

The Audit Findings Report for North Hertfordshire District Council

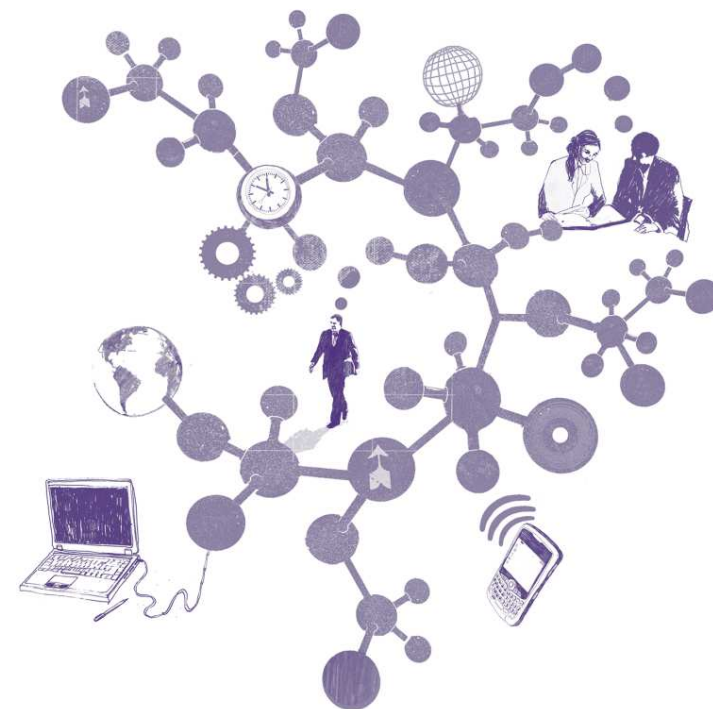
Year ended 31 March 2015

24 September 2015

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Audit Findings Report for North Hertfordshire District 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 North Hertfordshire District Council, the Finance, Audit & Risk 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

Chartered Accountants

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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 North Hertfordshire District 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 to you in our Audit Plan dated March 2015.

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

Audit procedures

- completion of our welfare benefits testing;
- completion of our related parties testing;

Closing procedures

- review of the final version of the financial statements as approved by the Finance, Audit and Risk Committee;

- obtaining and reviewing the final management letter of representation;
- completion of Whole of Government Accounts;
- review of final version of the Annual Governance Statement as approved by the Finance, Audit and Risk Committee;
- final quality assurance and review processes; and
- updating our post balance sheet events review, to the date of signing our opinion

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

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 your financial statements are:

- As in previous years your draft financial statements are of a very high standard and this is reflected by the minimal level of issues arising from our work
- Your financial statements were supported by an excellent set of working papers and our audit has again been greatly helped by early discussions on any potential financial reporting issues with you.

We have identified no adjustments affecting your reported financial position (details are recorded in section 2 of this report). We did however identify a small number of suggested adjustments to improve the presentation of the financial statements. Further details are set out in section two of this report.

Your strong financial reporting processes mean you are well placed to bring the accounts and audit process forward ahead of the earlier deadlines planned for 2018.

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 still to complete our work on the Whole of Government Accounts and we will report our results to the Finance, Audit & Risk committee on 24 September 2015.

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 Strategic Director of Finance, Policy & Governance.

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
September 2015

Section 2: 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 Finance, Audit & Risk Committee on 18 March 2015. 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 on 18 March 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>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>As mentioned in our Audit Plan, we have rebutted this presumption because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including North Hertfordshire District Council, mean that all forms of fraud are seen as unacceptable. <p>However, due to the material nature of revenue, we have still completed the following as part of our audit work:</p> <ul style="list-style-type: none"> • review of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management override of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</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 significant risks (continued)

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	Payroll Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition	As mentioned in our Audit Plan, we have included this presumption because: <ul style="list-style-type: none">• The provision of payroll services has been transferred from in-house to an external provider, Serco, from 1 April 2014.• No parallel running of systems took place and there is a risk over the completeness of the data transfer.	We have performed audit procedures on the transfer of data between the old payroll system and new payroll system. No errors were found during our testing.



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
Operating expenses	Creditors understated or not recorded in the correct period	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • performed substantive testing of the expenditure incurred during the year • testing of creditor payments, including accruals, for completeness, classification and occurrence • review of control account reconciliations • cut-off testing • review of allocating/appropriating expenses to meet the requirements of the Service Reporting Code of Practice 	Our audit work has not identified any significant issues in relation to the risk identified
Employee remuneration	Employee remuneration accrual understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls were in line with our documented understanding • reviewed the reconciliation between the payroll system and the general ledger • undertaken trend analysis on the employee remuneration expenses incurred during the year • performed substantive testing of the payroll expenditure incurred during the year 	Our audit work has not identified any significant issues in relation to the risk identified

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
Revenue recognition	<ul style="list-style-type: none"> Income from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser, and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Income from the provision of services is recognised when the Council can measure reliably the percentage completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Interest receivable on investments is accounted for as income on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed by the contract. 	<p>The accounting policy is adequately disclosed in line with the requirements of the CIPFA Code.</p> <p>Our testing of your various revenue sources did not identify any instances of inappropriate revenue recognition.</p>	 Green
Estimates and judgements	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> Useful life of capital equipment Pension fund valuations and settlements Impairments PPE revaluations Depreciation Bad debt provisions Business rate appeals 	<p>Your critical judgements and estimation uncertainties are disclosed within Notes 2 and 3 of the financial statements, and are in line with the requirements of the CIPFA Code.</p> <p>We have reviewed your Business rate appeals provision, along with the revaluation of investment properties, and are satisfied with the approaches taken in each of these areas.</p>	 Green



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
Going concern	Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. Linked to this, you have set a balanced budget for 2015-16 and have an updated Medium Term Financial Plan in place for the next four years. For these reasons, you continue to adopt the going concern basis in preparing the financial statements.	We have reviewed management's assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 Green
Other accounting policies	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.	 Green

Assessment

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

● - Amber Accounting policy appropriate but scope for improved disclosure

● - Green Accounting policy appropriate and disclosures sufficient

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.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Finance, Audit & Risk 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.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found a number of disclosures that needed amending or expanding. Management agreed to amend all items identified.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from the PWLB , Commerzbank and Coventry building society for loans and requested from management permission to send confirmation requests to several counterparties for bank and investment balances. This permission was granted and the requests were sent, and all of these requests were returned with positive confirmation

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.

The controls were found to be operating effectively and we have no matters to report to the Finance, Audit & Risk Committee.

Internal controls – review of issues raised in prior year

	Assessment	Issue and risk previously communicated	Priority	Update on actions taken to address the issue
1.	✓	<p>Lack of user access rights review – Network</p> <p>A review of user management processes identified that user accounts and associated permissions within network and network folders were not being routinely reviewed for appropriateness.</p> <p>In the absence of formalised users access rights reviews, access to information resources and system functionality may not be restricted on the basis of legitimate business need. Users access rights may become disproportionate to their responsibilities.</p>	Low, best practice	<ul style="list-style-type: none"> • Access rights to systems and applications are routinely considered as part of the cycle of internal audit reviews. This provides adequate assurance that risks in this area are mitigated. • We have discussed the review of access rights to the network with management. They have considered the processes required to introduce a routine review of user access rights to the network and have arrived at the conclusion that the costs associated with implementing the control outweigh the potential impact of the risk which it was designed to mitigate. As a result management consider are willing to accept the level of risk.
2.	✓	<p>No acknowledgement to confirm understanding of key IT policies by staff</p> <p>The Council has developed a suite of network and application information security policies for use by Council staff . The policies are updated periodically and placed for easy access on the intranet. All new employees are required to acknowledge these policies by signing their employment Terms and Conditions which require adherence to the policies and procedures. However, there is no requirement for existing staff to formally acknowledge any IT security documentation, following periodic updates. The absence of such documentation or the requirement for all users to acknowledge having read internal policy directives, may lead to a lack of awareness of the organisation expectations of staff members in relation to the use of IT. As a consequence, it is likely to be difficult to hold staff accountable for their actions in the event of a breach of these policies.</p>	Low, best practice	<ul style="list-style-type: none"> • The network login page now includes a statement to remind staff that by logging into the network they agree to adhering to the Data Protection Policy, Information Security Policy. By checking the box staff acknowledge this before they can gain access to the network.

Assessment

- ✓ Action completed
- X Not yet addressed

Adjusted misstatements

A number of adjustments to the draft accounts have been identified during the audit process. There were no adjustments which affected your Statement of Comprehensive Net Expenditure or the Statement of Financial Position.

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure			There were a number of presentational changes that arose during the course of the audit that have been made to the financial statements.

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.

Overall our work highlighted that you have robust financial management arrangements in place, and your Medium Term Financial Plan is updated on an annual basis. We have noted that you have been successful this year in identifying and achieving savings to the Medium Term Financial Plan saving a 109% of your target for 2014/15.

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

Further details are included in the following pages, which discuss each of the specific themes considered under the Audit Commission guidance.

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:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

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

Theme	Summary findings	RAG rating
Key indicators of performance	<ul style="list-style-type: none"> You achieved a £2.09million underspend against your General Fund Revenue Budget for 2014-15, which has been carried forward to your budget for 2015-16. You are aware of key risks to your medium term financial position such as potential changes to the new homes bonus. These are highlighted and considered within your medium term financial plan. 	Green
Strategic financial planning	<ul style="list-style-type: none"> Our review of the 2015-16 budget confirms that you have applied all of the relevant considerations, such as the changes in government grants. You have also updated your Medium Term Financial Plan (MTFP) to cover the period from 2015 to 2020, taking account of further changes to items such as inflation and interest rates. You were able to set a balanced budget for 2015-16, after identifying efficiencies of £0.44million. You have a good track record of achieving savings and have established arrangements in place to support the identification of savings going forward however you have identified the need to achieve savings of 12% of budget over the next 5 years which is a challenging target. 	Green
Financial governance	<ul style="list-style-type: none"> We have identified strong arrangements in place to ensure robust financial governance, in particular there is an appropriate level of involvement from senior management and members in the financial management and annual budgeting processes. Regular reports are issued to the relevant committees on performance against general fund budgets, capital spend and treasury management. This is important to enable effective oversight. It is also clear that the level of information included within these reports is complete, accurate and reliable, which is driven by the strong financial systems that you have in place. 	Green
Financial control	<ul style="list-style-type: none"> You have recorded a surplus to the Revenue budgets of £2.09million, for the third consecutive year, which has resulted in an increase to the amount in General Fund reserves from a budget position of £3.9million to an actual position of £6million increasing the financial resilience of the Council and demonstrating effective financial control. Our review of Internal Audit's reports identified that no significant issues were identified in respect of your key financial systems. This was also supported by the work we performed during our audit. 	Green

Theme	Summary findings	RAG rating
Prioritising resources	<ul style="list-style-type: none"> As mentioned above, we have identified strong arrangements in place to ensure robust Financial Governance, including a sufficient level of involvement from senior management and members in the financial management and annual budgeting processes. This is supported by having reliable information easily available from its financial systems. You have a good track record of prioritising resources and 'doing more for less' and have over the last 3 years delivered surpluses to the General Fund whilst achieving budgeted efficiencies, taking into account stakeholder views received through the Citizens panel that is performed on a biennial basis. 	Green
Improving efficiency & productivity	<ul style="list-style-type: none"> As detailed above, we are satisfied that you have strong financial management arrangements in place, and are able to identify areas where further efficiencies can be generated. The Council budgeted efficiencies of £1.514million in 2014/15 and actually achieved £1.650million representing a 109% return on budget, which demonstrates that your savings plans are delivering on a sustainable basis. 	Green

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 and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	68,482	68,482
Grant certification on behalf of Audit Commission (*)	11,400	TBC
Total audit fees	79,882	TBC

* The work on your Housing Benefit Return is still in progress at the report date, in line with the national timetable. Any fee variation in respect of this work will be discussed and agreed with the Council should the need arise, and will be reported to the Committee at a later date if applicable.

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.

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).

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 communication plan	Audit Plan	Audit Findings
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 NORTH HERTFORDSHIRE DISTRICT COUNCIL

We have audited the financial statements of North Hertfordshire District 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 North Hertfordshire District 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 Strategic Director of Finance, Policy and Resources and auditor

As explained more fully in the Statement of the Strategic Director of Finance, Policy and Resource's Responsibilities, the Strategic Director of Finance, Policy and 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 Strategic Director of Finance, Policy and 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 North Hertfordshire District 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.

Appendix A: Audit opinion (continued)

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

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, North Hertfordshire District 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

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to issue our assurance statement in respect of the authority's Whole of Government Accounts consolidation pack. We are satisfied that this work does not have a material effect on the financial statements or on our value for money conclusion.

Iain G Murray
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
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September 2015



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