

The Audit Findings for Barrow in Furness Borough Council

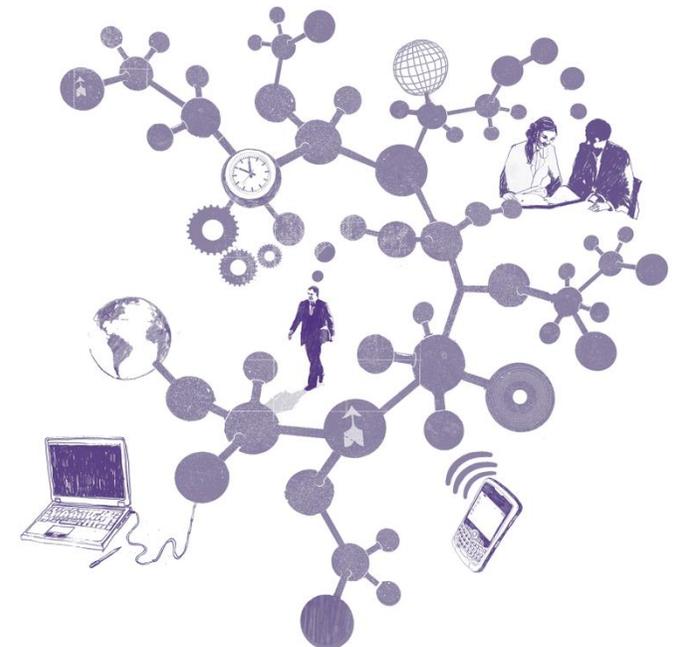
Year ended 31 March 2014

September 2014

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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Barrow in Furness Borough Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated June 2014.

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

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We expect to provide an unqualified opinion on the financial statements.

None of the agreed amendments impacted on the Council's reported financial position. Minor amendments were agreed to improve the content of the Explanatory Foreword and its links to other parts of the financial statements.

Further details are set out in section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

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

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with 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.

Our work has not identified any control weaknesses which we wish to highlight for your attention

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 Director of Resources..

There are no recommendations arising from our audit of the Council's 2013/14 financial statements.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the Director of Resources, her finance team and other staff during our audit.

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 26th June 2014. 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 in June 2014.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in 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 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 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review of revenue recognition policies. • testing of material revenue streams. 	<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 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<ul style="list-style-type: none"> • Our audit work has not identified any evidence of management override of controls. • As previously reported our interim audit journals testing identified 5 journals where the officers posting the journal had also approved those journals. We were satisfied that these journals were correctly and validly raised and were for non material amounts. The Director of Resources has confirmed the measures that have been taken to further strengthen controls and help ensure full compliance with the policy around segregation of journal approval and posting going forward. • We set out later in this section of the report our work and findings on key accounting estimates and judgments.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period.	We have undertaken the following in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • performed substantive testing of the material operating expenditure • sample testing of other operating expenditure • review of any significant items 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • sample testing of payroll calculations and contracts of employment • rationalised payroll costs by reference to staff numbers, and salary increases applied in the year. 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Welfare Expenditure	Welfare benefit expenditure improperly computed.	<p>We have undertaken the following in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • sample testing of welfare benefit expenditure • Carried out a programme of work as part of the certification of the housing benefits subsidy grant claim. 	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	Revaluation measurement not correct	<p>We have undertaken the following in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of the processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • work to gain assurance over the work of the Council's valuer 	Our audit work has not identified any significant issues in relation to the risk identified

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
Revenue recognition	Accounting Policies Note 1b states that activity [income and expenditure] is accounted for in the year [accounting period] that it takes place, not simply when cash payments are made or received.	The recognition of revenue by the Council is in line with recognised accounting guidance and in line with CIPFA's recommended approach.	
Judgements and estimates	Key estimates and judgements include: <ul style="list-style-type: none"> – useful life of capital equipment – pension fund valuations and settlements – revaluations – impairments – provisions 	<p>The judgements and estimates included within the financial statements have been based on a sound rationale. The judgements and estimates are supported where necessary by advice given by professional experts including Mercers who provide assurance around the asset lives and the pension fund respectively.</p> <p>Property, Plant & Equipment (PPE) disclosure note 13 confirms that the authority carries out a rolling programme that ensures that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years, and that each year a review of appropriate work is carried to ensure that the carrying value of assets last valued in previous years is not materially different from their fair value. This review concluded that the fair value was not materially different.</p> <p>We are satisfied that the carrying amount of PPE (based on these valuations) does not differ materially from the fair value at 31 March 2014. In our view, however, this rolling programme does not meet the Code's requirement in paragraph 4.1.2.35 to value items within a class of property, plant and equipment simultaneously.</p>	

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

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
Judgements and estimates (cont'd)		<p>This paragraph of the Code, which is based on IAS16 Property, Plant and Equipment, does permit a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> the revaluation of the class of assets is completed within a 'short period' the revaluations are kept up to date. <p>We would normally expect this 'short period' to be within a single financial year. The council may wish to consider how its policy demonstrates compliance with the Code.</p>	●
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 and disclosures sufficient

- Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Financial statements impact
<p>1 NNDR APPEALS PROVISION</p> <p>The short term debtors balance sheet figure was reported in the draft accounts net of an NNDR appeals provision of £409k . This provision should have been separately reported in the balance sheet and supporting disclosure notes.</p> <p>Correcting this misstatement was restricted to the balance sheet and supporting disclosure notes and accordingly had no impact on the CIES or the Council's financial position.</p>	<p>No overall impact on the financial position but amendment to the following core statements and disclosures</p> <p>Provisions note 24 New column added to show a zero brought forward balance, additional provisions made in 2013/14 of £409k and balance at 31 March 2014 of £409k. Provisions total amended.</p> <p>Balance sheet Additional provision of £409k amends balance sheet provisions figure to £473k. Short term debtors increased by £409k to £2,782k, reflecting the transfer of the provision for NNDR appeals to the provisions balance.</p> <p>short term debtors disclosure note 21 "other entities and individuals" total increased by £409k to £1,572k, increasing disclosure note total to £2,782k.</p>

Adjusted misstatements

Detail	Financial statements impact
<p>1 NNDR APPEALS PROVISION (cont'd)</p>	<p>short term debtors disclosure note 21 <i>"other entities and individuals"</i> total increased by £409k to £1,572k, increasing disclosure note total to £2,782k.</p> <p>cash flow disclosure note 31 - adjustments to the net (surplus) or deficit on the provision of services for non-cash movements</p> <ul style="list-style-type: none"> • decrease in provisions - amended from £777k to £368k; • increase in debtors - amended from £517k to £926k
<p>2 Audit Fees Although not significant in terms of the overall financial statements the 2013/14 core audit fee was incorrectly misstated at £58k and in ledger terms reflects a brought forward accrual plus in year payments on account. The disclosure note has been corrected to £67k as per the Audit Fee letter dated 2 April 2013. The error is trivial; accordingly the CIES has not been amended.</p>	<p>No impact</p>

Adjusted misstatements

Detail	Financial statements impact
<p>3</p>	<p>Disclosure - Financial Instruments note 19</p> <p>Within the financial instruments disclosure note 19 the prior year "loans and receivables" figure was restated from £578k to £726k without explanation.</p> <p>An explanatory commentary has now been added.</p> <p>The re-statement did not impact on other 2012/13 financial statement comparator disclosures</p> <p>There were also inconsistencies between the disclosure note's "<i>Categories of Financial Instruments</i>" and "<i>Fair Value of Assets and Liabilities</i>" tables,.</p> <p>The later of these incorrectly included 31 March 2013 and 2014 balances of £61k and £79k in the "loans and receivables long term" line relating to items which do not meet the definition of financial instruments.</p> <p>Correcting amendments do not have any impact beyond disclosure note 19.</p> <p>.</p>

Unadjusted misstatements

There were no unadjusted misstatements arising from the audit of the Council's 2013/14 financial statements.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Our work has not identified any significant control weaknesses which we wish to highlight for your attention.

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 previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other 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 audit work identified no material 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
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; 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 considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

The Council has sound financial governance arrangements and financial controls in place. This is supported by members who consistently provide a robust challenge to financial matters. There is also a well established approach to strategic financial planning, through the three year medium term financial strategy, which is aligned to the corporate priorities of the Council.

Along with many other councils, Barrow in Furness continues to operate within an increasingly challenging financial environment. However, against this backdrop the Council has demonstrated a track record of meeting efficiency targets and managing its revenue budget well.

Going forward, over the next three years to 2016/17, the Council forecasts a budget gap of £2.136m. Whilst this represents a significant challenge the Council does have a good track record of delivering savings and with General Fund and earmarked reserves of £2m and £10.197m respectively, including restructuring reserves totalling £5.329m the Council is well placed to meet that challenge

Our audit plan presented to the Audit Committee on 26 June highlighted the following local risks:

- managing a budget gap, projected at the time of reporting to be circa £2.1m in the 3 years to 31 March 2017;
- ensuring the Council remains on track to meet the DCLG's eligibility criteria for receipt and retention of allocated efficiency grant monies;
- applying cluster of empty homes monies allocated by the Homes and Community Agency to the Barrow Island flats and refurbishment upgrade

Value for Money

Based on our review and discussions with management we are satisfied that the Council is taking appropriate steps to ensure that:

- it remains financially resilient;
- it remains on track to meet the government's eligibility criteria for receipt of Efficiency Support Grant (ESG), the DCLG's indicating in its 2014 summer technical release that ESG will be rolled into the Council's RSG;
- cluster of empty homes grant monies has been properly accounted for

Value for money conclusion

On the basis of evidence seen, there does not appear to be a risk to the VFM conclusion arising from the arrangements followed by the Council.

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 a good understanding of its costs and this enables it to make informed decisions based on accurate information. Regular budget monitoring also ensures that the latest available information can be used to assess how well placed

the Council is to deliver its efficiency targets and meet its forecasts for income and expenditure levels.

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 2014.

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 2012-13	RAG rating 2013-14
Key indicators of performance	<p>The Council has healthy reserve balances and sufficient assets to cover its liabilities. The Council continues to demonstrate good financial performance and in 2013/14 the Council delivered a General Fund surplus of £2.643m on the provision of services and at 31 March 2014 held General Fund and earmarked balances of £2.0m and £10.197m respectively. Borrowing remained unchanged in year and is comfortably within the prudential limit approved by the Council and the Council's working capital ratio (current assets/current liabilities) remains healthy, increasing in year from 3.0 to 3.36.</p> <p>Last year we issued a separate report following our review of the Council's arrangements for securing financial resilience. One of the areas that we assessed as amber, indicating potential risk and/or weaknesses was workforce/sickness absence. We acknowledged then that Management were working closely with employees and the Council's Occupational health provider to reduce the level of long and short term sickness.</p> <p>The indications are that these arrangements are starting to deliver, with a 10% reduction in the average number of days lost due to sickness absence from 12.03 days in 2012/13 to 10.79 days in 2013/14.</p>	Green	Green

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Strategic financial planning	<p>The Council has sound financial planning and review processes in place and continues to demonstrate a strong track record in delivering an outturn within budget estimates.</p> <p>The Medium Term Financial Plan(MTFP) recognises the critical importance of financial planning as a strategic management tool to help to ensure the Council achieves its key priorities. The current MTFP covering the financial period 2014/15 – 2016/17 is framed around delivery of the Council's corporate priorities, highlights the key financial risks, and adopts a prudent approach to funding streams. The MTFP focuses on delivering the key components of the budget strategy approved by the Council on 24 January 2014 which are:</p> <ul style="list-style-type: none"> • the prudent use of balances; • efficiency measures, • reducing staffing numbers, • increasing income, and • service reductions. <p>In projecting budget deficits for each of the three years to 31 March 2017 and £2.136m cumulatively, underlying budget assumptions are realistic and prudent, including those on the future level of Government support and grants.</p> <p>Whilst there remains a considerable challenge ahead of the Council to address the future budget gap, the Council does have a good track record of delivering savings. Further, with General Fund and earmarked balances at 31 March 2014 of £2m and £10.197m respectively, including a restructuring reserve totalling £5.329m the Council is well placed to meet that challenge.</p>		

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Financial governance	<p>Financial governance arrangements at the Council are good. The Council has a well-established approach to financial governance with all executive members and senior officers involved in the budget process. They have demonstrated a good understanding of the financial environment and the challenges facing the Council. Members provide a robust challenge on financial matters.</p> <p>Updates on the Council's financial performance is reported quarterly to the Executive Committee and is under-pinned by the Council's Consultation policy document. The Council consults with staff and the public to help ensure a period of consultation and consideration of alternative budgets precedes the preparation and approval of each annual budget .</p> <p>The Council continues to manage its strategic and operational risks, maintaining a corporate risks register and updates of these risks along with the addition of new risks are considered regularly by the Council's Executive Committee and the Audit Committee.</p>	Green	Green
Financial control	<p>The Council has a robust and effective business planning and budget setting process and maintaining spend within budget is seen as a priority. The Council manages budgets well and has a good track record in achieving the overall budget and mitigating any overspends identified in year.</p> <p>The 2013/14 outturn report shows that the Council was able to maintain General Fund balances at a prudent level of £2m. This was net of transferring over £2m to earmarked reserves which will, amongst other things, enable the Council to manage projected revenue deficits over the next three years to March 2017.</p> <p>The key financial systems provide reliable and timely financial monitoring information to enable the Council to identify and manage financial risks.</p>	Green	Green

Theme	Summary findings	RAG rating 2012-13	RAG rating 2013-14
Prioritising resources	<p>Senior management and members work well together in developing the Council's priorities and the Medium Term Financial Plan (MTFP). The MTFP is at the forefront of the Council's business, supported by the Director of Resources quarterly reports to the Council's Executive Committee.</p> <p>The Council has a good track record and continues to challenge the way services are delivered. A recent example was a review - carried out in support of the Council's business case for Efficiency Support Grant – to explore the potential to realise savings from shared management arrangements with another council.</p>	Green	Green
Improving efficiency & productivity	<p>The Council has a proven track record of delivering savings and generating additional income and as the Director of Resources' 2013/14 statements Explanatory Foreword reports the Council generated £0.83m of cost reductions and additional income in year which has been added to reserves to help manage projected future year deficits.</p>	Green	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.

Fees

	Per fees letter £	Actual fees £
Council audit	67,259	67,259
Grant certification	21,200	18,730
Total audit fees	88,459	85,989

There is an additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for a district council and is subject to agreement by the Audit Commission.

Our grant certification fee is still an estimate as our work on the Council's Housing benefits subsidy claim is still on-going and will not be finalised until late November 2014.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

International Standard on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARROW IN FURNESS BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Barrow in Furness Borough Council for the year ended 31 March 2014 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, 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 2013/14.

This report is made solely to the members of Barrow in Furness 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 Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources 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 Director of Resources; 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 based on, 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 Barrow in Furness Borough Council as at 31 March 2014 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 2013/14 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 2014.

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, Barrow in Furness Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

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

Jackie Bellard

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