

The Audit Findings for West Lancashire Borough Council

Year ended 31 March 2015

September 2015

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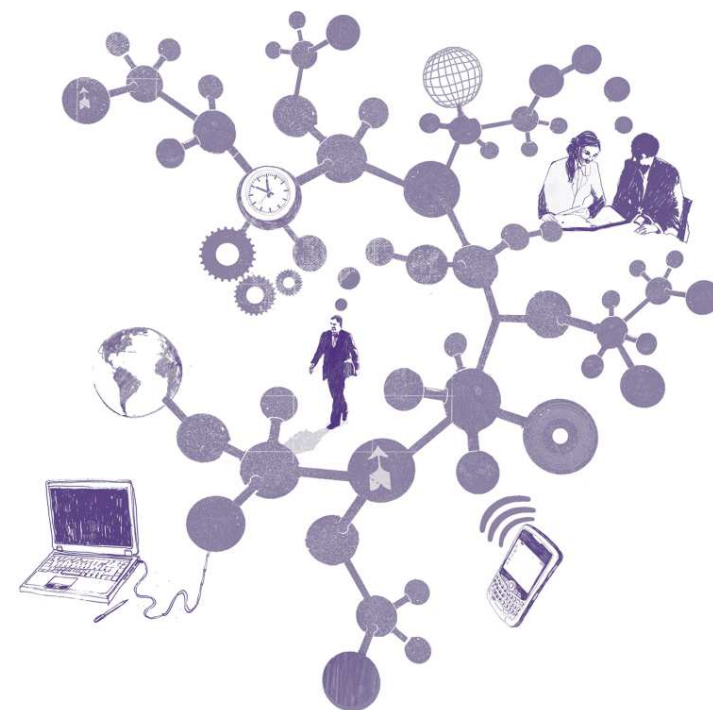
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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

We anticipate providing an unqualified opinion on the financial statements and an unqualified value for money conclusion.

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 2015. 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 UK&I).

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 and 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 24 March 2015.

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

- 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 messages

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements on 29 September 2015.

We have not identified any adjustments affecting the Council's reported financial position.

We have agreed a small number of adjustments to improve the presentation of the financial statements. Further details are set out in section two 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.

The Council continues to demonstrate good financial performance, despite the financial and demographic pressures facing Local Government. The Council has delivered savings over the last few years by delivering radical changes to the way in which services are delivered including the use of BTLS.

Looking ahead over the next two years, on-going reductions in government funding, together with cost pressures from inflation and new commitments, will require the Council to continue to explore innovative ways to deliver services, as part of a savings programme of some £2.126m over 2015/16 and 2016/17.

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

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in advance of 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. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

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 and his finance team.

Looking ahead, we will be discussing with officers the arrangements for bringing forward the accounts closure and audit, including an earlier Audit and Governance Committee date, ahead of the changes to the national deadlines in 2017/18.

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 2015

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

The draft accounts were prepared to a good standard and there are no significant amendments to the accounts as a result of our audit. We anticipate providing an unqualified opinion on the financial statements.

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 the 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 24 March 2015. 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 on 24 March 2015.

Audit opinion

Our proposed audit opinion is set out at Appendix A.

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 (UK&I) 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 (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at West Lancashire Borough Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including West Lancashire Borough Council, mean that all forms of fraud are seen as unacceptable. | <p>We have undertaken work to:</p> <ul style="list-style-type: none"> • review and test the Council's revenue recognition policies • test a sample of transactions within material revenue streams during the year and immediately after the year end. • review and tested adjustments to revenue stream totals that occurred as part of the closedown at the year-end. | <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 (UK&I) 240 there is a presumed risk of management over-ride of controls</p> | <p>We have undertaken work to:</p> <ul style="list-style-type: none"> • review management's approach to the use of accounting estimates, judgements and decisions when preparing financial statements. • test a sample of journal entries posted throughout the year and beyond the year end. • review unusual or significant transactions posted throughout the year and beyond the year end. | <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.

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|-------------------------------------|--|---|---|
| <p>Operating expenses</p> | <p>Creditors understated or not recorded in the correct period</p> | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documentation and identification of the processes and key controls within the operating expenses cycle • walkthrough of controls to confirm our understanding • substantive testing of operating expenses during the 2014-15 financial year • agreement of creditors to system balances and control account reconciliations • substantive testing of a sample of non-pay expenditure throughout the financial year • review and substantive testing of year end manual accruals and creditor balances including confirmation that balances due have been settled after the year end • testing of transactions either side of the year end (Cut-off) to obtain assurance that creditors have been accounted for in the correct financial year • review and testing of other items of expenditure and disclosures including MRP and members' allowances | <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> |
| <p>Employee remuneration</p> | <p>Employee remuneration accrual understated</p> | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation and identification of the processes and key controls within the employee remuneration cycle • Walkthrough of controls to confirm our understanding • Substantive testing of payments made to employees during the 2014-15 financial year • Use of analytical techniques to compare expected payroll costs with actual • Review of payroll reconciliations including at the year end. • Substantive testing of senior officer remuneration and other pay disclosures including exit packages. | <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> |



Audit findings against other risks continued

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

| 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 work in relation to this risk:</p> <ul style="list-style-type: none"> • Documentation and identification of the processes and key controls within the welfare benefits cycle • Walkthrough of controls to confirm our understanding • Reconciliation of the Northgate benefits expenditure system to the general ledger and financial statements <p>At this stage, we were able to conclude that the risk of a material misstatement in respect of welfare benefits was unlikely to arise.</p> <p>We have completed the following other testing:</p> <ul style="list-style-type: none"> • Reconciliation of benefit income to grant claim and cash received • Substantive testing of a sample of benefit payments • Substantive testing to ensure the benefits system is operating the correct parameters and rates • Year on year variance analysis and comparison against DwP key ratios. | <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 |
|--|---|--|---|
| <p>Revenue recognition</p> | <p>The Council's revenue recognition policy sets out that:</p> <ul style="list-style-type: none"> • revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the council. • Council Tax and Non Domestic Rate income is recognised in the Collection Fund on an accruals basis, when it is due from the Council Tax or Non Domestic Rate payer. The Council's share of this income is recognised in the CIES. • government grants are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and the grants or contributions will be received. | <ul style="list-style-type: none"> • The Council's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). • The main elements of the Council's revenues are predictable and there is minimal judgement required from the Council. • The accounting policy is appropriately disclosed in note 1 (ii) to the financial statements. |  |
| <p>Estimates and judgements</p> | <p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> • useful lives of property, plant and equipment • pension fund valuations and settlements • revaluations and impairments • provisions and accruals. | <ul style="list-style-type: none"> • The Council's accounting policies for key estimates and judgements are appropriate and consistent with the CIPFA Code • The accounting policies are appropriately disclosed in notes 1 and 3 to the financial statements. • Our review of property valuations identified some inconsistencies between the valuation figure shown in numbers, and the valuation spelt out in words. There is a need for property services to review each valuation prior to the valuation report being released. • Our audit testing of key estimates and judgements has considered the extent of judgement involved, the potential impact of different assumptions and the range of possible outcomes. We are satisfied that the key estimates and judgements are appropriate and adequately disclosed. |  |

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

| Accounting area | Summary of policy | Comments | Assessment |
|----------------------------------|--|---|---|
| Going concern | The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements. | We have considered the Directors' assessment and are satisfied with management's assessment that the going concern basis is appropriate for the 2014/15 financial statements. |  |
| Other accounting policies | We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. | Our review of accounting policies has not highlighted any issues which we wish to bring to your attention |  |

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

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 written to the Chair of the Audit and Governance Committee in relation in relation to the risk of fraud. We have not been made aware of any material 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 review found no non-trivial omissions in the financial statements. |
| 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. However, to improve the disclosure, we have recommended related party names are included in the related party note for increased transparency. |
| 6. | Confirmation requests from third parties | <ul style="list-style-type: none"> We obtained positive direct confirmations from PWLB, and other banks for loans and short term investment balances. |

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.

We have not identified any deficiencies in internal control during the course of our audit that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Amendments, misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Adjustment type | Value £'000 | Account balances | Impact on the financial statements |
|-----------------|----------------|--|--|
| 1 Amendment | £239k | Various areas of the Statements including Income and Expenditure, Balance Sheet, Reserves and supporting notes | Upwards revaluation of garages in the HRA portfolio were not included in the draft financial statements. Given the nature of this amendment, revisions have been made to several statements and supporting notes within the Accounts. |
| 2 Disclosure | n/a | Note 11a Table of Fair Values | The table of fair values (page 50) should be totalled at the bottom and cover all the elements of the fair valuation dates. The table should reconcile to the Property Plant & Equipment table in Note 11a . This is a disclosure only amendment with no impact on the income and expenditure position or balance sheet. |
| 3 Disclosure | 1 | Note 31 Audit fee £58k Audit Commission Rebate £6k | Figures disclosed for prior year (2013/14) audit fees at Note 31 External Audit Costs were incorrect. |
| 4 Disclosure | n/a | Note 39 Financial Instruments | The following text was added to Note 39 Financial Instruments: "The single largest bad debt provision is £2.4m in relation to housing benefit overpayments which has been fully provided for given the difficulties involved in collecting this type of liability." This is a disclosure of a material balance required to comply with the Code (7.4.3.6-7). |
| 5 Disclosure | n/a | Note 30 Officer Remuneration | Two additional officers to be included in the Remuneration Band £50,000-£54,999. |
| 6 Disclosure | n/a | Note 5 Events after the reporting Period | The authorised for issue date has been amended to 29th September to reflect the Audit and Governance Committee date. |

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

| Detail | Comprehensive Income and Expenditure Account £'000 | Balance Sheet £'000 | Reason for not adjusting |
|---|---|------------------------|--|
| 1 Incorrect valuation split between land and buildings of flats in the HRA asset register, resulting in overstated depreciation charge. | 17 | (17) | Trivial amount |
| 2 Additions and impairments of bathrooms in the HRA capital programme overstated | (27) | 27 | Trivial amount |
| 3 Minimum Revenue Provision not calculated in line with debt repayment schedule | 5 | (5) | Trivial amount |
| 4 Adjustments to the valuation of 59 HRA properties were incorrectly transacted. | (17) | 17 | Trivial amount |
| 5 Provision for an invoice was double counted in the bad debt provision. | (27) | 27 | Trivial amount |
| 6 Transactions to recognise cash received in respect of debtors at the year-end have been incorrectly transacted. The debtors balance is understated by £40k.. | Nil | (40) | Trivial amount |
| 7 The Council has not charged depreciation on its Infrastructure Assets. Based on discussions with officers we estimate the omitted charge to approximately £30k | 30 | (30) | The Council's policy is not to depreciate infrastructure assets as the amounts involved would be classified as trivial |
| 8 Two debtors relating to legal charges against properties were identified. Due to the uncertainty of their timing, it would be more appropriate to classify these as Long Term, rather than Short Term debtors | Nil | Nil | Not material, misclassification |

Unadjusted misstatements

The table below provides details of adjustments identified which we request be processed but which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

| | Detail | Comprehensive Income and Expenditure Account £'000 | Balance Sheet £'000 | Reason for not adjusting |
|----|--|--|------------------------|---|
| 9 | <p>Disclosure of Depreciation in PPE Note 11a is inconsistent with Codes model financial statements and disclosures as no separate annual depreciation charge is stated. The lines 'Depreciation written out to surplus/deficit on provision of services' and 'Depreciation written out to the revaluation reserve' have been used to document the depreciation charge.</p> <p>Our audit testing in year has confirmed that underlying accounting entries are correct.</p> | Nil | Nil | A detailed examination of this position will take place as part of the process for producing the current year's accounts |
| 10 | <p>Note 16 Financial Instruments. Although the note references to various items and other notes in the accounts. Better clarity of presentation for the reader could be achieved if figures were collated within the note as per the model financial statements set out in the Code.</p> | Nil | Nil | The Council has a relatively straightforward set of financial instruments and consequently believe that the disclosures included in the statement enable the reader to obtain a clear understanding of this position while avoiding unnecessary complexity. |
| 11 | <p>Our review of the Councils reconciliation between its Asset Registers, Revaluation Reserve and General Ledger has confirmed an un-reconciled amount of £69k within its opening and closing balances.</p> | Nil | (69) | A detailed examination of this position will take place as part of the process for producing the current year's accounts |

Section 3: Value for Money

01. Executive summary

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04. Fees, non-audit services and independence

05. Communication of audit matters

We are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015

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 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; and
- Financial control.

Overall our work highlighted that the Council continues to demonstrate good financial performance, despite the financial and demographic pressures facing Local Government. The Council has good financial planning and review processes in place, and a track record of delivering financial plans and savings but continues to face financial pressures to deliver its Business Plan from 2016/17 onwards.

The Council has delivered savings over the last few years by delivering radical changes to the way in which services are delivered including the use of external organisations, along with a more recent restructure across the Council.

Looking ahead over the next two years, the Council will need to continue to explore new and innovative ways of working to deliver services, whilst also delivering a challenging savings programme of some £2.126m over 2015/16 and 2016/17.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Value for Money continued

The Executive and Senior Management demonstrate clear leadership and challenge to prioritise the Council's resources. The Council has a good record of delivering savings to contain expenditure within available resources, and continues to work well with partners across Local Government to prioritise resources effectively and deliver efficiencies. The agreements with BT Lancashire Services and Wigan MBC are examples of the partnership model working to deliver support services.

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 has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

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 |
|--|--|--------------|
| Key indicators of financial performance | <p>The financial performance of the Council has been closely monitored throughout the 2014/15 with actual net expenditure of £12.561m compared to the original budget of £13.594m, an underspend of £1.033m. or 7.6% of the budget.</p> <p>Performance against key indicators is generally positive with evidence of effective performance although there are a number of areas where further action is required as set out below:</p> <ul style="list-style-type: none"> • The General Fund balance has remained at £0.961m and is in accordance with the minimum requirement set out in the risk assessment completed by the Borough Treasurer; • The Council has in place £12.619m in earmarked reserves to support future commitments; • A detailed treasury management strategy is in place that is approved by the Council annually and the 2014/15 report confirms compliance with treasury limits set and all prudential indicators; • The Council secured a small improvement in Council Tax collection performance rising to 96.03% compared to 95.32% in 2013/14. Business rate collection was up to 96.40%, an improvement on the 2013/14 level of 95.53%; • The capital programme was kept under review during the year and a number of schemes were re-profiled into 2015/16 resulting in capital expenditure of £13.102m in 2014/15 against a capital budget of £17.386m. The most significant area of capital expenditure was on upgrading of the Councils Public Sector Housing and amounted to £10.9m; • Sickiness absence across the Council has reduced to 8.74 days from the 2013/14 position of 10.11 days. However, this remains above the target for 2014/15 of 8.08 days per FTE. | Green |

| Theme | Summary findings | RAG rating |
|-------------------------------------|--|--------------|
| Strategic financial planning | <p>The Council has effective arrangements in place for strategic financial planning.</p> <p>The Council's Business Plan functions as the Medium Term Financial Plan. The Council restricts the period of the Business Plan to a timeframe over which it can be confident about its ability to realistically predict what the government settlement will be. The Business Plan links to the Annual Planning cycle through the annual refresh which ensures the plan's objectives are reflected in the annual service and budget planning.</p> <p>The 2014/15 Plan was approved by Cabinet in January 2014, and then a refreshed Plan was agreed by Council in April 2014 which reflected the budget approved for the 2014/15 financial year.</p> <p>The Business Plan is based on modelling incorporating a variety of assumptions and a range of possible inputs/outcomes. These include;</p> <ul style="list-style-type: none"> • Changes in government policy and impact on funding streams; • Demographic trends and other social pressures; and • Economic variables such as inflation and interest rates <p>In April 2015, as part of the continuous updating cycle, the revised Business Plan 2015-18 was approved by the Council which sets out a revised forecast funding gap of £2.126m by the end of the period.</p> <p>The leadership team has continued to focus on long term issues, for example the on-going redevelopment of Skelmersdale via the "Vision" and Firbeck Revival project. It is also continuing to network with larger regional bodies such as the Local Enterprise Partnership.</p> | Green |

| Theme | Summary findings | RAG rating |
|-----------------------------|--|--------------|
| Financial governance | <p>The Council has effective financial governance arrangements in place.</p> <p>The Council's financial environment and its financial performance is understood at all levels of the organisation. In recent years, the Council has a good track record of delivering performance in line with budgets.</p> <p>Members and Officers have an appropriate focus on the financial management process. The Council has effective budget monitoring and reporting arrangements in place where variances are identified and reported to Members alongside the planned corrective actions on a regular basis.</p> <p>The Borough Treasurer is the Section 151 officer and is a part of the senior management team who, along with the monitoring officer, attends all Cabinet and Council meetings.</p> <p>The Council has an in-house internal audit function whose plans are approved by the Audit and Governance Committee. Regular progress reports against the Plan are presented that set out key issues and the status of recommendations. The 2014/15 Annual Internal Audit Opinion was that "...West Lancashire Borough Council has in place a sound overall framework of governance and effective risk management and control systems"</p> <p>The Audit Committee provides challenge on financial and governance issues.</p> | Green |
| Financial control | <p>The Council has effective business planning and budget setting processes in place. Maintaining spend within the overall budget is seen as a priority.</p> <p>The Council has successfully delivered savings in previous years but needs to continue to carefully monitor savings being delivered, taking appropriate action for slippage or under achievement. Capital and revenue monitoring reports are provided to the Executive regularly throughout the year, providing analysis of financial performance with supporting narrative and clear identification of any budget variations or virements.</p> <p>The Council recognised that there is significant risk associated with achievement of savings plans, particularly around the timing of the delivery of the savings. Corporate reserves of £8m have been built up for a range of different purposes including to assist with phasing service changes and to deal with fluctuations in levels of income and expenditure.</p> <p>The Council has an experienced finance team in place and the main financial systems provide reliable and timely financial monitoring information to enable the Council to identify and manage financial risks.</p> <p>Risk management arrangements are in place and have contributed to the delivery of the planned savings programme in place across the Council.</p> | Green |

| Theme | Summary findings | RAG rating |
|--|---|--------------|
| Prioritising resources | <p>Members and the Senior Management Team of the Council have continued to demonstrate a clear understanding of the scale of the challenge needed to reshape the Council to ensure resources are prioritised and spending reductions achieved.</p> <p>The Council has a good track record of implementing planned efficiencies in practice and maintaining actual expenditure within reduced budgets. However, the Business Plan highlights that further savings of £2.126m need to be made in 2016/17 and 2017-18. The Council recognises delivering these levels of savings will be difficult and will need to remain under constant review</p> <p>To date, the Council has met the challenge of delivering significant savings and a review of all services has been completed and options prepared setting out how budget reductions will be achieved .</p> <p>The Council has agreed a significant investment programme for improvements to it's housing stock. This is supported by other projects like the Firbeck Revival Project. In addition, the Council is working with the private sector to bring forward the Skelmersdale Vision which will support the regeneration of the town centre.</p> | Green |
| Improving efficiency & productivity | <p>Significant levels of savings have been delivered in each of the years from 2011/12 and the Council has remained within budget. Although longer term efficiencies and savings still need to be identified within the financial plan, officers have a good understanding of where and how to take this forward. Members have been involved in identifying savings and in ensuring they are deliverable.</p> <p>Although the Council has a good understanding of its high costs areas, it does not undertake significant reporting of unit costs.</p> <p>The Council has well developed performance reporting and key indicators are regularly reported to Members.</p> <p>The Council has a good track record of identifying those areas where it can deliver in partnership. There is a long standing partnership with Lancashire County Council and BT Lancashire Services for delivery of many of its key services such Council Tax billing and collection and Housing and Council Tax Support claims processing .</p> | 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 other fees for the provision of non audit services to the Council and related Council companies.

Fees

| | Per Audit plan £ | Actual fees £ |
|-------------------------|---------------------|------------------|
| Council audit | 57,428 | 57,428 |
| Grant certification | 14,450 | 14,450 |
| Total audit fees | 71,988 | 71,988 |

Independence and ethics

Ethical standards and International Standards on Auditing ISA (UK&I) 260 require us to give you full and fair disclosure of matters relating to our independence. In this context, we disclose the following to you:

- during the course of the audit it was discovered that a member of the audit team is a family friend of a newly elected Councillor. To address this potential threat we ensured that the member of the team was not involved in the audit of related party transactions.

We confirm that there are no other 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 Financial Reporting Council'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

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) 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.

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.

| 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 | | ✓ |
| Matters in relation to the Group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud | ✓ | ✓ |

Appendix A: 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 2015 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 2014/15.

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 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, 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 West Lancashire Borough Council as at 31 March 2015 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 2014/15 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 2015.

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, 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 2015.

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
Director
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
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September 2015



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