



North Hertfordshire District Council

Annual Audit Letter 2008-09

December 2009

Purpose of this Letter

The purpose of this Annual Audit Letter ('letter') is to summarise the key issues arising from our 2008-09 audit of North Hertfordshire District Council ('the Council'). This letter is intended to communicate the significant issues we have identified to key external stakeholders, including members of the public.

The letter will be published on the Audit Commission website at www.audit-commission.gov.uk and also on the Council's website.

What this letter covers

Our main responsibilities as external auditors are to:

- review and report on the Council's accounts
- assess whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources
- review the accuracy of grant claims and returns to various government departments and other agencies.

This letter summarises the significant issues arising from these areas of work and highlights the key recommendations that we consider should be addressed by the Council.

A list of all external audit reports issued in relation to the 2008-09 audit is provided at Appendix A. Appendix B sets out our budgeted and actual audit fees for 2008-09.

Key areas for Council action

We have highlighted below in Table One the key conclusions and areas for action arising from the three elements of our audit. Further details are provided in the remainder of the letter.

Table One: Audit conclusions and key areas for action

Audit conclusions	Key areas for action
The Council's accounts:	
We gave an unqualified opinion on the Council's accounts on 24 September 2009, confirming the financial statements 'present fairly' the financial position of the Council.	Preparation for IFRS The Council should continue its preparations for the introduction of accounting under IFRS, including ensuring that asset valuation procedures are sufficiently robust and accounting for fixed assets is further strengthened. Reserves and financial planning The Council will need to continue to closely monitor performance against its budget and ensure that the level of reserves held is sustainable as part of the Corporate Business Planning process for 2010/11 and

Audit conclusions	Key areas for action
	<p>over the medium term.</p> <p>Further the Council should ensure that its medium term financial planning continues to take account of the current economic climate and the likely reductions in public spending in the short to medium term.</p>
The Council's Use of Resources:	
<p>We concluded that the Council has adequate arrangements in place to deliver economy, efficiency and effectiveness in its use of resources.</p>	<p>The Council should ensure that recommendations made in our Use of Resources report are implemented and, in particular, that arrangements around data quality are further strengthened and that the benefits of the new performance reporting system are realised.</p>
The Council's grant claims and returns	
<p>We have concluded that the Council has adequate overall arrangements in place for grant claims and returns, but needs to significantly improve the quality of the Housing Benefit subsidy claim.</p>	<p>Housing Benefit subsidy claim</p> <p>The Council should continue to focus on improving housing benefit subsidy claim arrangements to avoid the need for qualification in future years.</p>

The Council's Accounts

We issued an unqualified audit opinion on the Council's accounts on 28 September 2009, in advance of the statutory deadline. Our audit work and opinion confirmed:

- the financial statements 'present fairly' the financial position of the Council
- the Annual Governance Statement was consistent with our knowledge of the Council
- no control issues were identified that presented a material risk to the accuracy of the financial statements
- the scope and conduct of internal audit work was appropriate to support our audit work
- the working papers provided were of a good standard and this helped the audit progress smoothly
- appropriate controls are in place in the high profile areas of Members' allowances and treasury management.

Our audit identified a small number of misstatements to the financial statements which were processed by the Council. These adjustments had no impact on the general fund balance.

The most significant future challenge relating to the Council's accounts is preparing for the introduction of International Financial Reporting Standards (IFRS). The Council has begun preparations to address IFRS and we will continue to work with the Council to support the transition to IFRS.

The Council's Use of Resources

We concluded that the Council made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2009 and therefore issued a positive Value for Money (VFM) conclusion on 24 September 2009.

Our VFM conclusion is informed by our use of resources work which is based on the Audit Commission's new assessment framework which emphasises achievement of outcomes and includes new areas of assessment this year such as environmental management. The new framework is more challenging and based on different scoring criteria and is therefore not directly comparable to previous years.

Our use of resources assessment concluded that the Council has at least adequate arrangements in all areas, as summarised in Table Two:

Table Two: The Council's 2009 use of resources scores

Use of Resources Theme	Assessment
Managing finances	2
Financial planning	2
Understanding costs	2
Financial reporting	3
Governing the business	2
Commissioning and procurement	2
Use of data	2
Good governance	2
Internal control	3
Managing resources	3
Managing natural resources	N/A*
Asset management	N/A*
Workforce management	3
Overall Council score	2

* not assessed in 2009.

We assessed the Council as performing well (level 3) in the theme of 'managing resources', reflecting particular strengths in investing in staff and skills and active management of the workforce.

Overall, the Council was assessed as performing adequately (level 2) in the other two themes of 'managing finances' and 'governing the business'. However, the Council is performing well in some aspects of its arrangements such as financial reporting and internal control.

The high priority recommendations arising from our use of resources work were for the Council to ensure that:

Assessment scale:

- 1 - Below minimum requirements - inadequate performance
- 2 - Only at minimum requirements – adequate performance
- 3 - Consistently above minimum requirements – performing well
- 4 - Well above minimum requirements – performing strongly

- sound governance arrangements are in place for data quality in respect of the Council's partnerships, including the understanding of partner data flows and requirement
- the benefits of the new performance reporting system are realised and information is used to support performance improvements
- key corporate strategies are being delivered through the effective planning and prioritising of financial resources
- partnership agreements are based on a thorough understanding of costs, benefits and risks, and are delivering quantifiable improved outcomes
- an up to date strategic needs assessment is in place across its services, which takes into account future service user needs.

The findings of our work also contributed towards the Audit Commission's Organisational Assessment of the Council and the Comprehensive Area Assessment. The results of this work have been reported separately to the Council by the Audit Commission.

The Council's grant claims and returns

Each year we review and certify a number of grant claims and returns in accordance with arrangements put in place by the Audit Commission.

In 2008-09 we reviewed 3 claims and returns, all of which were certified by the deadline. One claim was certified without amendment, one was subject to a small amendment and the Housing and Council Tax Benefit subsidy claim was qualified as the Council was unable to demonstrate proof of eligibility in respect of two cases.

Responsibilities of the external auditors and the Council

This letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission.

As the Council's external auditors, we have a broad remit covering financial and governance matters. We target our work on areas that involve significant amounts of public money and on the basis of our assessment of the key risks to the Council achieving its objectives. 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.

This letter is part of a continuing dialogue between the Council and ourselves and is not, therefore, intended to cover every matter which came to our attention. Our audit should not be relied upon to detect all errors, systems or control weaknesses or opportunities for improvements in management arrangements that might exist. For these reasons we do not accept responsibility for any reliance that third parties may place on it.

Next steps

<This letter has been discussed with the Chief Executive and Chief Finance Officer. The letter will be presented to the Audit and Risk Sub-Committee on 24 February 2010.>

We presented and agreed our indicative 2009-10 outline audit plan with the Audit and Risk Sub-Committee in April 2009. Our initial risk assessment did not identify any additional use of resources work to support our VFM conclusion. We confirm that these assumptions remain relevant and we will build these into our risk based 2009-10 work plan, along with specific follow up of our 2008-09 recommendations and any new risks emerging between now and when we conclude our 2009-10 audit in September 2010.

We would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the course of the audit.

Grant Thornton UK LLP
December 2009

Audit Reports issued in relation to the 2008-09 audit

Audit Report	Date
Audit Plan	May 2008
IT Controls Report	March 2009
Audit Strategy Document	June 2009
Annual Report to those Charged with Governance	September 2009
Use of Resources 2009	December 2009
Annual Audit Letter	December 2009

Audit Fees 2008-09

The table below summarises the planned and actual audit fees charged to the Council during 2008-09.

Audit Area	Plan 2008-09	Actual 2008-09
Financial statements, including WGA	74,900	74,900
Use of Resources & VFM conclusion	38,400	38,400
Total Code Fee	113,300	113,300
Certification of grant claims and returns*	30,000	TBC
Total Audit Fee	143,300	TBC

* The planned fee for certification of grant claims and returns was based on an estimated number of claims and agreed with the Council in April 2009. Actual fees are billed on a cost incurred basis and vary according to the number, complexity and quality of claims presented for audit.

The actual grant fee will be confirmed in the Grants Report 2008-09 due to be presented to the Audit and Risk Sub-Committee in early 2010.



www.grant-thornton.co.uk

© 2009 Grant Thornton UK LLP. All rights reserved.

"Grant Thornton" means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton UK LLP is a member firm within Grant Thornton International Ltd (Grant Thornton International). Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered by the member firms independently.

This publication has been prepared only as a guide. No responsibility can be accepted by us for loss occasioned to any person acting or refraining from acting as a result of any material in this publication.