK and Ireland) 260  
for the year ended 31 March 2016

23 September 2016

Ernst & Young LLP





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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website ([www.psaa.co.uk](http://www.psaa.co.uk))

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Results Report is prepared in the context of the Statement of responsibilities. This report is intended solely for the use of the Members of the audited body. We, as appointed auditor, take no responsibility to any third party.

**Our Complaints Procedure** – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

# 1. Executive summary

The National Audit Office's Code of Audit Practice (the Code) requires us to report to those charged with governance – the Audit Committee – on the work we have carried out to discharge our statutory audit responsibilities together with any governance issues identified. This report summarises the findings from the 2015/16 audit which is substantially complete. It includes messages arising from our audit of your financial statements and the results of the work we have undertaken to assess your arrangements to secure economy, efficiency and effectiveness in your use of resources.

Below are the results and conclusions on the significant areas of the audit process.

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|                                   |  |
|-----------------------------------|--|
| Status of the audit               | <p>We have substantially completed our audit of the financial statements of New Forest District Council for the year ended 2015/16.</p> <p>The following areas of our work programme remain to be completed as of the date of this report:</p> <ul style="list-style-type: none"><li>• completion of subsequent events review;</li><li>• receipt of the signed management representation letter; and</li><li>• whole of government accounts.</li></ul> <p>We have performed the procedures outlined in our Audit Plan and subject to satisfactory completion of the outstanding items above anticipate issuing an unqualified opinion on the Council's financial statements.</p> <p>We expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.</p> <p>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 and the Code of Audit Practice issued by the National Audit Office. However, we expect to issue the audit certificate at the same date as the audit opinion.</p> |
| Audit differences                 | <p>There are no unadjusted audit differences and no adjusted audit differences that we need to report to you.</p>  |
| Scope and materiality             | <p>In our audit plan, presented at to the Audit Committee on 18 March 2016, we communicated that our audit procedures would be performed using a materiality of £1.422 million. We have reassessed this based on the actual results for the financial year and there was a change to the materiality level we applied. This increased to £2.017 million as a result of the Council's increased gross expenditure to £100.856 million in 2015/16 compared to its gross expenditure of £71.101 million in 2014/15. This increase was a consequence of the negative impact of an HRA technical impairment in 2014/15 of £14.878 million, which reduced gross expenditure for the year by £29.755 million.</p>   |
| Scope and materiality (continued) | <p>The threshold for reporting audit differences which impact the financial statements has also changed to £100,800, from £71,000 at the planning stage. The changes in materiality are due to our assessment which is based on 2% of gross operating expenditure. The use of 2% is consistent with prior years.</p> <p>We carried out our work in accordance with our Audit Plan.</p>   |

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|                         |   |
|-------------------------|---|
| Significant audit risks | <p>We identified the following audit risks during the planning phase of our audit, and reported these to you in our audit plan:</p> <p><b>Significant audit risks – Financial Statements:</b></p> <ul style="list-style-type: none"> <li>• Risk of management override.</li> </ul> <p><b>Significant audit risks – Value for Money:</b></p> <ul style="list-style-type: none"> <li>• Delivery of a sustainable medium term financial plan.</li> </ul> <p>The ‘addressing audit risks’ section of this report sets out how we have gained audit assurance over these issues.</p> |
| Other reporting issues  | We have no other matters we wish to report.   |
| Control observations    | We have adopted a fully substantive approach and have therefore not tested the operation of controls.   |

We would like to take this opportunity to thank the Council’s staff for their assistance during the course of our work.

Helen Thompson  
 Executive Director  
 For and on behalf of Ernst & Young LLP

## 2. Responsibilities and purpose of our work

### The Council's responsibilities

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement (AGS). In the AGS, the Council reports publicly on the extent to which it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### Purpose of our work

Our audit was designed to:

- express an opinion on the 2015/16 financial statements and the consistency of other information published with them;
- report on an exception basis on the Annual Governance Statement;
- consider and report any matters that prevent us being satisfied that the Council had put in place proper arrangements for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion); and
- discharge our statutory duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

In addition, this report contains our findings related to the areas of audit emphasis and any views on significant deficiencies in internal control or the Council's accounting policies and key judgments.

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.

### 3. Financial statements audit

#### Addressing audit risks

We identified the following audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. Here, we set out how we have gained audit assurance over those issues.

A significant audit risk in the context of the audit of the financial statements is an inherent risk with both a higher likelihood of occurrence and a higher magnitude of effect should it occur and which requires special audit consideration. For significant risks, we obtain an understanding of the entity's controls relevant to each risk and assess the design and implementation of the relevant controls.

| Significant Risk<br>(including fraud risks)  | Audit procedures performed  | Assurance gained and<br>issues arising  |
|--|---|---|
| <p><b>Risk of management override</b></p> <p>As identified in ISA (UK and Ireland) 240, management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>We identify and respond to this fraud risk on every audit engagement.</p> | <ul style="list-style-type: none"><li>• Tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</li><li>• Reviewed accounting estimates for evidence of management bias.</li><li>• Evaluated the business rationale for any significant unusual transactions.</li></ul> | <p>Our audit work on journals and accounting estimates has not identified any evidence of management bias or significant unusual transactions.</p> <p>We have not identified any matters that we need to bring to your attention.</p> |

## Other matters

As required by ISA (UK&I) 260 and other ISAs specifying communication requirements, we are required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process, including the following:

- qualitative aspects of your accounting practices; estimates and disclosures;
- matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions;
- any significant difficulties encountered during the audit; and
- other audit matters of governance interest.

We have no matters we wish to report.

## Control themes and observations

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Our responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

We adopted a fully substantive approach and have therefore not tested the operation of controls.

We have not identified any significant deficiencies in the design or operation of an internal control that might result in a material misstatement in your financial statements of which you are not aware.

We have reviewed the Annual Governance Statement and can confirm that it not misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council.

## Request for written representations

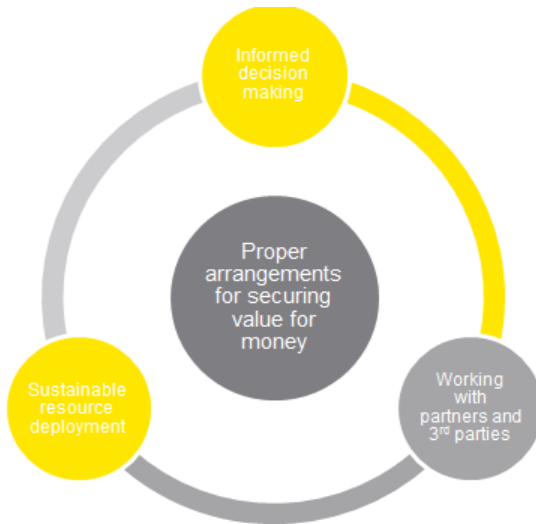
We have requested a management representation letter to gain management's confirmation in relation to a number of matters. We have not requested any specific representations in addition to the standard representations.

## Whole of Government Accounts

Alongside our work on the financial statements, we also review and report to the National Audit Office on your Whole of Government Accounts return. The extent of our review and the nature of our report are specified by the National Audit Office.



## 4. Value for money



We are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- ▶ take informed decisions;
- ▶ deploy resources in a sustainable manner; and
- ▶ work with partners and other third parties.

### Overall conclusion

We identified a significant risk in relation to the Council's arrangements to "ensure it deployed resources to achieve planned and sustainable outcomes for taxpayers and local people" as reported in our audit plan.

We have performed the procedures outlined in our audit plan and the results are set out below. We did not identify any significant weaknesses in the Council's arrangements.

We therefore expect to conclude that you have put in place proper arrangements to secure value for money in your use of resources.

### Significant risks

The table below presents the findings of our work in response to the risk area set out in our audit plan.

We are only required to determine whether there are any risks that we consider significant, which the Code of Audit Practice defines as: "A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public".

## VFM risk identified within our audit plan

### Delivery of a sustainable medium term financial plan

Despite the continuing uncertainty of the current economic climate and a further reduction in government formula funding grant, the Council set a balanced budget for 2015/16 without needing to increase council tax. This has largely been possible due to the ongoing implementation of the Council's savings and efficiencies programme.

There are risks associated with delivery of these savings. Plans have been developed to mitigate these risks for 2015/16 and a balanced budget has been set for 2016/17 with an increase in council tax of 1.67%. 2017/18 onwards will be more difficult as £1.19 million of savings will be required. The Council has general fund reserves of £2.036 million, which are available to support service budgets during the continuing uncertain times.

However, in the face of ongoing reduction in government grants funding between 2015/16 and 2019/20, the Council needs to continue to consider what steps to take to plan for a sustainable financial future.

## Impacts arrangements for:

- ▶ Deploying resources in a sustainable manner.

## Key findings

### Progress made in achieving the planned budget and required savings for 2015/16

- ▶ The Council made good progress in 2015/16, as it achieved 12% efficiencies and savings compared to the Council's 2015/16 planned net expenditure of £21.667million. Net savings and efficiencies, mostly through the management restructuring process in year, were significant at £2.652 million. This, coupled with higher than expected interest earnings and business rates, resulted in a net overall saving for the year of £3.354 million which has been added to reserves.

### Assessment of whether the Council has good systems and processes in place to manage their financial risks and opportunities effectively

- ▶ The Council had appropriate processes for setting its 2016/17 budget. Budget assumptions are reasonable, although these are best estimates as there still are many uncertainties, particularly surrounding the impact of the new arrangements with Business Rates and the continuing uncertain economic climate.
- ▶ To manage its financial risk, the Council provides regular budgetary control reports to the Cabinet. There are currently general fund reserves of £3 million, and an unallocated balance of £8.6 million in the Asset Management Fund to supplement planned savings, should they not be achieved in future years.

### Assessment of the robustness of financial plans for 2016/17 and in the medium term.

- ▶ The Council was able to set a balanced budget for 2016/17, due to the continuing implementation of the Council's savings and efficiencies programme. The budget deficit is £1.136 million to 2020, which is lower than the current level of Council's reserves. Reserves are for unplanned expenditure and therefore the Council is undergoing a series of service reviews to identify further savings.
- ▶ In February 2016 the Cabinet approved the Council's Delivery Plan, linked to the 2016 – 2020 Corporate Plan, which outlined the need for 26 service reviews to close the remaining £1.136 million budget deficit over the medium term period to 2020. The Efficiency Plan was finalised at the July Cabinet, which approved the Plan thereby accepting central government's offer of a four year funding deal. We will continue to review progress against the Council's medium term financial plan as part of our 2016/17 audit.

## Appendix A – Independence

We confirm there are no changes in our assessment of independence since our confirmation in our Audit Plan dated 18 March 2016.

We complied with the Auditing Practices Board's Ethical Standards for Auditors and the requirements of the Public Sector Audit Appointments Ltd (PSAA)'s Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We confirm that we are not aware of any relationships that may affect the independence and objectivity of the firm that we are required by auditing and ethical standards to report to you.

We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you consider the facts of which you are aware and come to a view. If you wish to discuss any matters concerning our independence, we will be pleased to do so at the forthcoming meeting of the Audit Committee on 23 September 2016.

We confirm that we have met the reporting requirements to the Audit Committee, as 'those charged with governance' under International Standards on Auditing (UK and Ireland) 260 – Communication with those charged with governance. Our communication plan to meet these requirements was set out in our Audit Plan of 18 March 2016.

## Appendix B – Auditor fees

The table below sets out the scale fee and our final proposed audit fees.

| Description   | Proposed final Fee 2015/16 £'s | Scale Fee 2015/16 £'s | Variation comments |
|---|--------------------------------|-----------------------|--------------------|
| <b>Total Audit Fee – Code work (Note 1)</b>         | 55,482                         | 55,482                | None               |
| <b>Certification of claims and returns (Note 2)</b> | 5,492                          | 5,492                 | None               |

Note 1 - Audit Fee – Code work. We need to review our costs once we have completed the outstanding procedures before reporting formally agreeing the final fee with you within our Annual Audit Letter.

Note 2 - Certification of claims and returns. We have not commenced our work in this area. We will report the results of our work and the final fee with you in our Annual Certification Report.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

## Appendix C – Request for a Management representation letter

### To be prepared on entity's letterhead

Ernst and Young  
Wessex House  
19 Threefield Lane  
Southampton  
SO14 3QB.

This representation letter is provided in connection with your audit of the financial statements of New Forest District Council (“the Council”) for the year ended 31 March 2016. 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 2016 and of its expenditure and income for the year then ended in accordance with the CIPFA LASAAC Code of Practice on Local Council Accounting in the United Kingdom 2015/16.

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 (England) 2015 and CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.
2. We acknowledge 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 and of its expenditure and income of the Authority in accordance with the CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and are free of material misstatements, including omissions. 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. 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 2015/16 that are free from material misstatement, whether due to fraud or error.

5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

#### **B. Fraud**

1. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
2. 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.
3. We have no knowledge of any fraud or suspected fraud involving management or other employees who have a significant role in the Council's internal controls over financial reporting. In addition, we have no knowledge of any fraud or suspected fraud involving other employees in which the fraud could have a material effect on the financial statements. We have no knowledge of any allegations of financial improprieties, including fraud or suspected fraud, (regardless of the source or form and including without limitation, any allegations by "whistleblowers") which could result in a misstatement of the financial statements or otherwise affect the financial reporting of the Council.

#### **C. Compliance with Laws and Regulations**

1. We have disclosed to you all known actual or suspected noncompliance with laws and regulations whose effects should be considered when preparing the financial statements.

#### **D. 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 as agreed in terms of the audit engagement.
  - 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 committees including the Audit Committee.
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 ended, 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 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.

#### **E. 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 litigation and claims, both actual and contingent, and have disclosed in Note [X] to the financial statements all guarantees that we have given to third parties.~~

#### **F. 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.

#### **G. Accounting 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.

#### **H. 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.

## **I. Use of the Work of an Expert**

1. We agree with the findings of the experts engaged to evaluate the Local Government Pension Fund balances and have adequately considered the qualifications of the experts 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 experts 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 experts.

*Yours Faithfully,*

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Responsible Finance Officer

I confirm that this letter has been discussed and agreed at the New Forest District Audit Committee on 23 September 2016.

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Chairman of the Audit Committee



## Appendix D – Draft audit report

### Independent auditor's report to the members of New Forest District Council

#### **Opinion on the New Forest District Council's financial statements**

We have audited the financial statements of New Forest District Council for the year ended 31 March 2016 under the Local Audit and Accountability Act 2014. The financial statements comprise the:

- Movement in Reserves Statement,
- Comprehensive Income and Expenditure Statement,
- Balance Sheet,
- Cash Flow Statement,
- Housing Revenue Account and Collection Fund, and
- related notes 1 to 55.

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 2015/16.

This report is made solely to the members of New Forest District Council, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and for no other purpose, as set out in paragraph 43 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.

#### **Respective responsibilities of the Responsible Financial Officer and auditor**

As explained more fully in the Statement of the Responsibilities set out on page 3, the Responsible Financial Officer is responsible for the preparation of the Council's Annual Financial Report 2015/16, 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 2015/16, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Council; and the circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Responsible Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Financial Report 2015/16 to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in

the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the financial position of New Forest District Council as at 31 March 2016 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2015/16.

### **Opinion on other matters**

In our opinion, the information given in the [name of the document that the financial statements are published in the Annual Financial Report 2015/16 for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We report to you if:

- in our opinion the annual governance statement is misleading or inconsistent with other information forthcoming from the audit or our knowledge of the Council;
- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make written recommendations to the audited body under Section 24 of the Local Audit and Accountability Act 2014;
- 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;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects

### **Conclusion on [name of the Authority]'s arrangements for securing economy, efficiency and effectiveness in the use of resources**

#### ***Authority's responsibilities***

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***

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our conclusion relating to proper arrangements.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

***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, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General (C&AG) in November 2015, as to whether the [name of body] had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the [name of body] put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

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, in all significant respects, New Forest District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

***Conclusion***

On the basis of our work, having regard to the guidance issued by the C&AG in November 2015, we are satisfied that, in all significant respects, New Forest District Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

***Certificate***

We certify that we have completed the audit of the accounts of New Forest District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice issued by the National Audit Office.

[Signature]

Helen Thompson (senior statutory auditor)

for and on behalf of Ernst & Young LLP, Appointed Auditor  
Southampton

Xx September 2016

## Appendix E – Required communications with the audit committee

There are certain communications that we must provide to the Audit Committee of our UK clients. These are detailed here:

| Required communication   | Reference   |
|--|---|
| <p><b>Planning and audit approach</b></p> <p>Communication of the planned scope and timing of the audit, including any limitations.</p>  | Audit Plan  |
| <p><b>Significant findings from the audit</b></p> <ul style="list-style-type: none"> <li>▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>▶ Significant difficulties, if any, encountered during the audit</li> <li>▶ Significant matters, if any, arising from the audit that were discussed with management</li> <li>▶ Written representations that we are seeking</li> <li>▶ Expected modifications to the audit report</li> <li>▶ Other matters if any, significant to the oversight of the financial reporting process</li> <li>▶</li> </ul> | Audit Results Report  |
| <p><b>Going concern</b></p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>▶ Whether the events or conditions constitute a material uncertainty</li> <li>▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>▶ The adequacy of related disclosures in the financial statements</li> </ul>  | No conditions or events were identified, either individually or in aggregate, that indicated there could be doubt about New Forest District Council's ability to continue as a going concern for the 12 months from the date of our report. |
| <p><b>Misstatements</b></p> <ul style="list-style-type: none"> <li>▶ Uncorrected misstatements and their effect on our audit opinion</li> <li>▶ The effect of uncorrected misstatements related to prior periods</li> <li>▶ A request that any uncorrected misstatement be corrected</li> <li>▶ In writing, corrected misstatements that are significant</li> </ul>  | Audit Results Report  |
| <p><b>Fraud</b></p> <ul style="list-style-type: none"> <li>▶ Enquiries of the audit committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity</li> <li>▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>▶ A discussion of any other matters related to fraud</li> </ul>  | We have made enquiries of management. We have not become aware of any fraud or illegal acts during our audit.   |
| <p><b>Related parties</b></p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>▶ Non-disclosure by management</li> <li>▶ Inappropriate authorisation and approval of transactions</li> <li>▶ Disagreement over disclosures</li> <li>▶ Non-compliance with laws and regulations</li> <li>▶ Difficulty in identifying the party that ultimately controls the entity</li> </ul>   | We have no matters we wish to report.   |

| Required communication  | Reference  |
|---|--|
| <p><b>External confirmations</b></p> <ul style="list-style-type: none"> <li>▶ Management's refusal for us to request confirmations</li> <li>▶ Inability to obtain relevant and reliable audit evidence from other procedures</li> </ul>   | We have received all requested confirmations.  |
| <p><b>Consideration of laws and regulations</b></p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the audit committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the audit committee may be aware of</li> </ul>   | We have not identified any material instances of non-compliance with laws and regulations.       |
| <p><b>Independence</b></p> <p>Communication of all significant facts and matters that bear on EY's objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>▶ The principal threats</li> <li>▶ Safeguards adopted and their effectiveness</li> <li>▶ An overall assessment of threats and safeguards</li> <li>▶ Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul> | Audit Plan and Audit Results Report  |
| <p><b>Significant deficiencies in internal controls identified during the audit</b></p>   | Audit Results Report   |
| <p><b>Fee Information</b></p> <ul style="list-style-type: none"> <li>▶ Breakdown of fee information at the agreement of the initial audit plan</li> <li>▶ Breakdown of fee information at the completion of the audit</li> </ul>  | <p>Audit Plan</p> <p>Audit Results Report</p> <p>Annual Audit Letter if considered necessary</p> |
| <p><b>Certification work</b></p> <ul style="list-style-type: none"> <li>▶ Summary of certification work undertaken</li> </ul>   | Certification Report to be presented to the Audit Committee in January 2017.                     |

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