



North Hertfordshire District Council

**Annual Audit Letter**

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For the year ended 31 March 2012

## Key messages

### 1.1 Purpose of this letter

This Annual Audit Letter ('Letter') summarises the key issues arising from the work that we have carried out at North Hertfordshire District Council ('the Council') for the year ended 31 March 2012. The Letter is designed to communicate our key messages to the Council and external stakeholders, including members of the public. We encourage the Council to ensure that this Letter is published on the Council's website.

### 1.2 Responsibilities of the external auditors and the Council

This Letter 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.

### Our main audit conclusions for the year

The accounts for the year ended 31 March 2012 give a true and fair view of Council's financial affairs and of the income and expenditure recorded by the Council.

The Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

### 1.3 Audit of the accounts

We issued an unqualified opinion on the Council's accounts for the year ended 31 March 2012 on 20 September 2012. Our opinion confirmed that the accounts give a true and fair view of the Council's financial affairs and of the income and expenditure recorded by the Council.

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Finance, Audit and Risk Committee at the Council). We presented our Report on 20 September 2012 and summarise only the key messages in this Letter.

A small number of misstatements were identified that impacted on the Council's income and expenditure position (statement of comprehensive income) and balance sheet (statement of financial position).

The key messages arising from our audit of the Council's financial statements were:

- the need to maintain appropriate non-current asset accounting records separate from those maintained for estates management purposes, supported by a monthly, or at least quarterly, reconciliation process;
- the need to ensure that appropriate formal arrangements are put in place to support an appropriate schedule of non-current asset revaluation exercises to support the ongoing valuation basis of the Council estate in accordance with the requirements of IAS 16 and as per the Council's accounting policy; and
- the need to evaluate, document and maintain the basis for any significant accounting treatments that have been applied, in particular where these impact on the Council's income and expenditure position and relate to areas of significant accounting judgement or estimates, such as provisions, assets-held-for-sale or redevelopment and grant income recognition.

In 2012/13 we will work with the Council in reviewing the revised areas intended to be put in place by management in response to our key audit messages.

#### **Annual governance statement and explanatory foreword**

We concluded that the Annual Governance Statement and Explanatory Foreword to the annual accounts were consistent with our knowledge of the Council, subject to only a small number of amendments, which management incorporated into the final versions of these documents.

#### **Whole of government accounts**

The Council submitted its draft Whole of Government Accounts (WGA) pack by the Department for Communities & Local Government (DCLG) deadline of 30 July 2012. We were able to submit our assurance statement in advance of the deadline of 5 October 2012 confirming that there were no significant issues with the quality of information contained in the pack.

#### **1.4 Value for money audit**

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission, we were satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2012.

Our 2011/12 review considered the Council's performance against a series of key performance indicators before focusing on the following specific areas:

- The adequacy of planning assumptions within the medium term financial plan (MTFP);
- responsiveness of the MTFP; and
- performance management of savings plans

Our overall conclusion was that whilst the Council faces significant financial challenges in 2012/13 and beyond, its arrangements for achieving and maintaining financial resilience are adequate.

#### **1.5 Certification of claims and returns**

Each year we review and certify a number of grant claims and returns in accordance with the arrangements put in place by the Audit Commission. We are currently in the process of completing our certification work for 2011/12. Once this work is complete we will report on our findings in full in a separate report to the Finance, Audit and Risk Committee.

## Reports issued and fees

Report	Date issued
Annual audit plan	January 2012
Audit approach memorandum	June 2012
Report to those charged with governance (ISA 260)	September 2012
Financial resilience II	October 2012
Annual audit letter	October 2012
ICT business case review	November 2012 <i>(planned)</i>
Certification work report	November 2012 <i>(planned)</i>

Audit area	Budgeted 2011/12	Actual 2011/12
Statutory audit	£114,136	£114,136
Certification of grant claims and returns*	£25,000	£TBC

\* The fee for grant certification work is an initial estimate charged at published hourly rates, with actual amounts to be billed on completion. The final certification fee will be reported in our Certification work report.

No additional non-Code work was undertaken or billed in relation to 2011/12.



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