

The Audit Findings for Dacorum Borough Council

Year ended 31 March 2022

November 2022



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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 : 29 November 2022

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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 preparation of the Council's financial statements for the year ended 31 March 2022 for 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 of the 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) and the Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work was completed on site/remotely during July-November. Our findings are summarised on pages 5 to 12. Audit adjustments are detailed in Appendix A. We have also raised recommendations for management as a result of our audit work in Appendix A.

Our work is 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.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

We have issued an unqualified audit opinion.

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 now 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

We have not yet completed all of 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 in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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.

Currently we have no findings which indicate a significant weakness is present.

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 have completed the majority of work under the Code. We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements.

Significant Matters

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

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.

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 completed our audit of your financial statements. And will issue an unqualified audit opinion.

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 the monetary misstatements but also to the disclosure requirements and adherence to acceptable accounting practice and applicable law.

We have revised the materiality due to the actual gross expenditure changing from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

We detail in the table below our determination of materiality for Dacorum Borough Council.

	Amount as per audit plan (£)	Amount during final audit (£)
Materiality for the financial statements	£3m	£2.9m
Performance materiality	£2.25m	£2.1m
Trivial matters	£0.15m	£0.145m



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

The revenue cycle includes fraudulent transactions (rebutted)

Under ISA (UK) 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
- The culture and ethical frameworks of local authorities, including Dacorum Borough Council, mean that all forms of fraud are seen as unacceptable.

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

- there is little incentive to manipulate revenue recognition;
- opportunities to manipulate revenue recognition are very limited;
- the culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable.

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

Risk of fraud related to expenditure recognition PAF Practice Note 10

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

Management could defer recognition of non-pay expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

To address this risk we:

- inspected transactions around the end of the financial year to assess whether they had been included in the correct accounting period;
- inspected a sample of accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; and
- Investigated material manual journals posted as part of the year end accounts preparation and found no issues.

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

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Management over-ride of controls

As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to budgets and set targets and we had regard to this when planning and performing our audit procedures.

Management could defer recognition of expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

Valuation of net pensions liability

Your 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 (£85.2m in your balance sheet as at 31.03.2021) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified 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:

- inspected transactions around the end of the financial year to assess whether they had been included in the correct accounting period;
- inspected a sample of accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; and
- Investigated manual journals posted as part of the year end accounts preparation that reduces expenditure and found no issues.

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

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 evaluated the design of the associated controls;
- evaluated the instructions issued by management to the actuary as management's expert, and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary;
- assessed the accuracy and completeness of the information provided by the Council to the actuary;
- tested the consistency of the pension fund disclosures in the financial statements with the actuary's report; 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.

We have received the 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 note the actual investment return of the fund was 4.5% for 2021/22 which was 0.4% higher to what was disclosed in the financial statements which was based on estimate valuation at the time. The Council's return on assets is therefore understated by £0.97m. This is below materiality and management have decided not to amend it.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan

Valuation of land and buildings(OLB) including investment properties and council dwellings

On 3 February 2022 CIPFA LASAAC launched a consultation on proposals for an update of the 2021/22 Code relating to the approach to measurement of operational property, plant and equipment. It is our understanding that the Council has responded to this consultation in favour of pausing the professional valuation for operational property, plant and equipment. Our assessment of this risk is made before any decision is taken regarding this proposal.

You revalue your investment properties and high value land & building (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.

HRA dwellings will receive a desktop valuation this year, the beacon properties last had a physical inspection for the 2019/20 accounts

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.

Commentary

To address this risk we;

- evaluated management's processes and assumptions for the calculation of the estimate, including the instructions issued to the Council's external valuer and the scope of their work;
- evaluated the competence, capabilities and objectivity of the external valuer;
- challenged the information and assumptions used by the valuer;
- 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;
- we have assessed for a sample of assets markets rates for comparable properties;
- evaluated how management concluded that the carrying value of assets not revalued was not materially misstated.

Our conclusions from this work are reported in the section "Financial statements – key judgements and estimates"

Our work over valuation of PPE identified a number of assets fully depreciated but still in operational use. The value of these assets were £2.2m. This means the depreciation charged to the accounts is understated, by £0.2427m. The impact on deprecation for the year is immaterial however it is above our triviality reporting levels and is classified as an audit difference. As the amount is immaterial to the financial statements no adjustment to the financial statements have been made by management.

The Council has valued its Council dwellings, and other and buildings including investment properties as at 31 January 2022. These values were then reviewed at year end to determine whether there were any changes in valuations between that date and the balance sheet date of 31 March 2022. The Council updated council dwellings to reflect the movement from 31 January 2022 to 31 March 2022 however other land and buildings and investment property were not adjusted as the movement between the dates was not considered material. We reviewed the Council's assessment and considered the valuation movements using publicly available information (land registry) plus data provided by our consulting valuer (Gerald Eve). We are satisfied the assessments made by the Council are appropriate.

We have completed the work over valuation of land and buildings, investment properties and council dwellings and found no issues.

2. Financial Statements - Other risks

Risks

Valuation of infrastructure assets and presentation of gross cost and accumulated depreciation in PPE note

Infrastructure assets include roads, highways, streetlighting and coastal assets. As at 31 March 2022, the net book value of infrastructure assets was £5.253m which is over our audit materiality.

In accordance with the LG code, infrastructure assets are measured using the historical cost basis, and carried as depreciated historical cost. With respect to the financial statements, there are two risks:

1. The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate useful life(UEL) to components of infrastructure assets.
2. The risk that the presentation of PPE note is materially misstated insofar as the gross cost and the accumulated depreciation of infrastructure assets is overstated if management do not derecognise components of infrastructure assets when they are replaced.

We have reviewed the priors property, plant and equipment note and although there have been £1.25m additions to infrastructure over this year and the Council has not derecognised any infrastructure assets during this period.

We have not assessed the risk as significant given the balance relative to materiality but report our work here because Cipfa is considering possible amendments to the accounting code.

Commentary

To address this risk we:

- Reconciled the fixed assets register to the financial statements.
- Using our point estimate, considered the reasonableness of depreciation charge to infrastructure assets.

The additions, disposals including derecognition and depreciation charged to infrastructure assets is not materially misstated.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuations of Land and Building, Investment property, Council dwellings	<p>The Council has made a judgement that revaluation of its balance sheet assets every 5 years is sufficiently regular. Investment properties and high value PPE assets are valued yearly and Council Dwellings are also valued at least once a year. Land and buildings are valued on a 5 year cyclical valuation programme. The remaining assets not being valued yearly are not material. These are valued at Depreciated Replacement Cost (DRC). The valuations are based on the cost of a modern equivalent asset delivering the same service provision.</p> <p>Council dwellings and Other Land and Buildings are disclosed at current value, based on professional valuations carried out in accordance with the Royal Institution of Chartered Surveyors Red Book. Investment Properties are valued at fair value.</p> <p>All assets are assessed annually for evidence of impairment.</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 Gerard Eve 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 2022 and the balance sheet date of 31 March 2022 and the decision to index or not index different types of assets. <p>Other than the audit immaterial difference relating to assets fully depreciated we have not identified any issues we wish to bring to your attention.</p>	●

Assessment

- [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

Net pension liability – LGPS £64.986m (2019/20 £85.178)

The Council recognises and discloses the retirement benefit obligation in accordance with the measurement and presentational requirement of IAS 19 'Employee Benefits'.

At 31 March 2021 the Council has a pension liability of £315.177m (2020-21 £327.624m) relating to the Local Government Pension Scheme as administered by Hertfordshire County Council.

Dacorum Borough Council uses an external actuary Hymans 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.

The latest full actuarial valuation was completed in 2018/19 for the LGPS. 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. Given the significant value of the net pension fund liability small changes in assumptions can result in significant valuation movements

Audit Comments

We engage an auditor's actuary to assess the work of management's actuary and the reasonableness of the approach used. The auditors' actuary has provided us with indicative ranges for assumptions, which we report below. The values used by management's actuary are consistent with the ranges specified by the auditor's expert.

Assessment

Assumption	Actuary Value	PWC range	Assessment
Discount rate	2.7%	2.7% - 2.75%	●
Pension increase rate	3.2%	3.15 - 3.30%	●
Salary growth LGPS	3.6%	3.15 – 4.15%	●
Life expectancy – Males currently aged 45 LGPS	21.9	20.1 – 22.7	●
Future pensioners	22.9	21.4 – 24.3	
Life expectancy – Females currently aged 45 LGPS	24.4	22.9 - 24.9	●
Future pensioners	26.0	24.8 – 26.7	

Assessment

- [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

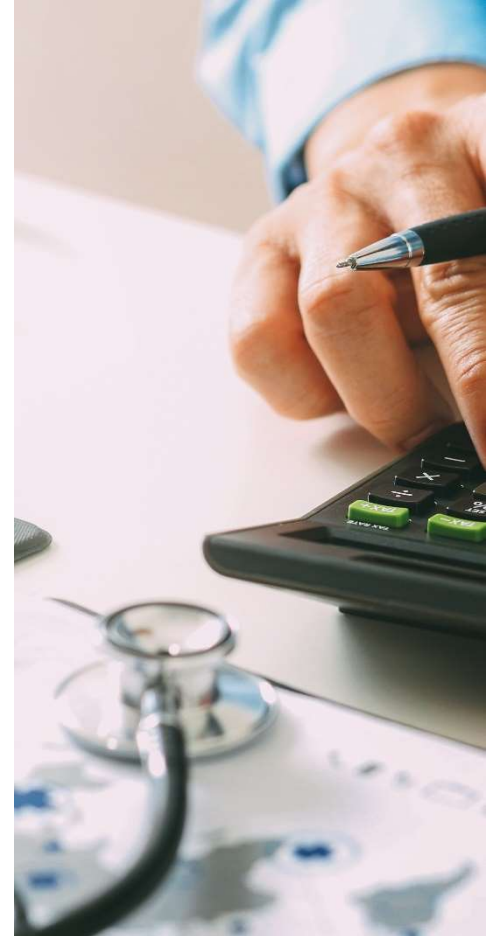
2. Financial Statements - other communication and responsibilities

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 management. We have not been made aware of any significant incidents in the period. 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.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Council's yearend cash and investment balances. For one confirmation further inquiries were required and an amended confirmation was received. We have now received positive confirmation for all balances.
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.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.
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 and Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work to date has not identified any inconsistencies. We will issue an unmodified opinion in this respect.</p>

2. Financial Statements - other communication and responsibilities

Issue	Commentary
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. <p>We have nothing to report on these matters.</p> <ul style="list-style-type: none"> - 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 Value for Money is 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>Detailed work is not required as the Council does not exceed the threshold specified by NAO. However we are required to report findings to the NAO and cannot do so group audit instructions are issued.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021/22 audit, as detailed in our audit report, as our VFM work is not yet complete and WGA group audit instructions are issued.</p>



2. Financial Statements - other communication and responsibilities



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 on going 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.

3. VFM - our procedures and conclusions

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. 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 B.

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	19,500	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 £19,500 in comparison to the total fee for the audit of £86,980 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	3,500	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 £3,500 in comparison to the total fee for the audit of £86,980 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.

Appendices

A. 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

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m
The former civic centre was revalued in year by Wilkes Head and Eve. Historically, this item has been on two lines of the Fixed Asset Register (FAR,) one line for land which was valued at £2.57m and one line for buildings which was valued at £3.45m (Total £6.02m). During the year the asset was revalued to £6.4m however this movement was processed through the buildings line on the FAR, resulting in the previous land line of £2.57m being present in the FAR and thus PPE note in the accounts. Therefore, surplus assets and the revaluation reserve overstated were overstated by £2.58m.	£2.57	£2.57	£2.57
Overall impact	£2.57	£2.57	£2.57

There were also minor presentational amendments that have all been amended for.

Impact of unadjusted misstatements

All unadjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m
Our work over valuation of PPE identified a number of assets that had been fully depreciated but still in use. The total value of these assets were £2.2m. this means that the depreciation charged to the accounts is understated, the total impact on depreciation for the year is immaterial however above our triviality levels and is worth £0.24m. The Council has not adjusted for this difference.	(£0.24)	(£0.24)	(£0.24)

A. Audit Adjustments

Detail	Comprehensive Income and Expenditure Statement £m	Statement of Financial Position £m	Impact on total net expenditure £m
We have received the 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 note the actual investment return of the fund was 4.5% for 2021/22 which was 0.4% higher to what was disclosed in the financial statements which was based on estimate valuation at the time. The Council's return on assets is therefore understated by £0.97m which means the net pension liability line is overstated on the balance sheet and the actuarial (gains)/losses on pension asset /liabilities line in the CIES is understated. This is below materiality and management have decided not to amend it.	£0.97	£0.97	£0.97
Overall impact	(£.73)	(£.73)	(£.73)

Disclosure omission

Note 17 - Revenue Grant Income

Auditor noted during a reconciliation of the grant note to grant income in the CIES, that the revenue grant income note did not match. This was due to the "Other" line in the grant note including a number of grants where the council was acting as an agent rather than the principle. The note originally showed a balance of £15m however this included £11.68m where the council was acting as an agent, and £0.15m for where the grant register was not updated, resulting in a total adjustment of £11.7m. The updated accounts show the correct figure of £3.31m in the "Other" line of note 17.

Auditor recommendations

We recommend this note is amended to reflect the correct value

Adjusted?

✓

B. Fees

We set out below our fees charged for the audit.

Audit fees	Final 2020/21	Proposed 2021/22
Statutory Audit (excluding VAT)	£86,980	89,980*

Similar to 2020/21, the Council will receive a grant to support additional fees relating to new accounting standards and the change to the VFM audit. Dacorum's grant will be £29,116.

In the prior year the PSAA approved the distribution of surplus funds relating to 2020/21 to opted-in bodies. Dacorum's share of the surplus was £11,140. No announcement relating to 2021/22 has been made at the time of issuing this report.

Non-audit services undertaken for the Council are set out in the Independence and ethics section on page 16.

- The 2021/22 fee is broken down as follows:

	Amount
Scale fee published by PSAA	£58,880
Annual increases due to regulatory changes, enhanced audit procedures, revised ISAs since 2019/20	£7,500
Additional work on Value for Money (VfM) under new NAO code since 2020/21	21,100
Infrastructure assets	£2,500
Total audit fees (excluding VAT)	£89,980



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