

# The Annual Audit Letter for East Hertfordshire District Council

**DRAFT**

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

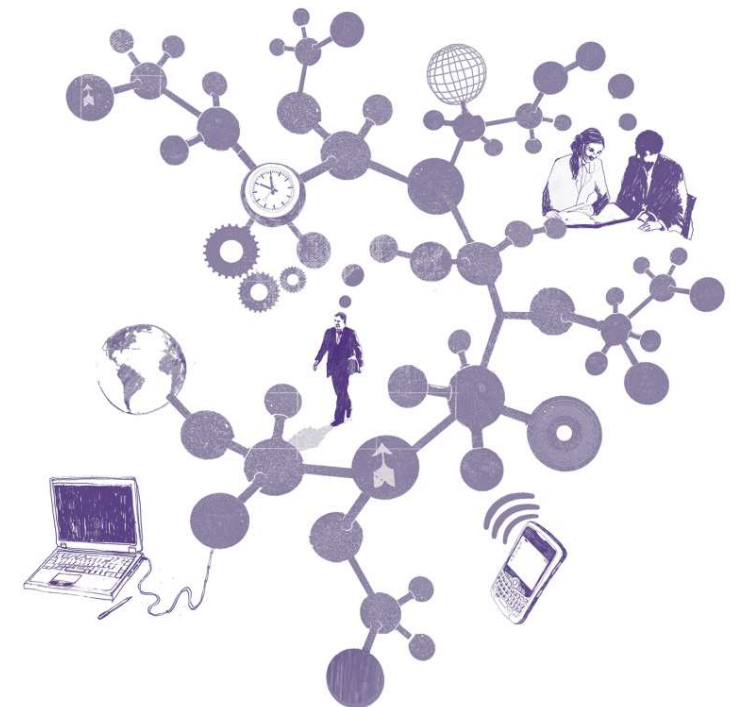
**Year ended 31 March 2015**

October 2015

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## Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at East Hertfordshire District Council for the year ended 31 March 2015.

The Letter is intended to communicate key messages to you and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we presented to the Audit Committee on 15 July 2015 and was 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 and Public Sector Audit Appointments Limited.

<p><b>Financial statements audit (including audit opinion)</b></p>	<p>We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 23 September 2015 to the Audit Committee. The key messages reported were:</p> <ul style="list-style-type: none"> <li>• we did not identify any adjustments affecting your reported financial position, and your recorded net expenditure remains unchanged at £18.9 million</li> <li>• we identified a number of adjustments to improve the presentation of the financial statements.</li> <li>• your information system capability caused difficulties during the audit, in particular:             <ul style="list-style-type: none"> <li>• providing a detailed listing of debtor and creditor amounts that remained outstanding at the balance sheet date was problematic;</li> <li>• producing support for your asset management figures was difficult</li> <li>• comparison of your carrying value to fair value for property assets identified a significant variance.</li> </ul> </li> </ul> <p>We issued an unqualified opinion on your 2014/15 financial statements on 30 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of your financial position and of the income and expenditure recorded by you.</p>
<p><b>Value for Money (VfM) conclusion</b></p>	<p>We issued an unqualified VfM conclusion for 2014/15 on 30 September 2015.</p> <p>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 put in place proper arrangements to secure economy, efficiency and effectiveness in your use of resources for the year ending 31 March 2015.</p>

## Key messages continued

<b>Certification of housing benefit grant claim</b>	Our work to certify your 2014/15 housing benefit grant claim is on-going.
<b>Audit fee</b>	Our fee for 2014/15 was £69,775, excluding VAT which was in line with our planned fee for the year. Further detail is included within appendix B.

## Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>Your Property, Plant and Equipment asset system needs improvement. The issues identified during the audit were:</p> <ul style="list-style-type: none"> <li>• £633k of equipment assets were in use but the invoices supporting the carrying value were no longer available</li> <li>• £85k of equipment assets were no longer in use and should be written off</li> <li>• Asset lives recorded in the system differed from those used in the valuer's report</li> <li>• Depreciation was incorrectly applied before the revaluation of 1 April 2014.</li> </ul> <p><b>Recommendation:</b> As noted in your Annual Governance Statement action plan, you should review your asset management system.</p>	Medium	<p>Officers are reviewing the asset management system in line with the deadline commitment in the Annual Governance Statement.</p> <p>Responsible office: Director of Finance and Support Services Due date: 31 March 2016</p>
2.	<p>One Accountancy team member has the ability to both initiate and then self-authorise purchase orders. There is a risk that fictitious purchase orders could be raised. We have reviewed all purchase orders made by this person and did not identify any untoward purchase orders raised.</p> <p><b>Recommendation:</b> You should consider amending the access rights to prevent purchase orders being initiated and authorised by the same person.</p>	Low	<p>Officers will review this recommendation and evaluate whether there are sufficient controls in place to mitigate risks identified as the IT system is not able to restrict access rights in this regard.</p> <p>Responsible office: Director of Finance and Support Services Due date: 31 March 2016</p>

## Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
3.	<p>Your Principal Accountants can self-authorise journals and 28 journals were self-authorised during the year. There is a risk that journals which are posted and authorised by the same person may contain errors. Our review of all 28 self-authorised journals did not identify any indication of fraud or error.</p> <p><b>Recommendation:</b> You should establish controls that reduce the number and significance of journals which are self-authorised.</p>	Low	<p>Officers will review processes to ensure that self-authorised journals are minimised.</p> <p>Responsible office: Director of Finance and Support Services Due date: 31 March 2016</p>

## Appendix B: Reports issued and fees

We confirm below the fees charged for the audit and non-audit services.

### Fees for audit services

	Per Audit plan £	Actual fees £
Council audit	69,775	69,775
Housing benefit grant certification fee	7,940	Tbc
<b>Total audit fees</b>	<b>77,715</b>	<b>tbc</b>

### Fees for other services

Service	Fees £
<b>Non-audit related services</b>	Nil

Our grant certification audit is on-going and the actual fees will be confirmed on completion.

### Reports issued

Report	Date issued
Audit Plan	15 July 2015
Audit Findings Report	23 September 2015
Certification Report	Due January 2016
Annual Audit Letter	October 2015



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