



# The Annual Audit Letter for Chorley Borough Council

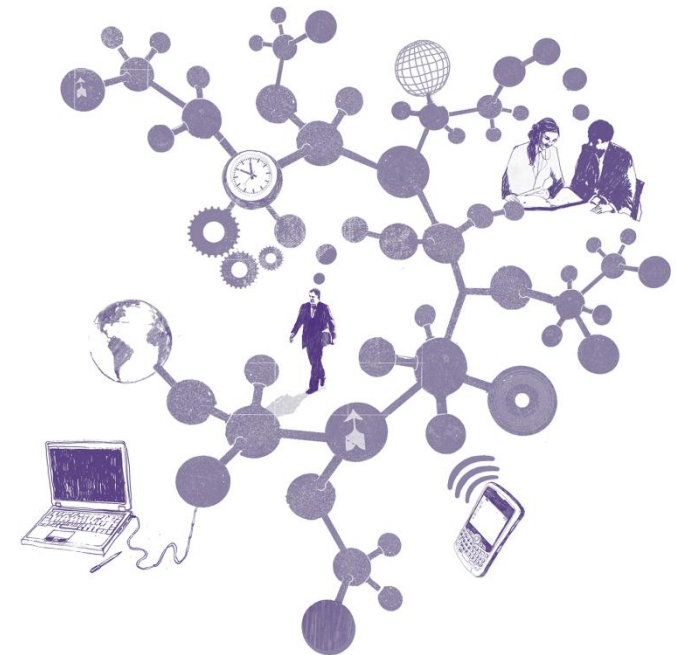
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**Year ended 31 March 2013**

October 2013

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# Section 1: Executive summary

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**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 Chorley 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 25<sup>th</sup> 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 29th April 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

## Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the Council's Whole of Government Accounts submission
- we have certified the Council's NNDR return, which was certified without amendment. We are currently auditing the Council's Housing Benefit Grant Claim.

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# Executive summary

## **Key areas for Council attention**

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

The Council, in common with all local government bodies, continues to operate within an increasingly challenging financial environment. Against this background it delivered £0.90 million worth of savings.

The Council has a Medium Term Financial Strategy (MTFS) covering 2013-14 to 2015-16, which identifies a requirement for £1.6m of savings. Further work is required to meet the budget gap and to provide greater certainty of the financial position for 2014-15, however, the Council has made a good start in identifying those areas which can contribute towards funding the shortfall.

The Council will need to ensure that it continues to provide support to members to ensure effective challenge and decision making. It will also be essential that the Council's savings plans are clearly communicated, link to specific policy decisions, and that the impact on service levels and quality is clearly identified and monitored.

There remain significant financial uncertainties ahead, such as in respect of welfare reform and business rate retention. It remains important that the Council continues to make tough decisions to help bridge the current funding gap. This will require close consideration of service provision, alternative delivery models, review of income policies and council tax levels.

Faced with a continuing uncertain financial climate it will become even more critical to ensure that the Council has appropriate levels of reserves linked to a clear evaluation of the risks the Council faces.

## **Acknowledgements**

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

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

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

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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. Good quality working papers were made available from the start of the audit fieldwork, which commenced 1st July 2013.

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

We have not identified any adjustments affecting the Council's reported financial position. One material amendment was made to the financial statements relating to the reclassification of a reserve that had in 2011/12 been treated as a provision. The change was a technical one to show the reclassification as a prior-year adjustment rather than an in-year transaction. A small number of presentational and disclosure changes have been made to the financial statements to improve clarity, compliance with CIPFA's Code of Practice on Local Authority Accounting and to correct referencing inconsistencies.

### **Annual governance statement**

There were no significant issues arising from our review of the Annual Governance Statement.

## **Conclusion**

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Governance Committee at the Council). We presented our report to the Governance Committee on 12<sup>th</sup> September 2013 and summarised only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on the 20th 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 that the Council's current arrangements for securing financial resilience are good. Further details are provided in our Financial Resilience report issued in September 2013. The Council has a good track record of achieving its cost savings requirements, delivering efficiency savings of £0.9m during 2012/13.

The Council, along with all other authorities, is faced with the continuing challenge of finding further savings which will become increasingly difficult. The need for robust governance and financial planning and management in local government is greater than ever. Chorley is well placed in this respect but will need to continue to keep this under review to ensure it can continue to respond effectively

### 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.

The Council has adopted a corporate approach to identifying savings. Chorley continues to achieve savings through improved processes, negotiations with contractors and having an excellent understanding of its costs.

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# Value for Money

Performance monitoring shows that the Council has achieved its target efficiency savings for 2012/13 without having a detrimental impact on performance. The recent residents survey showed an increase in the percentage of residents who feel that the Council provides value for money.

## **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.

We have certified two claims and returns for the financial year 2012/13 relating to expenditure of £58.2 million.

## Approach and context to certification

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

## Key messages

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

## Summary of the Council's arrangements

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

# Appendices

# Appendix A: Reports issued and fees

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

## Fees

	Per Audit plan £	Actual fees £
Audit Fee	59,440	59,440
Grant certification fee	12,350	12,350
<b>Total fees</b>	<b>71,790</b>	<b>71,790</b>

## Fees for other services

Service	Fees £
None	Nil

## Reports issued

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



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