

The Audit Findings for Dacorum Borough Council

Year ended 31 March 2023

September 2023



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Audit Committee.

Name: Paul Cuttle

For Grant Thornton UK LLP

Date: 05 September 2023

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Dacorum Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Our audit work was completed during July-September. Our findings are summarised on pages 7 to 12. We have not identified any material adjustments to the financial statements that have resulted in adjustments to the Council's Comprehensive Income and Expenditure Statements to date. Audit adjustments are detailed in Appendix D.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- Housing benefit expenditure
- Debtors (bad debt provision)
- Gains/Loss on Disposals Review
- 1 Bank Confirmation (Nationwide)
- assessment of valuation of assets not revalued by council's valuer
- assessment of valuation of council dwelling as at March 2023
- assessment of impact of use of RAAC in council's assets if any
- Pension fund assurance letters from County auditors
- Receipt of management representation letter; and
- Review of the final set of financial statements

Our anticipated financial statements audit opinion will be unmodified.

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is issued separately. We expect to issue our Auditor's Annual Report within 3 month of signing the audit opinion. This is in line with the National Audit Office's revised deadline.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any significant risk of weakness. Our work on VFM is underway and an update is set out in the value for money arrangements section of this report (Section 3).

1. Headlines

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](#)

We would like to thank everyone at the Council for their support in working with us to get to completion by this point. The council has resolved audit queries without any delay and constructively worked with the audit team. The completion of our audit will however be dependent on receipt of pension assurances from the auditors of the County Pension Fund.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Long-term borrowing for the council for 2022-23 is £337.56m which went down since last year (£349.8m). These are from PWLB (337m) with the annual interest payment of £11m for 22/23 which is manageable. The council has a short-term investments of £93.5m and cash balance of £11.69m with the current macro environment these provide a steady income stream such as interest and gives stability to balance sheet. Council's investment property portfolio is worth £65.265m which has reduced from previous year (£66.454m). We did not identify any governance issue as of date, more detailed commentary will be provided in our Auditors Annual Report. The Council has not undertaken any borrowing to fund investment properties. The majority of the borrowing the Council has relates to HRA self-financing in 2012. HRA self-financing was a national scheme which the council had no option but to participate in. HRA dwellings are not investment properties (£332M at 31/03/2023) The only General Fund borrowing was undertaken in 2015, which was taken out to, in case it was needed to fund the Forum (main Council offices) building works. This borrowing applies to operational land and building. At the 31/03/2023 there was £6.4m of General Fund borrowing (not including accrued interest. We did not identify any governance issue as of date, more detailed commentary will be provided in our Auditors Annual Report

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Audit] Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements; we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 20 September 2023 subject to the completion of the following outstanding items referred to in page 4.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff amidst the pressure they were under during these unprecedented times.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan on July 2023.

We set out in this table our determination of materiality for Dacorum Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	3,500,000	This benchmark is determined as a percentage of statements the Council's Total Expenditure in year, which has remained at approximately 2%.
Performance materiality	2,62,500	Performance Materiality is based on a percentage of the overall materiality.
Trivial matters	175,000	This balance is set at 5% of overall materiality



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan

Commentary

Management override of control

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. You face external scrutiny of your spending, and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement. Improve the financial results.

To address this risk, we:

- Evaluated the design effectiveness of management controls over journals;
- Analysed the journals listing and determine the criteria for selecting high-risk unusual journals;
- Tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- Gained an understanding of the accounting estimates and critical Judgements applied by management and considered their reasonableness regarding corroborative evidence;
- Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any other issues in respect of this risk.

Fraudulent revenue recognition

Under ISA 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA240 and nature of the revenue streams at Dacorum Borough Council, we have determined that the risk of fraud arising from revenue recognition on the remaining revenue streams can be rebutted, because:

- There is little incentive to manipulate revenue recognition
- Opportunities to manipulate revenue recognition are very limited

Having considered the risk factors set out in ISA240 and nature of the revenue streams at Dacorum Borough Council, we have determined that the risk of fraud arising from revenue recognition on the remaining revenue streams can be rebutted.

Our audit work has not identified any issues to change our strategy towards revenue recognition.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land & buildings and Investment Properties

Dacorum revalue investment properties and high-value land & buildings (over £1m) to a full valuation, along with some of the L&B under £1m as part of the 5-year valuation programme.

The properties on the 5-year rota have a full valuation the year they come up for valuation, in all years they are considered as part of the market review.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in your financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used.

We therefore identify the valuation of land and buildings, particularly revaluations and impairments, as a significant risk. Should changes arise to the Code following the consultation we will consider whether this impacts on our assessment of this risk.

To address this risk, we;

- evaluated management's processes and assumptions for the calculation of the estimate, including the
- evaluated the competence, capabilities and objectivity of the external valuer;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation;
- confirmed from the valuer the basis on which the valuation was carried out;
- tested, on a sample basis, revaluations made during the year to ensure they had been input correctly into the Council's asset register;
- evaluated how management concluded that the carrying value of assets not revalued was not materially misstated.

We are satisfied the assessments made by the Council are appropriate. We have completed the work on the valuation of land and buildings, investment properties and council dwellings and found no issues.

Risk of fraud related to expenditure recognition PAF Practice Note 10

We have also considered the risk of material misstatement due to the fraudulent recognition of expenditure. We have considered each material expenditure area, and the control environment for accounting recognition. We were satisfied the control environment around expenditure recognition [understood through our documented risk assessment understanding of your business processes] is strong. We have not found significant issues, errors or fraud in expenditure recognition in the prior our recent prior years audits.

Significant risk rebutted

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (3.791m in the Council's balance sheet for 22-23 and £64.986 in 21-22) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified the valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

To address this risk, we :

- Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and
- Confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and

We are awaiting assurances from the auditor of Hertfordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our work to date has not found any issues.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building (£144.928m)	Other land and buildings comprises £144.928m assets, the council has few (£48.385m) specialised assets such as sports centre, civic centre, town hall etc which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision and reminder are assets (£87.7m) that are required to be valued at existing use in value (EUV) at year end. The Council has engaged WH&E to complete the valuation of properties as at 31 03 23 on a five yearly cyclical basis.	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> • assessment of management's expert; • completeness and accuracy of the underlying information used to determine the estimate and • impact of any changes to valuation method; • consistency of estimate against our internal value's market report and adequacy of disclosure of estimate in the financial statements; and • assessment of management's review of valuation movements between the valuation date of 31 January 2023 and the balance sheet date of 31 March 2023 and the decision to index or not index different types of assets. <p>To date we have not identified any issues we wish to bring to your attention.</p>	<p>● [Light Purple]</p>
Investment properties (£65,265) valuations	<p>The Council has engaged WH&E to complete the valuation of properties as at 31 03 23 .</p> <p>The total year end valuation of investment property was £66.265m, a net decrease of £1.18m from 2021/22 (£66.464m).</p>	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> • assessment of management's expert; • completeness and accuracy of the underlying information used to determine the estimate and • impact of any changes to valuation method; • consistency of estimate against our internal value's market report and adequacy of disclosure of estimate in the financial statements; and • assessment of management's review of valuation movements between the valuation date of 31 January 2023 and the balance sheet date of 31 March 2023 and the decision to index or not index different types of assets. <p>We have not identified any issues we wish to bring to your attention.</p>	<p>● [Light Purple]</p>

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £1,437.565m	The Council owns £1,437.565m dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. Council dwellings are valued annually. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The year end valuation of Council Housing had a net increase of £96.5m from 2021/22 (£1,340.967m).	<p>We considered and completed the following in the course of our testing:</p> <ul style="list-style-type: none"> • assessment of management's expert; • completeness and accuracy of the underlying information used to determine the estimate and • impact of any changes to valuation method; • consistency of estimate against our internal value's market report and adequacy of disclosure of estimate in the financial statements; and • assessment of management's review of valuation movements between the valuation date of 31 January 2023 and the balance sheet date of 31 March 2023 and the decision to index or not index different types of assets. <p>We have not identified any issues we wish to bring to your attention.</p>	<p>● [Light Purple]</p>

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2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																							
<p>Net pension liability –</p> <p>LGPS £3.791m</p> <p>(2021/22 £64.986m)</p>	<p>The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentation requirement of IAS 19 'Employee Benefits'.</p> <p>At 31st March 2023 the Council has a net pension liability of £3.791m (2021/2022 £64.986m) relating to the local Government Pension Scheme as administered by Hertfordshire County Council.</p> <p>Dacorum Borough Council uses as an external actuary Hyman Robertson to provide an actuarial valuation estimate of the Council's assets and liabilities deriving from these schemes. A full valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2021/22. A roll forward approach is used in intervening periods. The valuations are based on key assumptions such as life expectancy, discount rates, salary growth and investment return.</p> <p>Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>	<ul style="list-style-type: none"> We assessed management's actuarial expert and concluded they are competent, capable and objective in producing the estimate; We carried out analytical procedures to conclude on whether the Council's share of LGPS pension assets and liabilities are reasonable. We are awaiting assurances from the auditor of Hertfordshire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We engaged an auditor's expert to challenge the reasonableness of the estimation method used and the approach taken by the actuary to verify the completeness and accuracy of information used. We were satisfied that the actuary was provided with complete and accurate information about the workforce, and that the method applied was reasonable. The auditor's expert provided us with indicative ranges for assumption by which we have assessed the assumptions made by management's expert. As out below, all assumptions were within the expected range and were therefore considered: <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.75%</td> <td>4.75%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.95%</td> <td>Adjusted: 2.95% - 3.00%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.45%</td> <td>2.95% - 3.95%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>Current: 21.5 Future: 22.2</td> <td rowspan="2">The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>Current: 24.4 Future: 26.1</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.75%	4.75%	●	Pension increase rate	2.95%	Adjusted: 2.95% - 3.00%	●	Salary growth	3.45%	2.95% - 3.95%	●	Life expectancy – Males currently aged 45/65	Current: 21.5 Future: 22.2	The potential difference in range can be around 8-10 years at the extremes of individual employer level life expectancies.	●	Life expectancy – Females currently aged 45/65	Current: 24.4 Future: 26.1	●	<p>● [Light Purple]</p>
Assumption	Actuary Value	PwC range	Assessment																							
Discount rate	4.75%	4.75%	●																							
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Salary growth	3.45%	2.95% - 3.95%	●																							
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Assessment

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2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the management. We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.
Audit evidence and explanations	All information and explanations requested from management were provided
Confirmation requests from third parties	We requested from management permission to send confirmation requests to Banks and Financial Institutions This permission was granted, and the requests were sent. All these requests sent except one (Nationwide Investments) were returned with positive confirmation, we have followed this up and is due to be received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work ongoing concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">• the nature of the Council and the environment in which it operates• the Council's financial reporting framework• the Council's system of internal control for identifying events or conditions relevant to going concern• management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• a material uncertainty related to going concern has not been identified• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements , is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness <p>Our detailed work on VFM is yet to be completed</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the threshold</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2022/23 audit of Dacorum Borough Council in the audit report due to VFM work not being complete.</p>



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)



Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

We have not yet completed our VFM work and so are not in a position to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report within three months of the date of signing of the financial statements. This is in line with the deadline specified in the Auditor Guidance issued by the National Audit Office. As part of our work, we will consider whether there are any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have not identified any significant weaknesses from our initial planning work as reported in our Audit Plan.

4. 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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

5. Independence and ethics

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified :

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	£32,400	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £32,400 in comparison to the total fee for the audit of £82,331 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Pooling Housing Capital Receipts Return	£7,500	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 in comparison to the total fee for the audit of £82,331 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat , the timing of certification work is done after the audit has completed, the materiality of the amounts involved to our opinion and the unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Company or investments in the Company held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Company as a director or in a senior management role covering financial, accounting or control-related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Company
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Company's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

- A. Communication of audit matters to those charged with governance
- B. Fees and non-audit services
- C. Auditing developments
- D. Audit Adjustments

A. Communication of audit matters to those charged with governance

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 including significant risks	•	
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	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Fees and non-audit services

We confirm below our final fees charged for the audit:

	Actual Fee 2021/22	Proposed fee 2022/23
Council Audit	£81,580	£82,331
		Proposed fee 2022/23
Scale fee published by PSAA		£63,981
Fee variation for 2022/23 in respect of ISA 315, IAS540, journals testing, collection fund relief testing and additional payroll testing (£3,000, £2,100, £3,000, £750 and £500)		£14,350
Value for Money work		£9,000
Total audit fees (excluding VAT)*		£82,331

Non-audit services undertaken for the Council are set out in the Independence and ethics section on page 20.

C. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

D. Audit Adjustments

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

Impact of adjusted misstatements

There were no adjusted misstatements with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023 which were above our triviality threshold .

Misclassification and 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. Other than following there were minor presentational disclosure and rounding error . None were above trivial.

Disclosure	Auditor recommendations	Adjusted
Note 25 Property Plant and Equipment Upon reviewing the working paper for note 25, we noted that the total amount of land and building valued by the valuer is £125.44 million as opposed to £154.49 million disclosed in the accounts The Council has agreed to amend the note to the accounts to £125.44million	PPE Note 25 should be adjusted by £29.05 million to reflect the correct value. Management response Agreed to amend.	Yes

Impact of un-adjusted misstatements

There were no un-adjusted misstatements with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023 which were above our triviality threshold .

