

The Audit Findings for South Ribble Borough Council

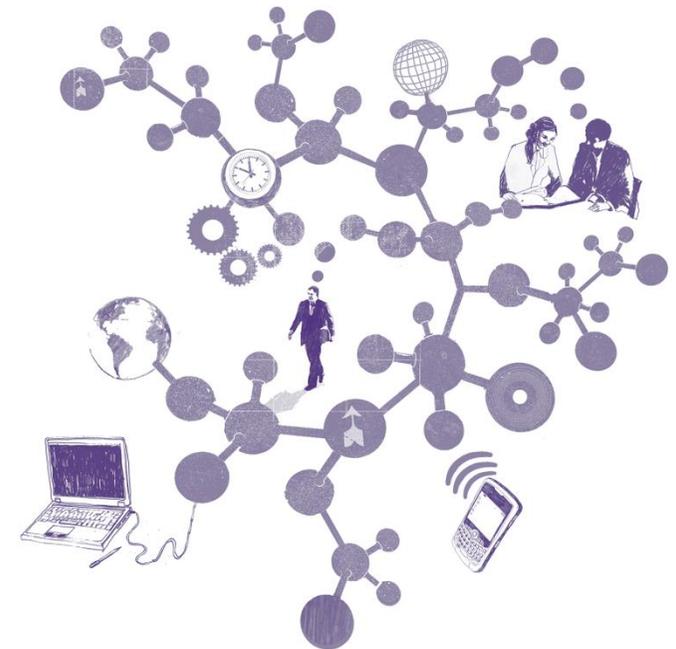
Year ended 31 March 2014

September 2014

Fiona Blatcher
Associate Director
T 0161 234 6393
E fiona.c.blatcher@uk.gt.com

Gareth Winstanley
Manager
T 0161 234 6343
E gareth.j.winstanley@uk.gt.com

Richard Watkinson
Executive
T 0161 234 6345
E richard.watkinson@uk.gt.com



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

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.

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of South Ribble Borough Council's (the Council) financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 10th April 2014.

Our audit is substantially complete although we are finalising our work in the following areas:

- testing of some elements of income and expenditure, welfare benefits, and the collection fund,
- completion of testing on employee remuneration
- review of the final version of the financial statements

- obtaining and reviewing the final management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion, and
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion on the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- we have identified no adjustments which affect the Council's reported financial position
- the audit has identified one material misstatements which management has agreed to amend. This relates to the accounting requirements for the introduction of changed arrangements for IAS19 costs. We have also agreed some minor amendments to classification and disclosure within the notes to the accounts. None of these are individually significant enough to bring to your attention.

Further details are set out in section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section 3 of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. Our work has not identified any control weaknesses which we wish to highlight for your attention.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Chief Executive and the Head of Finance

The way forward

Recent DCLG consultation on the bringing forwards of the accounts timetable in future years, (2017/18), represents a significant challenge for finance teams and auditors alike. For South Ribble the technical accounting demands on the team are in the future likely to grow as the Council's involvement in areas such as City Deal becomes greater. We will be discussing opportunities for making efficiencies in the accounts preparation and audit process in the forthcoming months to feed into preparations for 2014/15.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Governance Committee on 23rd April 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you in April 2014.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review of revenue recognition policies. • testing of material revenue streams. 	<p>Our audit work has not identified any issues in respect of revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<ul style="list-style-type: none"> • Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues. • We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period.	<p>We have undertaken the following in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • performed substantive testing of the material operating expenditure in respect of waste management, leisure and the shared financial services arrangement with Chorley Borough Council. • sample testing of other operating expenditure • sample testing and review of any significant items 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	<p>We have undertaken the following in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • sample testing of payroll calculations and contracts of employment • rationalised payroll costs by reference to staff numbers, and salary increases applied in the year, together with comparison of monthly payroll expenditure, ensuring any unusual trends are satisfactorily explained. 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare Expenditure</p>	<p>Welfare benefit expenditure improperly computed.</p>	<p>We have undertaken the following in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • sample testing of welfare benefit expenditure • Carried out a programme of work as part of the certification of the housing benefits subsidy grant claim. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	Accounting Policies Note 1 states that the income is accounted for in the period to which it relates regardless of when the cash is paid or received.	The recognition of revenue by the Council is in line with recognised accounting guidance and in line with CIPFA's recommended approach.	
Judgements and estimates	Key estimates and judgements include: <ul style="list-style-type: none"> – useful life of capital equipment – pension fund valuations and settlements – revaluations – impairments – provisions 	The judgements and estimates included within the financial statements have been based on a sound rationale. The judgements and estimates are supported where necessary by advice given by professional experts including the Council's internal valuer, KJ Property Consultancy and Mercers who provide assurance around asset valuations and the pension fund net liabilities respectively. Note 12 to the accounts and the Council's accounting policy note on PPE sets out the authority's rolling programme of revaluations. This shows that the date of valuations vary between 31 March 2010 and 31 March 2014. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously. This paragraph of the Code, which is based on IAS 16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that: <ul style="list-style-type: none"> - the revaluation of the class of assets is completed within a 'short period' - the revaluations are kept up to date. 	

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Judgements and estimates continued</p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> – useful life of capital equipment – pension fund valuations and settlements – revaluations – impairments – provisions 	<p>This approach is similar to many other authorities. We have obtained confirmation from the valuer to give us assurance over the material accuracy of those assets not valued in 2013/14.</p> <p>The Council may wish to consider an alternative approach to valuations in the future to achieve full compliance with the requirements of the code as currently stated.</p>	
<p>Other accounting policies</p>	<p>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</p>	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention.</p>	

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
<p>1 IAS 19 Pension costs</p> <p>CIPFA's Accounting Code of Practice for 2013/14 made changes to the way IAS19 pension costs are accounted for. This is a change in accounting policy and applies retrospectively.</p> <p>The main changes related to a reallocation of amounts charged in the Comprehensive Income and Expenditure Statement based on information provided by the Actuary including restated comparatives for 2012/13. Whilst there is no overall effect on the total comprehensive income and expenditure figure, there has been changes to non distributed costs , financing and investment income and expenditure and actuarial gains/losses on pension assets and liabilities.</p> <p>The Council had correctly accounting for the changes in respect of 2013/14, but had only restated Note 43 in respect of 2012/13. It had not restated the Comprehensive Income and Expenditure Statement for 2012/13 or Note 10 which also includes pension interest costs.</p>	<p>Non distributed costs +£0.054m</p> <p>Financing and Investment income and expenditure +£0.369m</p> <p>Actuarial (gains)/losses on pension assets and liabilities -£0.423xm</p>	<p>Nil impact</p>	<p>Nil impact</p>
Overall impact	Nil impact	Nil impact	Nil impact

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Our work has not identified any significant control weaknesses which we wish to highlight for your attention.

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our audit work identified no material omissions in the financial statements. A small number of changes were made to disclosure notes.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (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; and
- review regularly the adequacy and effectiveness of these arrangements.

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

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 considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

The Council has sound financial governance arrangements and financial controls in place. This is supported by members who consistently provide a robust challenge to financial matters. There is also a well established approach to strategic financial planning, through the three year medium term financial strategy, which is aligned to the corporate priorities of the Council.

Along with many other councils, South Ribble continues to operate within an increasingly challenging financial environment. However, against this backdrop the Council has demonstrated a track record of meeting efficiency targets and managing its revenue budget well. During 2013/14 the Council has seen an increase in the average number of days lost due to sickness per full time employee and it needs to understand if there are any actions that it can take to address the increase. The Council continues to have a healthy level of reserves and balances and uses these to alleviate pressures in the short term, which allows the Council to have time to develop appropriate solutions to meet future challenges.

Going forward, over the next three years to 2017/18, the Council forecasts a significant budget gap of £2.102m. Our audit plan dated the 10th April highlighted a local risk regarding the Council's involvement in the City Deal. The Preston, South Ribble and Lancashire City Deal (City Deal) was signed by the Lancashire Enterprise Partnership (LEP), South Ribble Borough Council, Preston City Council, Lancashire County Council and Central Government in September 2013. The signed City Deal document sets out a number of commitments for each of the City Deal partners and incorporates these in a Delivery and Implementation Plan, which sets out the actions that partners need to undertake to ensure that the City Deal is implemented successfully from 2014/15. The financial risk to the Council would appear to be well managed, especially as the funding pool is underwritten by Lancashire County

Value for Money

Council, with South Ribble only paying into the fund "new" money arising from the various development sites.

Value for money conclusion

The financial impact of the Council's commitment to the City Deal will not be immediate. Overall the Council's commitment over the ten year period of the project is expected to be in the region of £47.230m. The Council has given careful and detailed consideration to the implications and is appropriately represented in the governance structures which have been set up with its partners. Inherently there are a range of uncertainties over the financial cashflows involved and the Council will need to keep track of these and reflect on them within the Council's MTFS going forward.

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.

We have completed the following reviews:

- prioritising resources; and
- improving efficiency and productivity

The Council continues to adopt a flexible and challenging approach to the way it delivers its services. The Council has a good understanding of its costs and this enables it to make informed decisions based on accurate information. Regular budget monitoring also ensures that the latest available information can be used to assess how well placed the Council is to deliver its efficiency targets and meet its forecasts for income and expenditure levels. The Council continues to

demonstrate a track record of delivering savings and has achieved efficiencies of over £3m over the last three years.

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 2014.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Key indicators of performance	<p>The Council has over the past few years demonstrated a track record of sound financial performance and this has continued during 2013/14. The Council has no long term borrowing and liquidity levels remain good. Short term investments and cash and cash equivalents have increased during the year and now stand at £16,114m.</p> <p>The Council continues to have a healthy level of revenue reserves, which has increased during the year by £0.866 to £14.278. The overall level of reserves provides a useful base to help the Council meet fund future funding gaps.</p> <p>During 2013/14 the Council delivered a deficit of £0.800m to be funded from general reserves. This is a smaller deficit than the Council had predicted, as it had forecasted a year end contribution from general reserves of £0.956m. The Council has seen an increase in the average number of days lost due to sickness per FTE employee to 7.2 days in 2013/14 from 6.19 days in 2012/13. A small number of long-term sickness absences have affected the overall figures and the Council's Scrutiny Committee are maintaining a close review of performance in this area. Prior to 2013/14 sickness absence had reduced for five consecutive years and the 2013/14 reduction would appear to be a one off, particularly in the context that the various health and wellbeing initiatives on offer at the Council have been well received by employees.</p>	Green	Green

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Strategic financial planning	<p>The Council has sound financial planning and review processes in place, based on a four year Medium Term Financial Strategy (MTFS) covering the financial period 2014/15 – 2017/18. The strategy is aligned to the Council's corporate priorities, highlights the key financial risks, and has built in assumptions into its forecasts, including the impact of future funding changes.</p> <p>The MTFS highlights that over the next four years there remains a significant budget gap. By 2017/18 the Council forecasts that there will be a budget gap of £2.512m, with savings of £0.410 required to be delivered in 2014/15. Whilst there clearly remains a considerable challenge ahead of the Council to address its future budget gap, the Council does have a good track record of delivering savings and is assisted by the legacy of having a prudent approach to financial planning, which has seen it accumulate a healthy level of reserves.</p>	Green	Green
Financial governance	<p>Financial governance arrangements at the Council are good. The Council has a well established approach to financial governance with executive members and senior officers working together as part of the budget setting process. Members continue to demonstrated an excellent understanding of the financial environment and the challenges facing the Council and provide a robust challenge on financial matters. There is a budget consultation exercise that ensures that local people and businesses to have the opportunity to comment on proposals.</p> <p>Performance against budget and progress against cost savings is reported to the Governance Committee. The Council also provides a performance monitoring report on its corporate performance to members through the Scrutiny Committee.</p>	Green	Green
Financial control	<p>Through the business planning process, the Council has a good understanding of its costs and performance. It continues to pursue savings through service redesign identifying areas where services can be provided more effectively and efficiently. Recent examples include its review of catering services and the restructure of the shared financial services arrangement. The Council also has an effective Treasury Management strategy in place which is</p>	Green	Green

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Financial control	<p>reported regularly to the Governance Committee. The Council continues to demonstrate a track record of delivering savings. During 2013/14 it achieved £0.515m, taking the total savings figure over the past three years to £3m. This is a positive achievement given the current financial and economic climate.</p> <p>The key financial systems provide reliable and timely financial monitoring information to enable the Council to identify and manage financial risks.</p>	Green	Green
Prioritising resources	<p>Senior management and members work well together developing the Council's priorities and the MTFS. The MTFS is at the forefront of the Council's business, through its annual review. The Council has a track record of prioritising resources and challenging the way services are delivered. Recent exercises include a review of the Council's waste contract which involved discussions with a neighbouring council around the potential to align timelines for the waste contract. This would enable a joint procurement to take place in 2021 potentially bringing financial benefits for both Councils.</p> <p>The Council engages well with stakeholders and local residents to ensure that its resources are being prioritised in the areas that matter most. There is regular consultation on Council priorities. On an annual basis the Corporate Plan is re-freshed to ensure it remains fit for purpose. Feedback from residents, councillors, employees, Cabinet and the Scrutiny Committee is used in re-freshing the Corporate Plan. The budget proposals included in the 2014/15 Budget Report are designed to support those corporate priorities and local area plans, prepared for each of the five My Neighbourhood Forums. The Forums aim to improve the engagement of communities in influencing what happens around them and how the Council and partners allocate resources.</p>	Green	Green
Improving efficiency & productivity	<p>The Council has a proven track record of delivering savings having achieved approximately £3m over the last three years. Despite the need to achieve efficiencies the Council's overall performance continues to be strong, as can be seen below:</p> <ul style="list-style-type: none"> • 19 out of the 21 measures within the Council's corporate plan were measured as having been achieved during 2013/14. 	Green	Green

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Improving efficiency & productivity	<ul style="list-style-type: none"> • The Council's corporate survey showed strong satisfaction levels with the Council and its services, in particular: <ul style="list-style-type: none"> - 96% of respondents were satisfied overall with the local area as a place to live - 95% of respondents were satisfied with the Council. - 95% of respondents were satisfied with the waste and recycling collection service - 97% of respondents were confidence in South Ribble as a safe place - 50% of household waste was sent for reuse, recycling and composting - 96% of staff were satisfied with the Council as an employer. 	Green	Green

Section 4: Fees, non audit services and independence

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Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit *	57,664	58,564
Grant certification	12,100	12,100
Total audit fees	69,764	70,664

*During the year there was a one off fee rebate issued by the Audit Commission of £7,891 which reduced the Council's net audit fee for the year. There is additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for district councils and has been agreed by the Audit Commission

Fees for other services

Service	Fees £
None	Nil

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 Auditing Practices Board's Ethical Standards and therefore we confirm that we 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 Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report 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).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

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.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOUTH RIBBLE BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of South Ribble Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

This report is made solely to the members of South Ribble Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Chief Financial Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to

identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements: give a true and fair view of the financial position of South Ribble Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if: in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; we issue a report in the public interest under section 8 of the Audit Commission Act 1998; we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, South Ribble Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of South Ribble Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Fiona Blatcher

Associate Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Grant Thornton UK LLP,
4 Hardman Square,
Spinningfields, Manchester M3 3EB



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