

# The Audit Findings Report for Hertsmere Borough Council

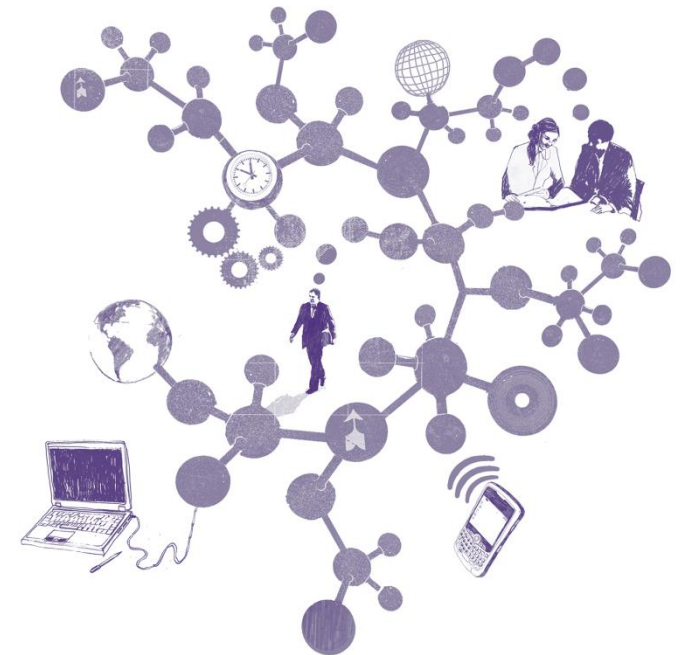
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**Year ended 31 March 2015**

September 2015

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21 September 2015

Dear Councillor Goldstein

**Audit Findings Report for Hertsmere Borough Council for the year ending 31 March 2015**

This Audit Findings Report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Hertsmere Borough Council, the Audit Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Iain Murray – Engagement Lead

for and on behalf of Grant Thornton UK LLP

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# Section 1: Executive summary

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# Executive summary

## Purpose of this report

This report highlights the key matters arising from our audit of Hertsmere Borough Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). We are also required to reach a formal conclusion on whether you have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

## Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated in the audit plan presented to the April 2015 Audit Committee.

Our audit is substantially complete although we are finalising our work in the following areas:

- obtaining and reviewing the final management letter of representation
- review of the final version of the financial statements and the Annual Governance Statement

- final quality assurance and review processes and
- updating our post balance sheet events review to the date of signing our audit opinion final quality assurance and review processes.

We received draft financial statements and accompanying working papers at the start of our audit in accordance with the timetable agreed with officers.

## Key issues arising from our audit

### Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of the Group and Council's financial statements are:

As in previous years the financial statements have been produced to a high standard with only a small number of audit amendments required. Strong working paper trails were provided to support the financial statements. There were also very effective arrangements for liaising with us during the closedown period.

The draft accounts included a provision for business rate appeals in the Collection Fund of £5,261,000, of which the Council's share was £2,104,000. Officers have revised this provision to take account of updated information received from the Valuation Office after year end. As a result the provision has been reduced by £1,729,000, of which the Council's share is £692,000. This has led to a series of adjustments in the accounts, including an increase of £346,000 in the levy payable to the government.

There were no other issues above the level we are required to report which required an amendment to the primary financial statements.

We agreed a number of minor changes to disclosure notes.

Further details are set out in section two of this report.

### **Value for Money conclusion**

We are pleased to report that, based on our review of your arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

### **Whole of Government Accounts (WGA)**

We have completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for your attention.

### **Controls**

#### **Roles and responsibilities**

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to you.

### **Findings**

Our work has not identified any control weaknesses which we wish to highlight for your attention.

Further details are provided within section two of this report.

### **The way forward**

Matters arising from the financial statements audit and review of your arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Resources and the Finance and Business Services Manager.

### **Acknowledgment**

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

**Grant Thornton UK LLP**  
**21 September 2015**

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## Section 2: Audit findings

01. Executive summary

**02. Audit findings**

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# Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan presented to the April 2015 Audit Committee. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

## **Changes to Audit Plan**

We have not made changes to our Audit Plan as previously communicated to you in April 2015.

## **Audit opinion**

We propose an unqualified audit opinion as set out in Appendix A.



# Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p><b>Improper revenue recognition</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including those at the Council, mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>However, as your revenue streams are material our audit work has included;</p> <ul style="list-style-type: none"> <li>• review of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of any unusual significant transactions.</li> </ul>	<p>We gained sufficient assurance to conclude that revenue was not materially misstated.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA (UK&amp;I) 240 there is a presumed risk of management override of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journal entries</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit work, including our review of journal controls and testing of journal entries, has not identified any evidence of management override of controls.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>



# Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.


Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> <li>• Documentation of our understanding of processes and key controls over the transaction cycle</li> <li>• Walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>• Substantive testing of creditor balances to supporting documentation</li> <li>• Cut-off testing to ensure that transactions have been recorded in the correct accounting period.</li> <li>• Review of yearend reconciliations to ensure completeness of information in the accounts</li> </ul>	We gained sufficient assurance to conclude that creditors and operating expenses were not materially misstated.
<b>Employee remuneration</b>	Employee remuneration accrual understated	<ul style="list-style-type: none"> <li>• Documentation of our understanding of processes and key controls over the transaction cycle</li> <li>• Walkthrough of the key controls to assess whether those controls are designed effectively</li> <li>• Substantive testing of payroll information for a sample of employees to supporting documentation</li> <li>• Review of yearend reconciliations to ensure completeness of information in the accounts</li> <li>• Trend analysis to assess completeness of payroll information</li> </ul>	We gained sufficient assurance to conclude that employee remuneration expenses were not materially misstated.

# Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included within your financial statements.

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Revenue recognition policies are set out at Note 1 to the accounts, "Accounting Policies –Revenue Recognition"</li> </ul>	<p>Revenue recognition policies are adequately disclosed in the financial statements. In our audit we did not identify any instances of inappropriate revenue recognition.</p>	
<b>Estimates and judgements</b>	<ul style="list-style-type: none"> <li>Key estimates and judgements include:                             <ul style="list-style-type: none"> <li>– useful life of capital equipment</li> <li>– pension fund valuations</li> <li>– PPE revaluations</li> <li>– impairments</li> <li>– provisions</li> </ul> </li> </ul>	<p>You set out your policies in Note 1 to the financial statements. We reviewed these policies and concluded they were reasonable and consistent with the CIPFA Code. You disclose critical accounting estimates and judgements (Note 3) and major sources of estimation uncertainty (Note 4). These disclosures are also consistent with the Code.</p> <p>The Council's accounting policy on depreciation stated that Other Land &amp; Building assets were depreciated on a straight line basis for periods up to 30 years. We noted that, based on updated information on asset lives provided by the Council's external valuer, some assets in this category were being depreciated for periods up to 50 years. Officers have updated the information at the accounting policy note.</p> <p>Other than for the issue relating to depreciation we did not identify any instances of non-compliance with your accounting policies.</p> <p><b>Provision for business rate appeals</b> Under the accounting framework for business rates billing authorities are required to estimate a provision for business rate appeals. The Council use an external valuation expert (Wilkes Head Eve) to help estimate this provision. The draft accounts were based on a provision for the Collection fund as a whole of £5,261,000 at 31 March 15, of which the Council's share was £2,104,000.</p> <p>The provision in the draft accounts included amounts for both appeals received at year end and potential future appeals. Officers were aware that under changes to regulations potential future appeals should not be included in the provision at 31 March 2015. However,</p>	

## Assessment

 **Red** - Marginal accounting policy which could potentially attract attention from regulators disclosure

 **Green** - Accounting policy appropriate and disclosures sufficient

 **Amber** - Accounting policy appropriate but scope for improved

# Accounting policies, estimates & judgements continued



Accounting area	Summary of policy	Comments	Assessment
		<p>they planned a further review of the provision based on updated information after year end, at which point the element for future appeals (£2,138,000) would be removed as part of an aggregate adjustment.</p> <p>The changes to regulations in 2014/15 have generally led to a "spike" of appeals in the weeks immediately prior to 31 March 2015. Officers have therefore considered the updated Valuation Office listings at 31 May 2015 following the processing of these appeals. Based on these updated listings, and taking into account the assessment by the Council's expert, the provision for business rate appeals has been reduced to £3,532,000, of which the Council's share is £1,412,000. This revised figure excludes the element relating to future appeals.</p> <p>The movement on the appeals provision has led to a series of adjustments in the accounts, with the Council's share of the surplus on the collection fund increasing by £692,000, and the levy payable to central government increasing by £346,000.</p> <p>We reviewed the business rate appeals provision following the Council's adjustments. We concluded that the provision was not materially misstated.</p> <p><b>Accounting for collaborative arrangements</b></p> <p>You disclose the critical accounting estimates and judgements used in preparing the accounts at Note 3. These include your judgement that a set of group accounting statements is not required, as you consider the Council's interest in subsidiaries, associates and joint ventures is not material to a reader's understanding of the Council's financial affairs.</p> <p>You disclose Information on the Council's relationships with its subsidiaries and other collaborative arrangements at Note 38. This includes a summary of information from the unaudited 2014/15 accounts for Elstree Film Studios (EFS), which is a subsidiary of the Council. We agreed with officers that this disclosure would be expanded to provide more complete information on all primary statements in the EFS accounts, and on the extent of any external liabilities other than amounts owing to the Council.</p>	

**Assessment**


● - Red Marginal accounting policy which could potentially attract attention from regulators disclosure  
 ● - Green Accounting policy appropriate and disclosures sufficient

● - Amber Accounting policy appropriate but scope for improved

# Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
<b>Going concern</b>	Management has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed management's assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2014/15 financial statements.	
<b>Other accounting policies</b>	We have reviewed your accounting policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.	

## Assessment

 - **Red** Marginal accounting policy which could potentially attract attention from regulators disclosure

 - **Green** Accounting policy appropriate and disclosures sufficient

 - **Amber** Accounting policy appropriate but scope for improved

# Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Issues requiring changes to amounts above the level at which we are required to report are reported at "Misclassifications and disclosure changes". A number of other minor amendments to disclosure notes and the Explanatory Foreword were agreed with officers. We also agreed a number of minor amendments to the Annual Governance Statement.</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed</li> </ul>
6.	<b>Publication of accounts</b>	<ul style="list-style-type: none"> <li>Under auditing standards we are not able to issue our report "earlier than the date on which all other information contained in a report of which the audited financial statements form a part has been approved by those charged with governance and the auditor has considered all necessary available evidence". The intention of the standard is to ensure that financial or other information published with the statement of accounts is consistent with the accounts and with the auditor's understanding.</li> </ul> <p>We discussed arrangements for the publication of the accounts with officers. We understand that for 2014/15 the accounts and annual governance statement will be published as a standalone document, and that no additional material which has not previously been considered by the September 2015 Audit Committee will be combined and published with the accounts and annual governance statement at a later date. We have asked for this to be confirmed through the letter of representation.</p>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council.</li> </ul>

## Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page 10.

We have no matters to report to you.

# Adjusted misstatements

We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management.

There are no adjustments with an impact on the primary financial statements above the level we are required to report, other than those arising from the reduction in the appeals provision for business rates reported at "Accounting policies, estimates and judgements". Adjustments to disclosure notes with no impact on the primary financial statements are reported at "Misclassifications and disclosure changes".

The impact on the Comprehensive Income and Expenditure Statement and the Balance Sheet of the adjustments arising from the reduction in the appeals provision for business rates is summarised below.

## **Comprehensive Income & Expenditure Statement**

Increase Non-domestic rates income by £346,000.

*The overall impact is to reduce the Deficit for the year on the Provision of Services by £346,000.*

## **Balance Sheet: Net Assets**

Increase creditors by £346,000 and reduce provisions by £692,000, a net reduction on Current Liabilities of £346,000.

*The overall impact is to increase Net Assets by £346,000.*

## **Balance Sheet: Total Reserves**

Usable Reserves: Reduce the Council Fund balance by £692,000. Increase Earmarked Reserves (Business rates equalisation reserve) by £346,000.

Unusable Reserves: Increase the Collection Fund Adjustment Account by £692,000.

*The overall impact is to increase Total Reserves by £346,000.*



# Unadjusted misstatements

We did not identify any misstatements during the audit above the level we are required to report which management has decided not to adjust.

## Misclassifications & disclosure changes

The table below provides details of disclosure adjustments identified during the audit above the level we are required to report. We have also agreed a number of other minor changes and narrative amendments to improve the presentation in the accounts. Management have made all of the agreed adjustments in a revised set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	861	Note 16 – Amounts Reported for Resource Allocation Disclosure	The analysis at Note 16 was incorrect as support service charges of £861,000 included at "Legal & Democratic Services" should have been reallocated to "Central Services".

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## Section 3: Value for Money

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# Value for Money

## Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

**The Council has proper arrangements in place for securing financial resilience** - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

**The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness** - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

## Key findings

### Securing financial resilience

We have undertaken a review which considered your arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

We concluded that the Council continues to have effective arrangements for financial management and budgetary control.

### Challenging economy, efficiency and effectiveness

We have considered your arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

We concluded that you continue to have an effective framework to address financial pressures and to deliver your financial plans over the medium term.

Our more detailed findings and Red/Amber/Green (RAG) ratings are at pages 21 and 22.

### Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects you have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015. We are therefore proposing an unqualified VfM conclusion.

We set out below our detailed findings against six risk areas which have been used to assess your performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

<b>Green</b>	Adequate arrangements
<b>Amber</b>	Adequate arrangements, with areas for development
<b>Red</b>	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
<b>Key indicators of performance</b>	<p>You remain debt free. The value of usable (cash-backed) reserves at 31 March 2015 remains healthy at £30,797,000.</p> <p>The working capital ratio represents the extent to which current assets cover immediate liabilities. A ratio of less than one indicates potential liquidity problems. Your working capital ratio at 31 March 2015 was 3.6 (31 March 2014: 3.5), which does not indicate any issues of concern.</p>	<b>Green</b>
<b>Strategic financial planning</b>	<p>You have a five year Financial Strategy (FS) which has been formally updated during 2014/15. The strategy is comprehensive, explains the basis of key assumptions and is supported by a sensitivity analysis. There is clear linkage between the FS and the annual budget-setting process. Your policy remains not to use reserves to support day to day revenue expenditure and to maintain a minimum general reserve balance of £7.6m over the lifetime of the FS, and to include a contingency reserve in annual revenue budgets.</p> <p>There is also comprehensive consideration of future strategy options for specific projects, including the development of Elstree Film Studios.</p> <p>The Council's current strategy anticipates that savings of £1.4m will be required over the strategy period, including savings of £421,000 for 2015/16 which have already been identified and built into budgets. Although savings in future years have still to be identified, you have a history of strong financial management and your approach means you are well-placed to deliver your financial plans over the medium term.</p>	<b>Green</b>
<b>Financial governance</b>	<p>Financial reporting and monitoring processes are well-established with regular reporting on in-year performance to the Overview and Performance Committee and the Executive. The overall level and frequency of the reports continues to support effective monitoring. There is regular review of the Council's investment strategy. You have also recently completed a detailed review of the governance arrangements for Elstree Film Studios to ensure these are fit for purpose.</p>	<b>Green</b>
<b>Financial control</b>	<p>You have well-established processes for preparing and monitoring annual budgets, with detailed analysis of variances. There is a history of underspends against revenue budget in recent years, and current monitoring is again forecasting a revenue underspend for 2015/16.</p> <p>You continue to have effective systems of financial control to ensure accounting systems produce reliable information, and a strong framework to monitor key organisational risks.</p>	<b>Green</b>

Theme	Summary findings	RAG rating
<b>Prioritising resources</b>	<p>You use a participatory budgeting exercise every three years to obtain residents views on satisfaction with services and future options. The initiatives identified from the most recent exercise have been implemented in 2014/15, resulting in budget savings of £348,000.</p> <p>You have a history of delivering planned savings, and are reporting year on year efficiency gains for each of the last ten years.</p>	<b>Green</b>
<b>Improving efficiency &amp; productivity</b>	<p>You continue to review the cost-effectiveness of services in the context of the financial strategy and delivering efficiency savings. There is a well-established monitoring framework which covers a range of performance and non-performance indicators. There is evidence of effective partnership working with other authorities and organisations.</p>	<b>Green</b>

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## Section 4: Fees, non-audit services and independence

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# Fees, non-audit services and independence

We confirm below our final fees charged for the audit, subject to completion of our work on grant claim certification.

## Fees

	Per Audit plan £	Actual fees £
Council audit	65,821	65,821
Grant certification on behalf of Audit Commission*	21,720	TBC
<b>Total audit fees</b>	<b>87,541</b>	<b>TBC</b>

\*Our work on the Council's 2014/15 housing benefit claim is still in progress. Any fee variation in respect of this work will be agreed with the Council and reported to the Committee at a later date.

## Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

## Fees for other services

Service		Fees £
<b>Audit related services</b>		Nil
<b>Non audit related services</b>	Work to support the Council's option appraisal process for establishing a Local Authority Property Development Company	12,500



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## Section 5: Communication of audit matters

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# Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

## Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission ([www.audit-commission.gov.uk](http://www.audit-commission.gov.uk)).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit Plan	Audit Findings
<b>Our communication plan</b>		
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

# Appendix

# Appendix A: Audit opinion

**We anticipate we will provide the Council with an unmodified audit report**

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HERTSMERE BOROUGH COUNCIL**

We have audited the financial statements of Hertsmer Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2014/15.

This report is made solely to the members of Hertsmer Borough Council as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the Director of Resources and auditor**

As explained more fully in the Statement of the Director of Resource's Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, 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 2014/15, 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 also 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 Authority's circumstances and have been consistently applied and adequately disclosed; the

reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword 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 Hertsmer Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

### **Opinion on other matters**

In our opinion, the information given in the explanatory foreword 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 are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

Respective responsibilities of the Authority and the auditor

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.

We are required under Section 5 of the Audit Commission Act 1998 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 Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

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 criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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, the Authority 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 on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Hertsmer Borough

Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Hertsmer Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Iain Murray  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton House  
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London  
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xx September 2015



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