

The Audit Findings Report for Preston City Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2015

September 2015

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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.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	7
3. Value for Money	15
4. Fees, non audit services and independence	21
5. Communication of audit matters	23

Appendices

- A Action Plan
- B Audit opinion

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

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Preston City 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).

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 April 2015.

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

- routine testing of the provision for bad debts and review of the segmental analysis of expenditure
- 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 anticipate providing an unqualified opinion on the financial statements.

We have identified no adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report).

The key messages arising from our audit of the Council's financial statements are:

- the draft accounts and working papers were of good quality, and finance staff responded promptly to all audit queries
- the audit has not identified any material misstatements
- we have agreed some minor amendments to classifications and disclosures within the accounts. None of these are individually significant enough to bring to your attention.

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 are not required to complete any work on the Whole of Government Accounts because the figures in the Council's accounts are below the audit threshold.

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 City Treasurer.

We have made one recommendation which is set out in the action plan in Appendix A and this has been discussed and agreed with the City Treasurer and the finance team.

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.

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

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 April 21 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 in April 2015.

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix B.

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> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at Preston City Council, we have determined the risk of fraud arising from revenue recognition can be rebutted. This is because:</p> <ul style="list-style-type: none"> • There is little incentive to manipulate revenue recognition and opportunities to manipulate are limited • The culture and ethical frameworks of local authorities, including Preston City Council, means that all forms of fraud are seen as unacceptable <p>We have reviewed and tested revenue recognition policies and tested material revenue streams</p>	<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 	<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 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. Recommendations, together with management responses, are attached at Appendix A.



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. Operating expenses 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"> • documented our understanding of processes and key controls in the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • completed substantive testing of a sample of operating expenses to ensure the validity of the spend and ensure appropriate classification in the financial statements • reviewed a sample of creditors to confirm the accuracy of year end balances 	<p>Subject to the completion of our audit work we have not identified any significant issues in relation to this risk</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"> • documented our understanding of processes and key controls in the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • substantively tested a sample of employees remuneration to confirm that employees exist, are paid correctly and are recorded in the general ledger • ensured the expenditure included in the Council's payroll system reconciles to the general ledger and to the statement of accounts and reviewed the monthly totals to identify any unusual patterns 	<p>Our audit work has not identified any significant issues in relation to the risk identified</p>

Audit findings against other risks




Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare expenditure</p>	<p>Housing benefit (HB) expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls in the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • Substantively tested a sample of housing benefits in accordance with the work required for the Council's Housing Benefit claim and review of the controls to reconcile the HB system to the financial ledger 	<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>	<ul style="list-style-type: none"> The Council prepares its financial statements on an accruals basis recognising income when it is probable that economic benefits will flow to the Council. 	<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 revenue are predictable meaning there is minimal judgement required from the Council in identifying when to recognise income. The accounting policy is appropriately disclosed within the statement of accounts. 	
<p>Judgements and estimates</p>	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> – useful life of capital equipment – Valuation of property, plant and equipment (PPE) – Pensions valuations – Provisions 	<p>The Council's policies on estimates and judgements are reasonable and appropriately disclosed. The Council relies on appropriately qualified experts where appropriate.</p> <p>As we reported last year, PPE revaluations should be completed with sufficient regularity to ensure that carrying amounts do not differ materially from fair value at the end of each reporting period. The CIPFA Code requires that "items within a class of property, plant and equipment are revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates. However, a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. Valuations shall be carried out at intervals of no more than five years."</p> <p>The Council operates a five year rolling programme to value land and buildings but not all items within a class are revalued simultaneously, or within a short period.</p> <p>Although we are satisfied that year end PPE balances are not materially different to their fair value the Council should consider whether all assets in a class can be reviewed 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

Accounting area	Summary of policy	Comments	Assessment
<p>Other accounting policies</p>	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<ul style="list-style-type: none"> Our review of your accounting policies has confirmed that they are consistent with the Code and applied appropriately and 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

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 standard letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found 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

- 01. Executive summary
- 02. Audit findings
- 03. Value for Money**
- 04. Fees, non audit services and independence
- 05. Communication of audit matters

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; and
- Financial control

The Council has arrangements in place to secure financial resilience.

The revenue budget was met in 2014/15 and the Council is currently forecasting that it will meet its budget for 2015/16. Savings plans have been identified for the 2016/17 year in detail with outline plans agreed for the medium term beyond this. However the Council will have to continue to identify and deliver savings to maintain its financial position.

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

The Council has a good understanding of its key aims and priorities. This has been reflected in the financial planning undertaken to update the medium term financial plan and in the reporting of outturn and performance information. This includes participating in the City Deal.

The Council has begun to consider longer term savings and has undertaken significant work to consider its asset base. This has resulted in the disposal of some assets.

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 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 performance	<p>The Council achieved an underspend of £953k on its revenue budget for 2014/15. After allowing for slippage of £598k to be taken forward to 2015/16, this means that there is a favourable impact of £355k on the budget forecast. The underspend has contributed to increasing the Council's General Fund Balance to £6.7m as at 31 March 2015. In addition, the Council has increased its earmarked reserves to a year end level of £14.6m</p> <p>There has been no new long term borrowing during the year and, as at 31 March 2015, total borrowing was £17.697m compared to £18.8m at 31 March 2014.</p> <p>As part of its long term plans to redevelop the city centre, the Council transferred the Bus Station and multi-storey car park to Lancashire County Council in April 2014 and the Guild Hall was transferred to a private operator in October 2014. The Council is continuing with plans to develop and relocate the Markets including refurbishment of the listed Market Canopies.</p> <p>Treasury Management risks continue to be managed well, with regular reporting and consultation with independent advisors.</p>	Green

Theme	Summary findings	RAG rating
<p>Strategic financial planning</p>	<p>As in previous years, the Council has set out a clear medium term financial strategy in its updated document "Achieving Preston's Priorities." This document is kept under review and is clear about the aims and ambitions of the Council and sets out the progress to date regarding savings to be delivered. It sets out for members the level of savings required from 2016/17 onwards and the projected call on reserves over the medium term. Savings being delivered in 2015/16 are set out in detail, including identifying where the savings will be achieved. The future years savings are set out at a high level, although there has been further detailed work completed by the Council to identify the additional savings required.</p> <p>The Council has a good understanding of the future challenges it faces and has set these out clearly in the financial plan. The Council is well placed to continue to deliver savings because the Council has a good understanding of its priorities and focus, and the action needed to deliver. The Council has a track record of delivering within budget with no history of overspends.</p> <p>During the year, the Council made progress in its strategy by transferring the Bus Station to Lancashire County Council and the Guildhall to a private operator. All staff have been transferred from Lancaster House into the Town Hall to help reduce office accommodation costs.</p> <p>We are satisfied that the Council has sound arrangements in relation to financial planning and action has already been taken to ensure a balanced budget is delivered over the next few years. Nevertheless, the level of savings required in future years is significant and members and officers will need to continue to meet the challenge to identify, quantify and deliver significant savings over the medium term. The savings will inevitably become increasingly more difficult to achieve and it is for this reason that we have rated this area as Amber.</p>	<p>Amber</p>
<p>Financial governance</p>	<p>There is clear leadership from senior officers and members in considering and setting the budget and regular meetings with members throughout the year to support the budget setting plans of the Authority.</p> <p>As part of the budget setting and updating process the Council has a good system of executive and member engagement. The Council has considered the services delivered and the impact of savings on them, both in terms of what level of service the Council is required to provide and the services which link to the Council's key aims and ambitions.</p> <p>Budget reporting clearly projects the proposed outturn position for the Council. Updates on key variances are reported to the Executive Member for Resources on a quarterly basis.</p> <p>It is likely that in the next few years, funding from central government will continue to reduce. The Council is in the second year of a three year savings plan to implement ongoing savings of £3.6m by 2017/18 and detailed plans have been made to achieve this. The Budget approved in February 2015 showed further savings of £2.7m required from 2018/19 onwards and the budget timetable for 2016-17 includes plans for extensive consultation between officers and members to arrive at plans for achieving the next round of savings.</p> <p>The Audit Committee is effective, provides challenge to officers and asks for additional information as required</p>	<p>Green</p>

Theme	Summary findings	RAG rating
Financial control	<p>Effective budget monitoring arrangements continue to underpin a sound environment for financial control. The Executive member for resources receives quarterly revenue and capital budget monitoring reports which include a review of "Cash Limit Hot Spots" and set out the progress in achieving the Council's agreed programme of savings.</p> <p>The Council's finance team is currently carrying out an exercise to review expenditure levels in 2014/15 and is hoping to be able to identify an additional £100k of savings.</p> <p>The finance team is adequately resourced and prepares good quality accounts supported by good quality working papers.</p> <p>The Council has an internal audit function in place. Internal and external audit work has not identified any significant issues in respect of the key financial systems.</p> <p>The Audit Committee has been challenging the risk assurance framework as a regular item of its agenda. Senior officers are invited to answer questions from the committee on particular areas of risk to the Council.</p>	Green
Prioritising resources	<p>The Council has embarked on a thorough review of the services it provides and the way it provides and manages them. In order to achieve the required savings, it is considering:</p> <ul style="list-style-type: none"> • income generation • further efficiencies • Other savings options <p>This will be an important aspect of delivering the budget for 2016/17 and subsequent years. However, some of the decisions required will be difficult.</p> <p>As part of the savings programme, the Council has also recently completed a re-structuring of its senior management.</p> <p>The Council understands its key partnerships. The most significant is the revenues and benefits shared service which is delivered in partnership with Lancaster City Council. As well as this, the Council has continued its joint working with Lancashire County Council, South Ribble Borough Council and the Homes and Community Agency to deliver the City Deal project.</p>	Green

Theme	Summary findings	RAG rating
Improving efficiency & productivity	<p>The Council's key priorities are clearly articulated and identified in its medium terms financial strategy and monitored as part of performance reporting.</p> <p>The Council has identified the savings that will be required to deliver the budget in future years and has started to consider how efficiencies will be achieved.</p> <p>In addition, the Council has an ambitious plan to redevelop and regenerate the city centre and the infrastructure around the city as set out in collaboration agreements with its partners, most notably the "City Deal" arrangements with Lancashire County Council and neighbouring districts.</p> <p>As part of this arrangement, Preston City Council makes payments to the City Deal Infrastructure Delivery Fund established by LCC of New Homes Bonus, Community Infrastructure Levy and Business Rates.</p> <p>First contributions of New Homes Bonus will be made in 2015-16.</p> <p>Arrangements are in place to measure the outcomes of the City Deal project and this will be a key area for the Council for the next few years.</p>	Green

Section 4: Fees, non audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	80,836	80,836
Grant certification *	19,800	19,800
Total audit fees	100,636	100,636

* The work on grant certification is ongoing and will be completed by the 30 November deadline for the Housing Benefits claim. We will report any fee variation to the Audit Committee after this.

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.

Ethical standards and International Standards on Auditing (ISA) 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:

The father of an Executive employed by Grant Thornton is a councillor at Preston City Council and was a member of the Audit Committee during 2014/15. The member of staff involved has not undertaken any work on the audit.

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) 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: Action plan

Priority

Significant deficiency – risk of significant misstatement

Deficiency - risk of inconsequential misstatement

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should ensure that its approach to the valuation of property, plant and equipment complies with the CIPFA code requirements	Deficiency		

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PRESTON CITY COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Preston City 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, 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 Preston City 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 City Treasurer and auditor

As explained more fully in the Statement of the City Treasurer's Responsibilities, the City Treasurer 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 City Treasurer; 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 Preston City 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, Preston City 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 Preston City 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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