

# The Audit Findings for West Lancashire Borough Council

# DRAFT

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

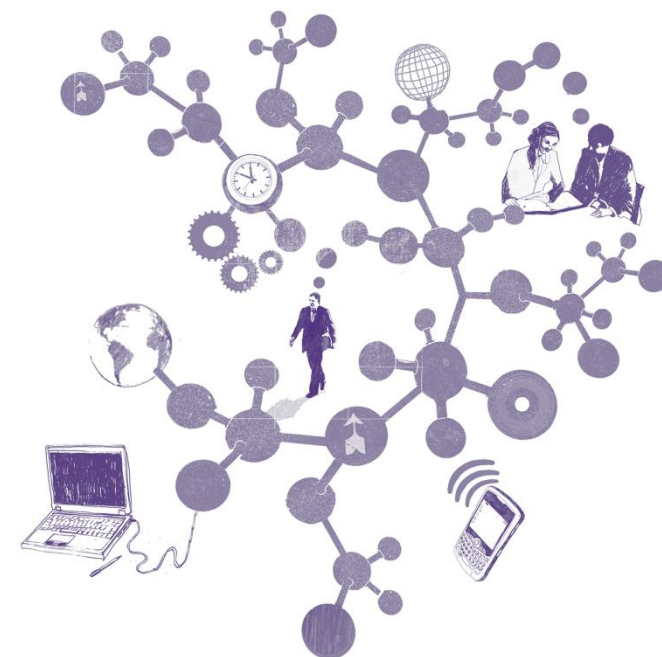
**Year ended 31 March 2013**

16 September 2013

**Karen Murray**  
Engagement Lead  
T +44 (0)161 953 6900  
E [Karen.L.Murray@uk.gt.com](mailto:Karen.L.Murray@uk.gt.com)

**Claire Deegan**  
Engagement Manager  
T +44 (0) 151 224 7200  
E [claire.deegan@uk.gt.com](mailto:claire.deegan@uk.gt.com)

**Paul Thompson**  
Executive  
T +44 (0)161 234 6348  
E [Paul.A.Thompson@uk.gt.com](mailto:Paul.A.Thompson@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 West Lancashire Borough Council's (the Council) financial statements for the year ended 31 March 2013. 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 on 25 June 2013.

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

- final review of our audit files
- 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
- completing our Whole of Government Accounts return

We received draft financial statements and most of the 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.

There have been several adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements reflected total comprehensive income and expenditure of £6,467k; the audited financial statements now reflect total comprehensive income and expenditure of £6,380k. This change relates to adjustments to Council Tax income. We have also agreed some minor disclosure adjustments.

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

- overall the accounts presented for audit were accurate and well presented
- changes in the benefits regime in the year and the transfer of data onto a new software system in the year have posed additional challenges for the Council and resulted in some non-material amendments to the financial statements

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

### **Whole of Government Accounts (WGA)**

The Council is classed as a "smaller entity" for the WGA return. Therefore our work is limited to agreeing only the most significant balances and transactions. We will complete our work and certify the return in accordance with the National Audit Office 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. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Our work has identified some minor control weaknesses which we wish to highlight for your attention. These relate to IT security controls. We do not consider them to be significant weaknesses but they are areas where there is scope for the Council to improve its processes.

We have also identified scope to improve the reconciliation processes at One Connect Ltd (OCL) between the new Northgate system, Icon cash receipting system and the general ledger. Completion of this reconciliation will reduce the likelihood of error and misstatement in 2013/14.

Further details are provided within section 2 of this report.

### **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 Borough Treasurer.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Borough Treasurer and the finance team.

### **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.

## 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 Audit and Governance Committee on 25 June 2013. We also set out the adjustments to the financial statements 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 June 2013.

## **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><b>Improper revenue recognition</b></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"> <li>• review and testing of revenue recognition policies</li> <li>• testing of material revenue streams</li> <li>• review of unusual significant transactions</li> </ul>	<p>Our audit testing has not identified any errors in respect of revenue recognition.</p>
2.	<p><b>Management override of controls</b></p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• testing of journals entries</li> <li>• review of accounting estimates, judgements and decisions made by management</li> <li>• review of unusual significant transactions</li> </ul>	<p>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.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

# 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
<b>Operating expenses</b>	Operating expenses understated	<ul style="list-style-type: none"> <li>Documented and identified the processes and key controls in the operating expenses cycle</li> <li>Walked through a sample transaction to confirm our understanding</li> <li>Tested year end balances, including year end adjustments</li> </ul>	<ul style="list-style-type: none"> <li>We have gained sufficient assurance over this transaction cycle</li> <li>We did not identify any errors arising from our audit work in this area</li> </ul>
<b>Operating expenses</b>	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> <li>Documented and identified the processes and key controls in the operating expenses cycle</li> <li>Walked through a sample transaction to confirm our understanding</li> <li>Substantive testing of year end balances, including year end adjustments</li> </ul>	<ul style="list-style-type: none"> <li>We have gained sufficient assurance over this area of risk</li> <li>We did not identify any errors following our audit work in this area</li> </ul>
<b>Employee remuneration</b>	Remuneration expenses not correct	<ul style="list-style-type: none"> <li>Documented and identified the processes and key controls in the employee remuneration cycle</li> <li>Walked through a sample item to confirm our understanding</li> <li>Additional walk-through testing and sample testing on transactions provided through the two payroll service providers.</li> </ul>	<ul style="list-style-type: none"> <li>We documented systems for the payroll services provided by Wigan Metropolitan Borough Council and by One Connect Limited (OCL)</li> <li>We undertook sample testing of payroll transactions on both systems during the final audit visit</li> <li>We did not identify any non-trivial errors following our detailed testing</li> </ul>

## Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<b>Welfare Expenditure</b>	Welfare benefits improperly computed	<ul style="list-style-type: none"> <li>Documented and identified the processes and key controls in the welfare expenditure cycle</li> <li>Walked through a sample assessment and payment to confirm our understanding</li> <li>Programme of work as part of the certification of the housing and council tax benefits subsidy grant claim</li> </ul>	<ul style="list-style-type: none"> <li>We have gained sufficient assurance over this area of risk</li> <li>The transfer of data to the new software gave rise to errors in the draft accounts which officers corrected prior to the start of our detailed audit work on this area</li> <li>We have completed the elements of the grant claim needed to support our work on the financial statements . The rest of the certification work will be completed in October</li> </ul>
<b>Housing Rent Revenue Account</b>	Revenue transactions not recorded.	<ul style="list-style-type: none"> <li>Documented and identified the processes and key controls in the housing rent revenues cycle</li> <li>Walked through a sample transaction to confirm our understanding</li> <li>Detailed substantive testing of rent transactions</li> </ul>	<ul style="list-style-type: none"> <li>We have completed our work in this area and we have not identified any errors</li> <li>We have sufficient audit evidence to support our audit opinion</li> </ul>
<b>Property, Plant &amp; Equipment</b>	PPE activity not valid	<ul style="list-style-type: none"> <li>Documented and identified the processes and key controls in the property plant and equipment cycle</li> <li>Walked through a sample transaction to confirm our understanding</li> <li>Substantive testing of year end balances, including year end adjustments</li> </ul>	<ul style="list-style-type: none"> <li>Our audit work did not identify any significant weaknesses or errors</li> <li>We gained sufficient assurance to support our audit opinion</li> </ul>
<b>Property, Plant &amp; Equipment</b>	Revaluation measurement not correct	<ul style="list-style-type: none"> <li>Documented and identified the processes and key controls in the property plant and equipment cycle</li> <li>Substantive testing of year end balances, including year end adjustments</li> </ul>	<ul style="list-style-type: none"> <li>Our audit work did not identify any significant weaknesses or errors</li> <li>We gained sufficient assurance to support our audit opinion</li> </ul>

# 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
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>The Council accounts for revenue in the year that the activity takes place, not on the basis of when cash is received.</li> <li>The policy is disclosed on page 25 of the financial statements</li> </ul>	<ul style="list-style-type: none"> <li>The policy is appropriate and consistent with the requirements of the Local Government accounting framework</li> <li>Our audit work has indicated that the policy is being correctly applied across the Council's transaction cycles</li> </ul>	
<b>Judgements and estimates</b>	<ul style="list-style-type: none"> <li>The Council has set out key areas of judgement and estimates within notes 2 and 3 on page 38 of the financial statements.</li> <li>Material uncertainties disclosed are               <ul style="list-style-type: none"> <li>Useful economic lives of property, plant and equipment</li> <li>Pensions liability</li> <li>Grant claims</li> <li>Arrears and</li> <li>Expenditure accruals</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The policies are appropriate and consistent with the requirements of the Local Government accounting framework</li> <li>Our audit work has indicated that the policies are being applied consistently to transactions</li> <li>We have not identified any further areas of material judgement and estimate which have been excluded</li> <li>The accounting policies are appropriately disclosed in the financial statements</li> </ul>	
<b>Other accounting policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.</li> </ul>	<ul style="list-style-type: none"> <li>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</li> </ul>	

## 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 key statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Other statements £'000	Impact on total net expenditure £000
1 <b>Income from Council Tax</b>	(£87)	£87	-	(£87)
2 Council tax income – Collection Fund	-	-	£660	-
3 Movement on Collection Fund balance	-	-	(£660)	-
4 NNDR income and expenditure – Collection Fund	-	-	£434	-
5 NNDR business rates payments to national pool	-	-	(£434)	-
<b>Overall impact</b>	<b>(£87)</b>	<b>£87</b>	<b>Nil</b>	<b>(£87)</b>

## 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. These recommendations, together with management responses, are included in the action plan attached at appendix A.

	Assessment	Issue and risk	Recommendations
1.	●	<ul style="list-style-type: none"> <li>In January 2013 One Connect Limited transferred the Councils council tax, non domestic rates (NDR) collection and housing and council tax benefits onto a new system, Northgate.</li> <li>After the year end Council officers identified that the council tax and NDR income balances within the collection fund had been incorrectly stated by £660k and £434k respectively. Subsequent payments to the national pool were also understated by £434k.</li> <li>These errors arose as a result of incorrect inclusion of cash receipts from 2011/12 and technical challenges from the transfer of historic data on taxes and benefits.</li> </ul>	<ul style="list-style-type: none"> <li>Regular reconciliations should be performed between Northgate, Icon cash receipting and the general ledger to ensure that all key systems reconcile.</li> </ul>
2.	●	<ul style="list-style-type: none"> <li>Our review of IT arrangements identified the following weaknesses which could make the IT system more vulnerable to unauthorised access and fraud:               <ul style="list-style-type: none"> <li>There is no account lockout feature to prevent repeated entry of invalid passwords.</li> <li>There is no automated time-out processes or screensaver locks in place following a period of user inactivity.</li> <li>There is currently no formal review of user access to ensure that all users have an appropriate level of access for their role.</li> <li>There is no formal review of the network audit logs which record unusual activity and security events</li> <li>There is insufficient segregation of duties as the systems administrator is currently also involved in detailed financial processing. the two roles should be separated.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>The Council should review its IT security arrangements and monitoring processes and implement               <ul style="list-style-type: none"> <li>Automated locking and lockout processes for each user</li> <li>Formal review processes for user access and unusual activity</li> <li>Review of segregation of duties between IT and input processes.</li> </ul> </li> </ul>

### Assessment

- Significant deficiency – risk of significant misstatement
- Deficiency – risk of inconsequential misstatement

## 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.	<b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with management and members of the Audit and Governance Committee. The Committee will provide us with their formal response on 24 September. We have not been made aware of any incidents of fraud in the period and no other issues have been identified during the course of our audit procedures</li> </ul>
2.	<b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>We are not aware of any significant incidences of non-compliance with relevant laws and regulations.</li> </ul>
3.	<b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council.</li> </ul>
4.	<b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements</li> </ul>
5.	<b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related party transactions which have not been disclosed</li> </ul>
6.	<b>Going concern</b>	<ul style="list-style-type: none"> <li>Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.</li> </ul>

## 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
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our 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 following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work highlighted effective arrangements in place to maintain the Council's financial resilience at a time of significant budget constraints.

### 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. Our review indicated that the savings plans in place had been subject to consultation, communication and monitoring processes.

## 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.

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission. Following completion of our work we noted the following residual risks to our VfM conclusion:

Residual Risk identified	Assurances obtained	Conclusion on residual risk
<p>The Council currently has a business plan in place for 2011-2015. It has capital plans and forecasts covering a longer period but revenue estimates do not extend beyond 2015.</p>	<p>The Council's track record in managing it's financial position given the scale of funding reductions to date has been good.</p> <p>The programme of major service reviews undertaken in recent years has provided a solid framework from which detailed savings plans have been identified and delivered.</p> <p>Budget monitoring and reporting processes are robust.</p> <p>The Council also currently maintains a good level of reserves which allow it to manage the risks of short term budgetary uncertainties.</p> <p>Officers are currently developing a financial plan to cover the period from 2015-18 for members to consider.</p>	<p>The Council set its business plan to mirror the government spending review period.</p> <p>A detailed financial plan for the period 2015 -18 is now being developed. This will reflect the scale of savings identified as necessary following the most recent spending review by central government. Although the scale of the reductions is likely to present a challenge, this does not present a short term risk for the Council.</p>

## 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. There have been no provision of non-audit services or related fees in the period.

## Fees

	Per Audit plan £	Actual fees £
Council audit	57,428	57,428
Grant certification	17,400	17,400
<b>Total audit fees</b>	<b>74,828</b>	<b>74,828</b>

## 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](http://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: Action plan

## Priority

**High** - Significant effect on control system

**Medium** - Effect on control system

**Low** - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should ensure that its service provider implements and reviews regular reconciliations between Northgate, income received and general ledger postings	High	Work on establishing these reconciliation procedures is ongoing	December 2013 Borough Treasurer
2	The Council should review its IT security arrangements and monitoring processes and implement: <ul style="list-style-type: none"> <li>• Automated locking and lockout processes for each user</li> <li>• Formal review processes for user access and unusual activity</li> <li>• Review of segregation of duties between IT and input processes.</li> </ul>	Medium	A review of IT security arrangements will be undertaken to consider options/solutions to the issues that have been raised.	December 2013 Transformation Manager / OCL



# Appendix B: Audit opinion

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

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST LANCASHIRE BOROUGH COUNCIL**

### **Opinion on the Authority financial statements**

We have audited the financial statements of West Lancashire Borough Council for the year ended 31 March 2013 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, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account 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 2012/13.

This report is made solely to the members of West Lancashire 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 Finance Officer and auditor**

As explained more fully in the Statement of the Chief Finance Officer's Responsibilities, the Chief Finance 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. 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 West Lancashire Borough Council as at 31 March 2013 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 2012/13.

### **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 November 2012, 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 2013.

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 November 2012, we are satisfied that, in all significant respects, West Lancashire Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

**Certificate**

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

Karen Murray  
Engagement Lead

For and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square  
Spinningfields  
Manchester M3 3EB

25 September 2013

## Appendix C: Overview of 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.

### Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 25 June 2013.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	None
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
Cost of services – Housing revenue	HRA	Other	Housing revenue transactions not recorded	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Payments to Housing Capital Receipts Pool	Property, Plant & Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Impairment of investments	Investments	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	Yes – adjusted error on CIES following transfer of data to Northgate
NNDR Distribution	NNDR	None		No	None
Revenue support grant and other Government grants	Grant Income	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	None
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity not valid	No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	Revaluation measurements not correct	No	None
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	None
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cash and cash equivalents	Bank and cash	None		No	None
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	Yes – balance sheet impact of errors arising from transfer of data onto Northgate
Provisions (long & short term)	Provision	None		No	None
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None



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