



# The Annual Audit Letter for West Lancashire Borough Council

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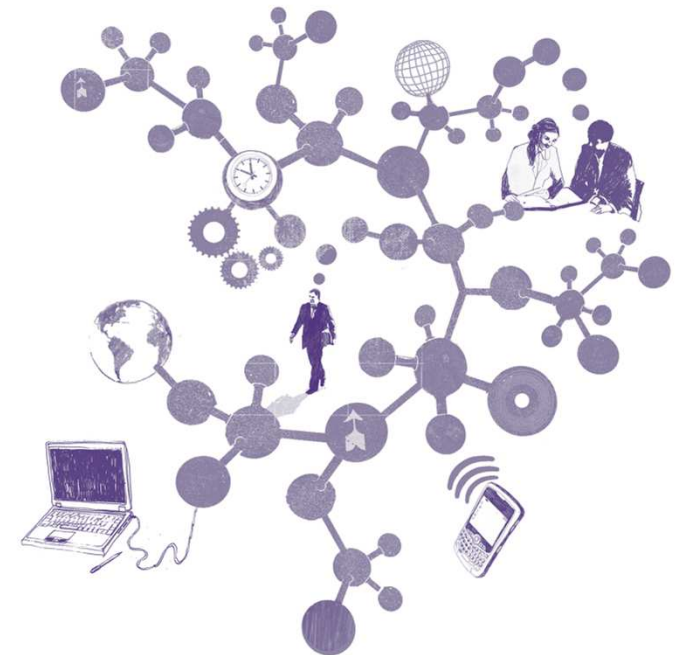
**Year ended 31 March 2013**

October 2013

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## Section 1: Executive summary

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**02. Audit of the accounts**

**03. Value for Money**

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# Executive summary

## Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at West Lancashire 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 24th 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](http://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 25th June 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 and Pooling of Housing Capital Receipts returns. The NNDR return was subject to qualification. Our work on the Council's Housing and Council Tax Benefit Grant claim is underway.

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## 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.

There have been some adjustments to the accounts which affect the Council's reported financial position. 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 main change related to adjustments to Council Tax income. We also agreed some minor amendments to improve disclosure.

The Council, in common with all local government bodies, continues to operate within an increasingly challenging financial environment. Against this background it achieved an underspend of £0.211 million in 2012/13 and delivered £2.062 million worth of savings

The Council has a business plan covering the period of the central government spending review (2011 to 2015) which identifies a savings requirement of £5 million over the four year period, of which £0.820 million is for 2014/15. The business plan currently focuses on delivering year on year efficiencies and additional income as well as support from the General Fund Reserve to help fund this budget gap.

The move to self financing of the Council's housing revenue account has provided an opportunity for considerable investment in the Council's housing stock. A major capital programme is now underway to replace kitchens and bathrooms in Council properties. Work is also underway to undertake some limited remodelling

of estates, along with exterior works to some homes to replace windows and doors, guttering. These capital programmes are subject to appropriate project and financial management controls.

The Council is also continuing with its efforts to support economic regeneration in the Borough. This includes plans for the redevelopment of Skelmersdale town centre. Whilst positive progress is being made, including to housing sites close to the town centre, the current economic climate means the Council has not been able to find support from the private sector to bring the full plans forward at this time. Work continues on a number of other fronts to attract investment and to provide opportunities for local people.

The current business plan provides the Council with a period of stability from which it can begin to consider the options to meet the significant financial uncertainties that are likely further ahead. The Council recognised the need to make further tough decisions to help bridge the projected funding gap beyond 2015.

## Acknowledgements

This Letter has been agreed with the Borough Treasurer. It will be presented to Audit and Governance Committee on 28th January 2014.

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

**Grant Thornton UK LLP**  
**October 2013**

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## Section 2: Audit of the accounts

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# Audit of the accounts

## **Audit of the accounts**

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

## **Preparation of the accounts**

The Council presented us with draft accounts on 26th June 2013. The draft accounts had been prepared to a good standard and were supported by good quality working papers available from the start of the audit fieldwork.

## **Issues arising from the audit of the accounts**

We identified one non-material error that was corrected in the accounts. This change related to adjustments to Council Tax income which affected the Council's reported financial position. 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.

Officers agreed to make a small number of adjustments to improve disclosures and the presentation of the accounts.

## **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 Audit and Governance Committee at the Council). We presented our report to the Audit and Governance Committee on 24th September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 25th 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.

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## Section 3: Value for Money

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# Value for Money

## Scope of work

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

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

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

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

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

## Key findings

### Securing financial resilience

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

- financial governance
- financial planning
- financial control.

Our work highlighted effective arrangements are in place to maintain the Council's financial resilience.

Since 2011 the Council has undertaken major service reviews each year to identify areas where reorganisation is feasible and where savings can be achieved. The policy options agreed by the Council following the major service reviews have been subject to a three month consultation period to take into account the views of members, staff, the public and other stakeholders. Each savings opportunity has been underpinned by more detailed reports and the broader implications of changes to service scope or delivery have been considered. For example, our review indicated that identified saving opportunities took into account the impact of recharges costs and lost income streams in identifying a net savings figure.

The Council has maintained appropriate "headroom" for timing and slippage on plans through an ear-marked "budget and efficiency saving" reserve. This was used in 2011/12 to support a significant redundancy cost and further use is planned in 2014/15 as a proportion of the gap closing exercise. The Council will carry around £475,000 of this ear-marked reserve into the 2015-2018 period.

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

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# Value for Money

## **Challenging economy, efficiency and effectiveness**

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

Over the life of the medium term financial plan, there have been reductions in the staff employed by the Council. This has been achieved through a combination of vacancy management, voluntary reductions in hours, voluntary redundancies and a small number of compulsory redundancies where no alternative options were feasible. However, the Council has also entered into innovative arrangements to contract out payroll services and the revenue and benefits functions.

The Council has made some difficult decisions to reduce its service provision in some areas. For example, a decision has been taken to close a leisure facility in the Borough in order to ensure the remaining service is both cost effective and fit for purpose. However, the Council is also looking at alternative options for services in the future. Work is now underway to transfer a range of community assets to local voluntary groups by way of long term lease. This will ensure assets remain available for the benefit of local people whilst reducing the Council's liabilities for repair and maintenance. The Council is also working with Lancashire County Council to streamline geographical services and identify other cost sharing efficiencies.

Work has also continued to support economic regeneration in the area. The Council has some well developed plans for the regeneration of Skelmersdale which it will be able to bring forward in full in due course when the national economic position improves.

The Council is working in partnership with the Homes and Communities Agency on a public land auction pilot. The initiative, which is at an early stage, should lever significant additional resources into the Borough to support future objectives.

## **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.

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## Section 4: Certification of grant claims and returns

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# 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.

The Council submits 3 claims and returns to us for the financial year 2012/13 relating to expenditure of £68.529 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**

Our work on certification of grant claims and returns is on going. To date we have certified 2 claims one of which, NNDR 3, was subject to qualification. Further details will be provided in our certification report to be issued in January 2014.

# Appendices

## Appendix A: Reports issued and fees

We confirm below the fee charged for the audit.

There are no fees for non audit services.

The final fee for grant certification will be confirmed following completion of the outstanding work.

### Fees

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

### Fees for other services

Service	Fees £
None	Nil

### Reports issued

Report	Date issued
Audit Plan	June 2013
Audit Findings Report	September 2013.
Certification report	January 2014
VfM – Financial Resilience Report	September 2013.
Annual Audit Letter	October 2013



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