

# The Annual Audit Letter for Barrow in Furness Borough Council

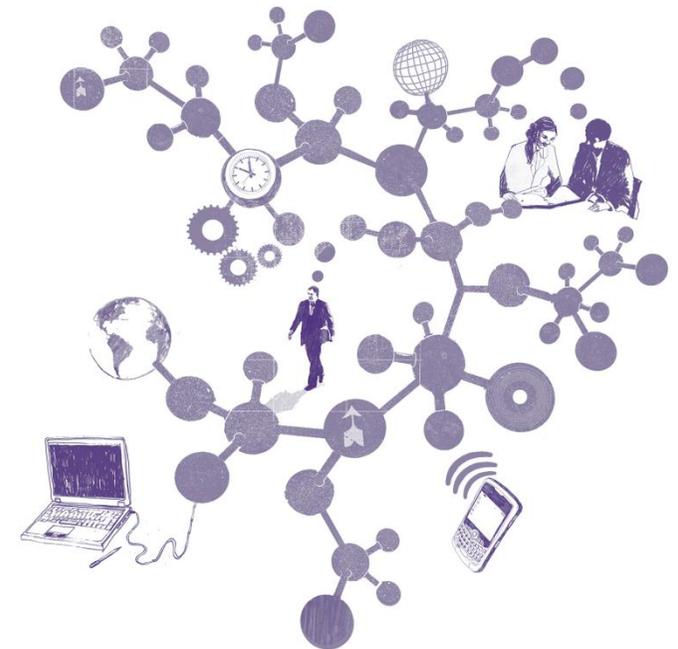
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**Year ended 31 March 2013**

**21 October 2013**

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# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	3
2. Audit of the accounts	6
3. Value for Money	8
4. Certification of grant claims and returns	10

## **Appendices**

A Reports issued and fees

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# Section 1: Executive summary

**01. Executive summary**

**02. Audit of the accounts**

**03. Value for Money**

**04. Certification of grant claims and returns**

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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 Barrow in Furness 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 26 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 27 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 2 grant claims and returns to date, one without amendment and one subject to some amendments. We expect to complete our testing of the Housing & Council Tax Benefits grant claim in November and report the overall findings from our certification work in December 2013.

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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.

We issued an unqualified VfM conclusion but identified areas for improvement around:

- **workforce planning** – in recognising that sickness absence levels are higher than the local government average and increased in 2012/13 management are working closely with the Council's occupational health provider to reduce the level of long and short term sickness;
- **cost of Housing and Council Tax Benefits administration and Revenues services** – which exceeds that of most English District Council's; accordingly any reductions in the cost of administering these service [£1.675m in 2011/12] would assist the authority in delivering the savings required to address its projected deficit;
- **responsiveness of the medium term financial strategy** – whilst recognising the work in identifying a series of schemes to generate additional income, increase efficiency and reducing expenditure, the Council needs to update its plan to reflect the receipt of the efficiency grant it has been allocated; and
- **budget setting and monitoring** – management have recognised there is scope to strengthen internal budget monitoring arrangements, breaking down overall budget performance and budget variance by individual departments, facilitating officer and member challenge leading to securing the action necessary to improve performance.

We issued an unqualified opinion on the financial accounts. There was an unadjusted error relating to the estimated liability in respect of the Municipal Mutual Insurance liability. The estimated provision was overstated by £604,000. The accounts were not amended as the effect was not material and the provision will be amended in 2013/14. There were material adjustments to the financial statements but these were only to the cash flow statement, none of which impacted on the other primary statements. We also agreed a number of presentational amendments to the financial statements to improve clarity and ensure full compliance with the CIPFA Code of Accounting Practice.

## Acknowledgements

This Letter has been agreed with the Borough Treasurer and was presented to Audit Committee on 12 December 2013.

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**  
**December 2013**

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## Section 2: Audit of the accounts

01. Executive summary

**02. Audit of the accounts**

03. Value for Money

04. Certification of grant claims and returns

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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 27 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced in July.

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

There was an unadjusted error relating to the estimated liability in respect of the Municipal Mutual Insurance liability. The estimated provision was overstated by £604,000. Had it been amended, it would have affected the Council's reported financial position and increased the Council's usable reserves by £604,000. The accounts were not amended as the effect was not material and the provision will be amended in 2013/14.

Material adjustments were made to the Cash Flow Statements to correct errors made when compiling the statement – the CIPFA cash Flow toolkit will be used to produce future cash flow statements and to recreate the 2012/13 cash flow statement.

### **Annual governance statement**

Subject to some minor amendments made to the Annual Governance Statement (AGS) presented to audit we concluded that the AGS was compliant with the CIPFA/SOLACE framework and our understanding of the authority.

## **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 Committee at the Council). We presented our report to the Audit Committee on 26 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 26 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

01. Executive summary

02. Audit of the accounts

**03. Value for Money**

04. Certification of grant claims and returns

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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 our assessment of the Council's arrangements against these criteria. Further details are provided in our Financial Resilience report issued in September 2013.

### 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.

Our work highlighted scope for improvement and more robust challenge around:

- the Council's comparatively high level of sickness absence;
- the cost of the Council's Housing and Council Tax Benefits service;
- ensuring that the Medium term financial plan remains responsive to changing circumstances, e.g. to reflect receipt of the efficiency grant it has been allocated and reworking the financial model as more accurate information becomes available

### 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

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. 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.

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. We anticipate completion of our Housing & Council Tax Benefits grant claim work in November 2013.

## **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.

Further details will be provided in our certification report to be issued in December 2013.

# Appendices

# Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and non-audit services

## Fees

	Per Audit plan	Actual fees
Audit Fee	£67,259	£67,259
Grant certification fee	£22,300	£22,300
<b>Total fees</b>	<b>£89,599</b>	<b>£22,300</b>

\* certification work is on-going. The final fee will be reported to the Audit Committee later in the year in our certification report.

## Fees for other services

Service	Fees £
Provision of benchmarking information and analysis relating to the Housing and Council Tax Benefit.	£8,000

## Reports issued

Report	Date issued
Audit Plan	26 June 2013
Audit Findings Report	26 September 2013
Certification report	TBA
VfM – Financial Resilience Report	26 September 2013
Annual Audit Letter	12 December 2013



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