

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 2014

September 2014

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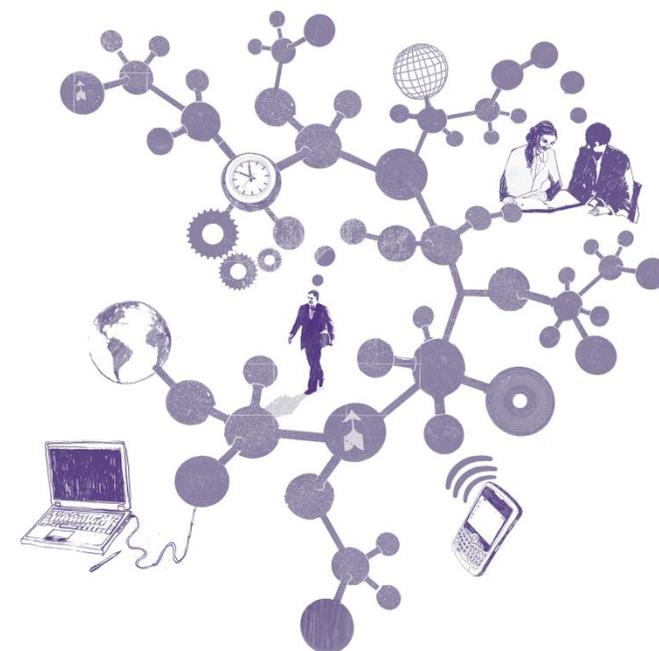
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is 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

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 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 April 2014.

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

- Testing of some elements of the income and expenditure, welfare benefits, asset valuations and collection fund, including completion of some final sample testing
- 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 classification and disclosure 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 have completed our work on the Whole of Government Accounts and have no issues which we wish to highlight for your attention.

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 Corporate Director of Community and Business Services.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Corporate Director of Community and Business Services 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.

Grant Thornton UK LLP
September 2014

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 23 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 on April 23 2014.

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> | <ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions | <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 | <p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p> |

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. 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 | <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 over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • We have undertaken cut off testing to confirm the Council is recognising expenditure in the correct year. | Our audit work has not identified any significant issues in relation to the risk identified |
| Employee remuneration | Employee remuneration accrual understated | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We have undertaken a trend analysis of the Council's payroll for the year to identify any unusual patterns • We have ensured the expenditure included in the Council's payroll system reconciles to the general ledger and to the statement of accounts • We have reviewed the disclosures and accruals made in the statement of accounts | Our audit work has not identified any significant issues in relation to the risk identified |

Audit findings against other risks

| Transaction cycle | Description of risk | Work completed | Assurance gained & issues arising |
|--|---|--|--|
| Welfare expenditure | Welfare benefit expenditure improperly computed | <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 over the transaction cycle • undertaken walkthrough of the key controls to assess the whether those controls are designed effectively • agreed welfare benefit expenditure to accounts and supporting notes • attribute testing of benefit payments to individual claimants • substantive testing of payment rates used on the benefits system | Our audit work has not identified any significant issues in relation to the risk identified |
| Property, plant & equipment | PPE activity not valid and revaluation measurement not correct. | <p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • tested a sample of additions to confirm they are appropriately included in the statement of accounts. • Confirmed the asset values reflected in the statement of accounts materially reflect the asset valuations undertaken. | We set out our findings in respect of the valuation of property, plant and equipment on the next page. |

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 | <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 is 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. | ● |
| Judgements and estimates | <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 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>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 does revalue land and buildings assets as a minimum every five years. However currently not all items within a class are revalued simultaneously, or within a short period.</p> <p>We are currently reviewing with officers the Council's arrangements to ensure the valuations recognised in the balance sheet are not materially different to their carrying fair value.</p> <p>The Council should consider reviewing 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 |
|----------------------------------|--|---|---|
| Other accounting policies | <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 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

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 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 2013/14 and currently the Council is forecasting that it is going to meet its budget for 2014/15. Savings plans have been identified for the 2014/15 year in detail with outline plans agreed for the medium term beyond this. However the Council will have to continue to identify and deliver these 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. The Council has begun to consider longer term savings and has undertaken significant work to consider its asset base.

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 delivered within the budget set for 2013/14. The revenue outturn position for the year was an underspend of £728k, after slippage the outturn position was an underspend of £456k. Capital expenditure for the year was in line with the Council's revised plans.</p> <p>The Council's general fund balance has increased slightly from £5.3m to £5.9m during the 2013/14 financial year. The general fund balance held by the Council is above the minimum, approved by the executive member for resources in October 2013 of £1.1m. As well as this the Council has £13.3m included in earmarked reserves. The budget set in February 2014 forecasts the use of the general fund reserve over the period 2013/14 to 2017/18, meaning that by 2017/18 the balance held will be at the £1.1m minimum level. Compared to its nearest neighbours the Council had the 6th highest general fund balance as a percentage of its gross revenue expenditure out of 16 authorities. Regular review of the level of reserves and the use of them should continue to be undertaken by the Council.</p> <p>The Council has not undertaken any external borrowing in the year, with borrowing outstanding at the end of the 2013/14 year of £18.8m (2012/13 £20.2m). Compared to similar authorities, the Council has the second lowest proportion of long term borrowing to long term assets, reflecting the Council's use of internal borrowing.</p> <p>The Council has begun to consider its use and ownership of land and buildings in the longer term. In April 2015 the ownership of the Bus Station and multi storey car park transferred to Lancashire County Council. The Council has also made a decision to dispose of the Guild Hall. This is currently in progress. The Council is also considering its market operations and how best to manage those in the context of regenerating the city centre.</p> <p>The Council actively manages its treasury management risks, and reports regularly members against its treasury management policy. The Council continues to take advice as necessary on managing its cash balances.</p> | Green | Green |

| Theme | Summary findings | RAG rating 2012-13 | RAG rating 2013-14 |
|-------------------------------------|--|-----------------------|-----------------------|
| Strategic financial planning | <p>The Council has a clear medium term financial strategy linked to its strategic priorities. Financial planning and reporting to members clearly links to the Achieving Preston's Priorities document . This is clear about the aims and ambitions of the Council and sets out the progress to date with identifying savings to be delivered. The position was updated as part of the Council's budget setting process for 2014/15 reflecting the impact of the Local Government Settlement of December 2013 on the Council's financial position. This clearly sets out for members when setting the budget that savings of over £3m are required from 2016/17 onwards. Once the planned savings are delivered the document also sets out the projected call on reserves over the medium term. Savings being delivered in 2014/15 are set out in further detail, including identifying where the savings will be delivered from. The future years savings are set out at a high level, and there has been further detailed work by the Council to identify the additional savings required. The Council has a good understanding of the future challenges it is facing, set out clearly in the financial plan. The level of savings required are significant, so while the Council is well placed to continue to deliver within budget members and officers need to continue to identify, quantify and deliver significant savings over the medium term.</p> <p>The Council is well placed to continue to deliver savings, historically the savings required by the Council have been delivered and the Council has a good understanding of its priorities and focus. The Council has a track record of delivering within budget with no history of overspends.</p> <p>The Council has good arrangements in place to keep the medium term financial plan under review throughout the year. Planning undertaken with members clearly demonstrates the impact of savings, or the consequences for the budget if savings aren't delivered.</p> | Amber | Green |
| Financial governance | <p>There is clear leadership from senior officers and members in considering and setting the budget. In anticipation of the 2014/15 budget there have been regular meetings with members throughout the year to support the budget setting plans of the authority. Considering the options for savings suggested by management, mean there is good member involvement in understanding the financial position and the choices that need to be made in setting the budget in the medium term. Members have a good understanding of the potential impact on service delivery of reducing budgets.</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. This has meant there has been significant member engagement in identifying the savings to be delivered.</p> <p>The audit committee is effective, provides challenge to officers and asks for additional information as required.</p> <p>The Council has a track record of delivering within budget. Budget reporting clearly projects the proposed outturn position for the Council. Monitoring of key variances are reported to the Executive Member for Resources on a quarterly basis. As at Quarter 1 of 2014/15 the Council is projecting delivery within its general fund budget.</p> | Amber | Green |

| Theme | Summary findings | RAG rating 2012-13 | RAG rating 2013-14 |
|-------------------------------|---|-----------------------|-----------------------|
| Financial control | <p>There have been no significant changes to the budget monitoring arrangements in place at the Council. The Executive member for resources receives quarterly revenue and capital budget monitoring reports. The revenue reporting to the Executive member for resources also includes reporting of the "hot spot" variances over £20k. These are clearly risk assessed to demonstrate which areas have been identified for any further concern.</p> <p>The finance team is adequately resourced with good quality accounts prepared for audit supported by good quality working papers.</p> <p>The Council has an internal audit function in place. Internal audit has completed its plan for the year, reporting progress throughout to the audit committee.</p> <p>From internal and external audit work there have been no significant issues in respect of the financial systems. The accounts are well prepared.</p> <p>A recommendation was raised in 2012/13 about reporting of the risk register to the audit committee. This was reported to the audit committee in September 2013. As well as this the audit committee has been holding regular risk assurance sessions as part of its agenda, where officers have been invited to answer questions from the committee on particular areas of risk to the Council.</p> | Amber | Green |
| Prioritising resources | <p>There is clear leadership in prioritising resources, documented in the Achieving Preston's Priorities document. As well as updating this the agreed budget proposals have also been set out in a summary document which includes the key messages for the year. There has been consultation with members throughout the year on the budget proposals.</p> <p>Some services are now being delivered via shared services, the most significant of these is the revenues and benefits shared service, with Lancaster City Council. In terms of further shared services, the Council is open to sharing further services, but has not currently identified partners for significant future delivery</p> <p>Where decisions have been made by the Council these have been considered and taken to members. Two significant decisions considered in 2013/14 and 2014/15 have been the disposal of the bus station and multi storey car park and the decision taken in respect of the future of the Guild Hall. Both of these have been taken to members for a decision supported by sufficient information for them to make an informed decision. There are also plans being considered for the future of market provision at the Council.</p> <p>The Council has been identifying those services where savings can be delivered, and considering which services need to be provided, which services link to the strategic priorities of the Council and which services can deliver the greatest savings. One example of this has been examining staffing rotas in the parks department to identify how staff can be used more effectively and efficiently.</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 begun to deliver the City Deal for Preston which has involved working with Lancashire County Council and South Ribble Borough Council to begin delivery of this investment.</p> | Green | Green |

| Theme | Summary findings | RAG rating 2012-13 | RAG rating 2013-14 |
|--|--|-----------------------|-----------------------|
| Improving efficiency & productivity | <p>The Council has a good understanding of its key priorities. these are clearly identified in its medium terms financial strategy and in performance reporting.</p> <p>The Council has identified the savings required to deliver the 2014/15 budget and at quarter 1 of 2014/15 the outturn is in line with the budget. The Council has identified that to deliver the longer term savings required further . Work to identify the likely areas where savings can be delivered has begun. The Council has also begun to consider its asset base and how this fits with the aims of the Council.</p> <p>The Cabinet receives quarterly performance monitoring reports. has detailed performance monitoring, reported to cabinet, linked to the priorities of the Council. The Exec member of resources receives detailed budget monitoring reports quarterly including explanations of key variances.</p> <p>The Council considers its strategic aims as part of setting its budget. The key strategic aims for the Council are clear. Significant projects such as plans for the bus station and the proposals for the market link clearly to the long term objectives of the Council.</p> | Green | 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 * | £79,936 | £80,836 |
| Grant certification ** | £19,800 | £19,800 |
| Total audit fees | £99,736 | £100,636 |

* The fee for the audit has increased by £900. This is a standard fee variation for all district council's agreed with the Audit Commission, reflecting the additional work required on the business rates figures in the accounts now the NNDR3 return is no longer subject to certification.

** The work on grant certification is ongoing and will be complete 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 2013/14. 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.

| | Audit Plan | Audit Findings |
|--|------------|----------------|
| Our communication plan | | |
| 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 valuation timetable 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 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 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 Deputy Chief Executive and auditor

As explained more fully in the Statement of the Deputy Chief Executive's Responsibilities, the Deputy Chief Executive 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 Deputy Chief Executive; 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 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, 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 2014.

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
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September 2014



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