

The Annual Audit Letter for Pendle Borough Council

Year ended 31 March 2013

October 2013

Karen Murray

Director

T 0161234 6364

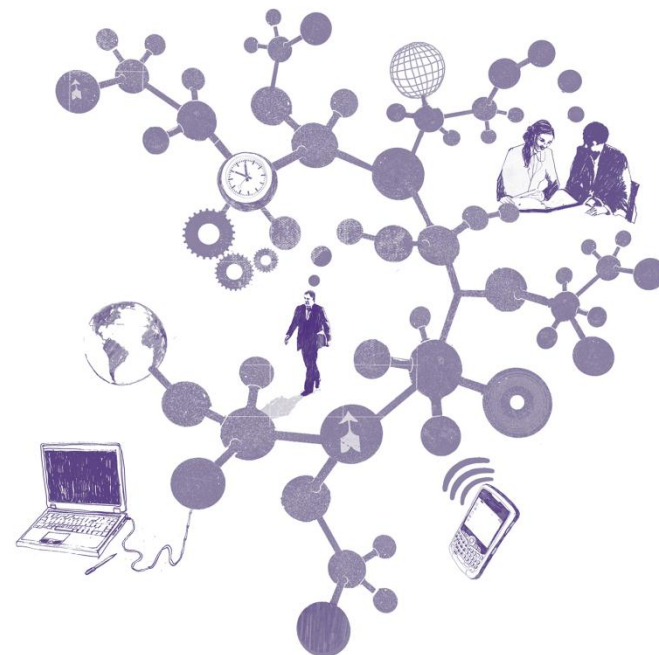
E karen.l.murray@uk.gt.com

Caroline Stead

Manager

T 0616 234 6355

E caroline.l.stead@uk.gt.com



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Section 1: Executive summary

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Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Pendle Borough Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 25 September 2013..

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 (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 18 March 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified short form assurance statement on the Council's Whole of Government Accounts submission
- Our work on certification of grant claims is on-going. We have certified the National Non Domestic Rates return with one amendment. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work.

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

We issued an unqualified opinion and Value for Money (VFM) conclusion on the 27 September. The accounts presented for audit required relatively few changes and there were none which affected the financial position.

The Council has sound arrangements for securing value for money. The Council has delivered within budget for 2012/13, with an underspend of £16k after transfers to reserves. The Council is forecasting a budget underspend for 2013/14. The monitoring report to the Executive in August 2013 forecast an outturn underspend of £277k.

The Council has an up to date medium term financial plan which sets out the income and expenditure the Council is expecting until 2016/17. Throughout the year the plan has been updated and regularly reported to the Executive, ensuring that members understand the financial position of the Council.

This plan identifies there are still savings to be identified from 2014/15 onwards. The Council will have to make difficult decisions about the level of services provided, how they are provided and how reserves should be used by the Council. The most recent update to the medium term financial plan which was reported to the executive in September 2013 estimates the use of £7.4m of reserves in the period from 2013/14 to 2016/17.

In the shorter term the Council faces a year of challenges with the implementation of a local Council Tax support scheme and changes to the business rates retention scheme from April 2013.

Over the longer term the Council recognises that growing businesses in the local area, and therefore the level of rates retained by the Council is a key strategic aim. Similarly the Council has put in train plans to increase the amount of funding available to the Council through New Homes Bonus payments. These plans will increase the amount of income available to the Council to provide services. However, in the current climate, these are ambitious plans for the Council and it is therefore important that the focus on savings and service plans is maintained.

Acknowledgements

This Letter has been agreed with the Head of Central and Regeneration Services and was presented to the Executive Committee on 14 November.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2013

Section 2: Audit of the accounts

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Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 28 June 2013, in accordance with the national deadline. Working papers were made available from the start of the audit fieldwork, which commenced in July.

Issues arising from the audit of the accounts

Overall the accounts presented for audit were of a high quality with all required material disclosures. We identified no amendments which affected the Council's reported financial position with the only amendments made being to classification of items. The supporting working papers supplied were good quality and all queries were answered promptly.

Annual governance statement

There were no issues arising from our review of the Annual Governance Statement.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Accounts and Audit Committee at the Council). We presented our report to the Accounts and Audit Committee on 25 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 27 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

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Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Overall, our work found the Council has proper arrangements in place to secure financial resilience.

After slippage and transfers to reserves the Council underspent the 2012/13 budget by £16,000.

The General Fund reserve is held at the minimum balance of £1.250m. The appropriateness of this reserve is considered annually. The likely profile of the use of the General Fund Specific Reserves held by the Council is projected as part of the budget setting. The budget set by the Council in February 2013 plans for £1.7m of specific reserves to be utilised in 2013/14 and £1.8m in each of 2014/15 and 2015/16.

The Council planned to use £1.1m from the budget strategy in 2012/13. In fact, and in line with the Council's forecasting through the year, a lower contribution was made with £580k being used.

Looking ahead the Medium Term Financial Plan requires significant savings to be made from 2013/14 onwards. Work is underway to identify those areas where the required savings can be made. The scale of savings to be delivered will present a significant challenge to the Council, requiring difficult decisions to be made about the level and models of service delivery going forward.

Further details are provided in our Financial Resilience report issued in September 2013.

Value for Money

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Our work highlighted that the Council has delivered services within budget. The reporting and monitoring arrangements in place throughout the year have been effective. The Council has a good track record in delivering savings while maintaining service performance.

The Council has clear strategic aims and reporting to members has highlighted performance and progress against these aims. The strategic monitoring report to the Executive includes progress against the key objectives, financial monitoring, reporting in respect of treasury management, strategic risks and human resources indicators. The key strategic risks to the Council are also identified, considered and reported to the Accounts and Audit Committee.

The Council has kept its medium term financial strategy up to date. It has been updated and the planning assumptions refreshed as part of the annual budget setting process.

Over the longer term the Council is committed to the regeneration of housing and to supporting economic development across the Borough. It recognises that growing businesses in the local area will increase the level of business rates retained by the Council and which can be used to support services. Similarly the Council has put in train plans to increase the amount of funding available to it through New Homes Bonus payments. However, in the current climate, these are ambitious plans for the Council to deliver and it is therefore important that the focus on savings and service plans is maintained.

Overall VFM conclusion

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 the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Audit Fee	53,273	53,273
Grant certification fee	16,250	See below
Total fees	69,250	69,250

Our work on the certification of grant claims is on going. The final fee (including any variation) will be reported in the Grant Certification report on completion of the work.

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	March 2013
Audit Findings Report	September 2013
Certification report (2011/12)	January 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013



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