

Dacorum Borough Council

Year ending 31 March 2016

Audit Progress Report

29 June 2016

Ernst & Young LLP



EY

Building a better
working world



Ernst & Young LLP
400 Capability Green,
Luton LU1 3LU

Tel: + 44 1582 643 000
Fax: + 44 1582 643 001
ey.com

Audit Committee
Dacorum Borough Council
Civic Centre
Marlowes
Hemel Hempstead
Hertfordshire HP1 1HH

29 June 2016

Dear Members

Audit Progress Report – 2015/16

We are pleased to attach our Audit Progress Report. The purpose of this report is to provide the Audit Committee with an overview of the stage we have reached in your 2015/16 audit and to ensure our audit is aligned with the Committee's expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2015 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audit.

Yours faithfully

Andrew Brittain
Executive Director

For and behalf of Ernst & Young LLP
Enc

Contents

1. Planned Work	2
2. Financial statement risks	3
3. Timetable.....	4
Appendix A Audit Progress.....	5

In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued ‘Statement of responsibilities of auditors and audited bodies 2015-16’. It is available from the Chief Executive of each audited body and via the [PSAA website](http://www.psa.co.uk) (www.psa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between 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 ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This Audit Plan is prepared in the context of the Statement of responsibilities. It is addressed to the Audit Committee, and is prepared for the sole use of the audited body. 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. Planned Work

Meetings

We continue regular meetings with key officers as part of our ongoing audit process including:

- ▶ Our weekly meetings with key finance staff during our audit visits to discuss significant risks around the accounts and updates on our work; and
- ▶ Our quarterly updates with the Chief Executive and Senior Finance Officers to discuss the significant risks and other issues faced by the Council, our approach and progress with the audit.

Walk-throughs and tests of control

We have completed the majority of our walk-throughs of key financial systems and controls testing during February 2016.

Internal Audit

Internal Audit is a key part of the Council's internal control environment that we review during our assessment process. We consider Internal Audit's progress with their annual audit plan and the results of their testing of financial systems and, where it is complete and appropriate to do so, we can undertake procedures to enable us to place reliance on that work. For the 15/16 audit we will not be placing direct reliance on the work of Internal Audit as we are taking a substantive audit approach.

Post statements visit

We have now finalised the exact dates for our audit visit, and have had early discussions on the working papers required in support of the audit.

Our detailed audit plan, setting out the risks we have identified and the work we will undertake in response, was presented to the Committee in February 2016.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll and journal entries.

We will also review and report to the National Audit Office, to the extent and in the form required by them, on your whole of government accounts return.

2. Financial statement risks

As part of our planning procedures, we assess the financial statement risks facing the Council. With the adoption of IFRS13 into the Code we have supplemented our documentation of our risk of misstatement in property valuation as we plan to focus some additional attention in this area during the audit. The updated wording for this significant risk is shown below.

At our meeting, we will seek to validate these with you.

Significant risks (including fraud risks)	Our audit approach
<p>Property asset valuation and accounting</p> <p>The Council undertakes an annual exercise to revalue property assets. The valuation of these assets represents a significant accounting estimate. The accounting entries arising from changes in value are complex and will have a significant impact on the Council's financial statements. The Council is currently working to regenerate an area of Hemel Hempstead town centre. It has acquired a number of properties to facilitate this development. The classification of these properties represents a significant judgment that will determine the basis on which those properties are valued, and therefore has a significant impact on the financial statements.</p> <p>From 2015/16, the Code of Practice on Local Authority Accounting in the United Kingdom adopted IFRS 13 for assets and liabilities included in the financial statements that either permit or require measurement at fair value.</p> <p>The 2014/15 balance showed a balance of £46 million for Investment Property, and therefore this change in approach will impact on material disclosures in the financial statements.</p>	<p>Our approach will focus on:</p> <ul style="list-style-type: none"> ▶ Reviewing management's assumptions and source data concerning asset classification ▶ Assessing the competency and objectivity of management's valuer ▶ Assessing whether the scope of work undertaken by the valuer is sufficient ▶ Reviewing how the Authority satisfies itself that the valuations given provide it with the level of information it needs to provide reliable data and appropriate disclosures for the statement of accounts ▶ Reviewing the asset valuations, their valuation basis, and the assumptions behind them ▶ Evaluating whether the substance of the expert's findings is appropriately reflected in the financial statements ▶ Consideration of the accuracy and completeness of the source documents used by the valuer

We reported the other financial statements risks identified during our planning in our audit plan which came to the February Audit Committee.

Value for money

We carried out our initial risk assessment. We can confirm that at this stage we have not identified a significant risk in respect of value for money. Our assessment will continue throughout the audit cycle and we will update the Committee should anything change in respect of our assessment of this key area.

Claims and returns certification 2015/16

We have been provided with your draft housing benefit subsidy claim and supporting working papers so we have started work on the certification of your 2015/16 claims.

3. Timetable

We have set out below a timetable showing the key stages of the audit, including the value for money work and the Whole of Government Accounts. The timetable includes the deliverables we have agreed to provide to the Council through the Audit Committee's cycle in 2015/16. These dates are determined to ensure our alignment with PSAA's rolling calendar of deadlines.

From time to time matters may arise that require immediate communication with the Audit Committee and we will discuss them with the Chair as appropriate.

Following the conclusion of our audit we will prepare an Annual Audit Letter to communicate the key issues arising from our work to the Council and external stakeholders, including members of the public.

Audit phase	Timetable	Audit Committee timetable	Deliverables
High level planning	January 2016	10 February 2016	Audit Fee Letter Progress Report
Risk assessment and setting of scopes	January 2016	10 February 2016	Audit Plan
Testing routine processes and controls	February 2016	29 June 2016	Progress Report
Year-end audit	June & July 2016		
Completion of audit	July 2016	27 July 2016	Report to those charged with governance via the Audit Results Report Audit report including our opinion on the financial statements and overall value for money conclusion. Audit completion certificate Reporting to the NAO on the Whole of Government Accounts return.
Conclusion of reporting	October 2016	30 November 2016	Annual Audit Letter

In addition to our formal reporting and deliverables we provide practical business insights and updates on regulatory matters through our Local Government Audit Committee Briefings, which we will continue to share with you at future Committee meetings.

Appendix A Audit Progress

Progress against key deliverables

Key deliverables	Timetable in plan	Status	Comments
Audit Fee Letter	February 2016	Completed	Reported to Those Charged with Governance February 2016
Audit Plan	February 2016	Completed	Reported to Those Charged with Governance February 2016
Progress Report	June 2016	Completed	Reported to Those Charged with Governance June 2016
Report to those charged with governance	July 2016	Not due	
Audit report (including opinion and VFM conclusion)	July 2016	Not due	
Audit Completion Certificate	July 2016	Not due	
WGA certificate	July 2016	Not due	
Annual Audit Letter	November 2016	Not due	
Report on the Audit of Grant Claims	March 2017	Not due	

EY | Assurance | Tax | Transactions | Advisory

Ernst & Young LLP

© Ernst & Young LLP. Published in the UK.
All Rights Reserved.

The UK firm Ernst & Young LLP is a limited liability partnership registered in England and Wales with registered number OC300001 and is a member firm of Ernst & Young Global Limited.

Ernst & Young LLP, 1 More London Place, London, SE1 2AF.

ey.com