



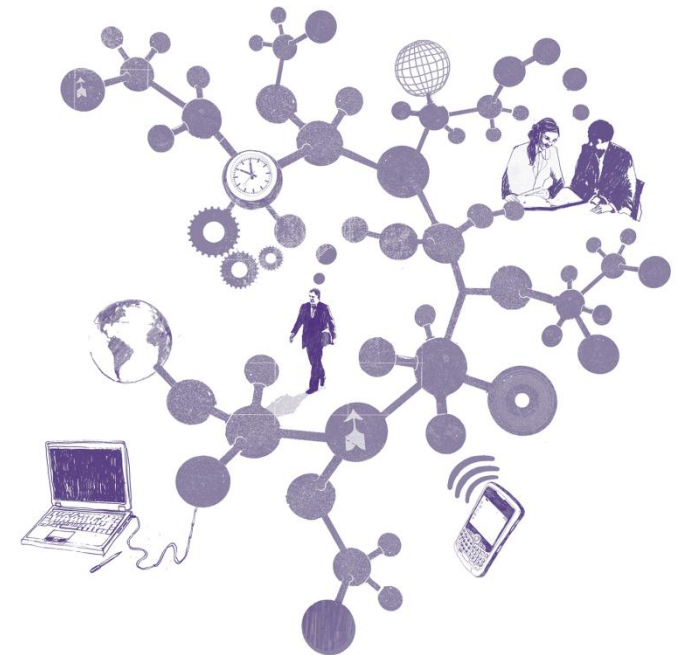
The Annual Audit Letter for South Ribble Borough Council

Year ended 31 March 2013

October 2013

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Contents

Section	Page
1. Executive summary	3-5
2. Audit of the accounts	6-7
3. Value for Money	8-10
4. Certification of grant claims and returns	11-12
Appendices	
A Reports issued and fees	13-14

Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

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 South Ribble 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)
- certification of grant claims and returns (Section four).

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 25th 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 29th April 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 opinion on the council's Whole of Government Accounts submission
- we have certified the Council's NNDR return, which was certified without amendment. We are currently auditing the Council's Housing Benefit Grant Claim

Executive summary

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.

The Council, in common with all local government bodies, continues to operate within an increasingly challenging financial environment. Against this background it achieved a surplus of £0.70 million in 2012/13 and delivered £0.64 million worth of savings.

The Council has a Medium Term Financial Strategy (MTFS) covering 2013-14 to 2016-17, which identifies a requirement for £2.7m of savings. The strategy focuses on delivering year on year efficiencies and additional income as well as support from the General Fund Reserve to help fund the budget gap. Given the relatively healthy position of reserves and balances at the Council a more measured and considered approach to identifying efficiencies is undertaken by South Ribble.

Further work is required to meet the budget gap and to provide greater certainty of the financial position for 2014-15. The Council has made a good start in identifying those areas which can contribute towards funding the shortfall. There remain significant financial uncertainties ahead, such as in respect of welfare reform and business rate retention. It remains important that the Council continues to make tough decisions to help bridge the current funding gap. This will require close consideration of service provision, alternative delivery models, review of income policies and council tax levels.

The key challenges facing the Council going forward are:

- The need for robust governance and financial planning and management in local government is greater than ever. South Ribble Borough Council has robust arrangements in place to face these challenges. It will need to ensure that it continues to provide support to members to ensure effective challenge and decision making.
- The Council is faced with the continuing challenge of finding further savings which will become increasingly difficult. It will be essential therefore to ensure that its savings plans are clearly communicated, link to specific policy decisions, and that the impact on service levels and quality is clearly identified and monitored.

Acknowledgements

This Letter has been agreed with the Chief Executive and was presented to Governance Committee on 27th November 2013.

We would like to 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

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

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 26th June 2013. Good quality working papers were made available from the start of the audit fieldwork, which commenced 29th July 2013.

Issues arising from the audit of the accounts

We have not identified any adjustments affecting the Council's reported financial position. A small number of presentational and disclosure changes have been made to the financial statements to improve clarity, compliance with CIPFA's Code of Practice on Local Authority Accounting and to correct referencing inconsistencies.

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 Governance Committee at the Council). We presented our report to the Governance Committee on 25th September 2013 and summarised only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 26th 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

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

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.

Our work highlighted that the Council's current arrangements for securing financial resilience are good. Further details are provided in our Financial Resilience report issued in September 2013. The Council has a good track record of achieving its budget and its cost savings requirements. A surplus of £0.7m was achieved during 2012/13 whilst also delivering efficiency savings of £0.6m.

The Council's medium term financial strategy focuses on delivering year on year efficiencies and additional income as well as support from the General Fund Reserve, (in the short term), to help fund the budget gap. Given the relatively healthy position of reserves and balances at the Council a more measured and considered approach to identifying efficiencies is undertaken by South Ribble. As part of the transformation programme detailed service reviews are undertaken on each service where proposals for savings are identified.

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.

Value for Money

The Council has adopted a corporate approach to identifying savings. South Ribble continues to achieve savings through improved processes, negotiations with contractors and having an excellent understanding of its costs. Performance monitoring shows that the Council has achieved its target efficiency savings for 2012/13 without having a detrimental impact on performance with 95% of the Council's corporate performance targets met. In addition 97% of residents sampled in the Council's corporate survey were satisfied with the Council.

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.

Section 4: Certification of grant claims and returns

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified two claims and returns for the financial year 2012/13 relating to expenditure of £62.3 million.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

The key messages from our certification work are summarised in the table below. Further details are provided in our certification report issued in December 2013.

Summary of the Council's arrangements

Aspect of certification arrangements	Key Messages	RAG rating
Submission & certification	The Council has good arrangements in place for submitting claims to be certified by us in line with the recognised deadlines.	●
Accuracy of claim forms submitted to the auditor (including amendments & qualifications)	Our work on certification of grant claims is on-going. Our work to date has not identified any issues which we wish to highlight. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work	●
Supporting working papers	Working papers to support both claims were good and staff responded to any queries raised by us promptly.	●

Appendices

Appendix A: Reports issued and fees

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

Fees

	Per Audit plan £	Actual fees £
Audit Fee	57,664	57,664
Grant certification fee	12,100	12,100
Total fees	69,764	69,764

Fees for other services

Service	Fees £
None	Nil

Reports issued

Report	Date issued
Audit Plan	April 2013
Audit Findings Report	September 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013
Certification report	To be issued December 2013



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