

# Dacorum Borough Council

Year ending 31 March 2013

Annual Audit Letter

22 October 2013



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The Members  
Dacorum Borough Council  
Civic Centre  
Marlowes  
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HP1 1HH

22 October 2013

Dear Members,

## **Annual Audit Letter**

The purpose of this Annual Audit Letter is to communicate to the Members of Dacorum Borough Council and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to their attention.

We have already reported the detailed findings from our audit work to those charged with governance of Dacorum Borough Council in our 2012/13 Audit Results Report, issued on 18 September 2013. The matters reported here are the most significant for the Council.

I would like to take this opportunity to thank the officers of Dacorum Borough Council for their assistance during the course of our work.

Yours faithfully

Mark Hodgson  
Director  
For and behalf of Ernst & Young LLP  
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# Contents

|  |   |
|--|---|
| 1. Executive summary .....               | 1 |
| 2. Key findings .....                    | 3 |
| 3. Control themes and observations ..... | 5 |

In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (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. It is addressed to the Members of the audited body, and is prepared for their sole use. 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

Our 2012/13 audit work has been undertaken in accordance with the Audit Plan we issued on 28 March 2013 and is conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

The Council is responsible for preparing and publishing its Statement of Accounts, accompanied by the Annual Governance Statement. In the Annual Governance Statement, the Council reports publicly on an annual basis on the extent to which they comply with their own code of governance, including how they have monitored and evaluated the effectiveness of their 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.

As auditors we are responsible for:

- ▶ forming an opinion on the financial statements;
- ▶ reviewing the Annual Governance Statement;
- ▶ forming a conclusion on the arrangements that the Authority has in place to secure economy, efficiency and effectiveness in its use of resources; and
- ▶ undertaking any other work specified by the Audit Commission.

Summarised below are the conclusions from all elements of our work:

|   |   |
|---|---|
| Audit the financial statements of Dacorum Borough Council for the financial year ended 31 March 2013 in accordance with International Standards on Auditing (UK & Ireland)  | On 19 September 2013 we issued an unqualified audit opinion in respect of the Council.                    |
| Form a conclusion on the arrangements the Council has made for securing economy, efficiency and effectiveness in its use of resources.  | On 19 September 2013 we issued an unqualified value for money conclusion.                                 |
| Issue a report to those charged with governance of the Council (the Audit Committee) communicating significant findings resulting from our audit.   | On 18 September 2013 we issued and presented our report in respect of the Council to the Audit Committee. |
| Report to the National Audit Office on the accuracy of the consolidation pack the Council is required to prepare for the Whole of Government Accounts.  | We reported our findings to the National Audit Office on 19 September 2013.                               |
| Consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work and consider whether it complies with CIPFA / SOLACE guidance. | No issues to report.  |
| Consider whether, in the public interest, we should make a report on any matter coming to our notice in the course of the audit.  | We did not issue such a report.   |
| Determine whether any other action should be taken in relation to our responsibilities under the Audit Commission Act.  | We did not take such action.  |
| Issue a certificate that we have completed the audit in accordance with the requirements of the Audit Commission Act 1998 and the Code of Practice issued by the Audit Commission.  | On 19 September 2013 we issued our audit completion certificate.  |

Issue a report to those charged with governance of the Council summarising the certification (of grants claims and returns) work that we have undertaken.

We plan to issue our annual certification report to those charged with governance with respect to the 2012/13 financial year by 31 January 2014.

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## 1.1 Audit fees

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

|                                     | Planned fee | Scale fee | Final          |
|-------------------------------------|-------------|-----------|----------------|
| Code audit work                     | £96,900     | £96,900   | £96,900        |
| Certification of claims and returns | £33,500     | £33,500   | see note below |
| Non-Code work                       | Nil         | N/A       | Nil            |

Our actual fee is in line with the agreed fee for the Code audit work.

Work on the certification of claims and returns is not yet complete. We will report our final fee for this work in our certification report to be issued by 31 January 2014.

We confirm that we have not undertaken any non-audit work outside of the Audit Commission's Audit Code requirements.

## 2. Key findings

### 2.1 Financial statement audit

We audited the Council's Statement of Accounts in line with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission. We issued an unqualified audit report on 19 September 2013.

In our view, the quality of the process for producing the accounts, including the supporting working papers was good, and this is reflected in the fact that we identified no misstatements during our audit.

We identified a small number of audit risks during the planning phase of our audit, and reported these to you in our Audit Plan. A summary of our findings against these risks is provided below:

**Significant risk 1 - Valuation of Property, Plant and Equipment:** The valuation of property assets is based on estimation techniques; the estimate is highly sensitive, with small changes in the assumptions used in the valuation resulting in material changes in value.

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Findings: We concluded that the valuation of non-current assets was free from material misstatement. We found the valuers employed by management were competent, objective, and that their work was adequate for our purposes. We found that the Council had applied the correct accounting treatment to changes in the valuation of those assets.

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**Significant risk 2 - Public Services Quarter:** Throughout 2012/13, the Council acquired a number of property assets to facilitate the proposed redevelopment of parts of Hemel Hempstead Town Centre (the Public Services Quarter). The valuation and classification of these properties was identified as a significant risk.

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Findings: Our testing confirmed that all assets acquired and held by the Council in preparation for the redevelopment of the public services quarter had been correctly valued and classified.

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### 2.2 Value for money conclusion

We are required to carry out sufficient work to conclude on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In accordance with guidance issued by the Audit Commission, in 2012/13 our conclusion was based on two criteria:

- ▶ The organisation has proper arrangements in place for securing financial resilience; and
- ▶ The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

We issued an unqualified value for money conclusion on 19 September 2013. Our audit did not identify any significant matters.

The following is a brief summary of our findings against each of these criteria.



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**Criteria and findings**

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**1. Financial resilience**

The Council has robust arrangements in place to ensure its financial resilience. The Council has a history of good financial management and a strong record in the delivery of budgets. At 31 March 2013, the Council's general fund balance available to meet unforeseen circumstances stood at £3.0 million, while earmarked reserves were £14.4 million. Although the majority of these are earmarked for specific purposes, they do provide the Council with enhanced flexibility to manage its financial position.

The Council has set a balanced budget for 2013/14. This incorporates only minimal use of general fund reserves (£0.2 million). The Council's forecast budget for 2014/15 again anticipates only minimal use of general fund reserves (£0.1 million), but incorporates a savings target of £1.0 million necessary to meet a minimum balance on general fund reserves of £2.4 million. A Joint Member/Officer Budget Review Group is currently developing proposals to achieve the required savings.

The balance on the Housing Revenue Account stood at £2.8 million, while earmarked reserves were £12.1 million.

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**2. Securing economy efficiency and effectiveness**

The Council has demonstrated that it has effective arrangements in place for securing economy, efficiency and effectiveness.

The Council uses cost and performance information to make decisions, including the use of comparative and benchmarking data to challenge economy, efficiency and effectiveness of services. The Council continues to challenge its costs in order to reduce these without adversely affecting the quality of its services through a variety of means including improved procurement, internal restructuring and setting up new service delivery arrangements with other public bodies and with private sector organisations.

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**2.3 Whole of government accounts**

We reported to the National Audit office on 19 September 2013 the results of our work performed in relation the accuracy of the consolidation pack the Council is required to prepare for the whole of government accounts. We did not identify any areas of concern.

**2.4 Annual governance statement**

We are required to consider the completeness of disclosures in the Council's Annual Governance Statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it complies with CIPFA / SOLACE guidance.

We completed this work and did not identify any areas of concern.

**2.5 Certification of grants claims and returns**

We have not yet completed our work on the certification of grants and claims.

We will issue the Annual Certification Report for 2012/13 in January 2014.

### 3. Control themes and observations

As part of our audit of the financial statements, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to those charged with governance at the Council any significant deficiencies in internal control.

We had no such matters to report.

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