



The Annual Audit Letter for Preston City Council

Year ended 31 March 2013

October 2013

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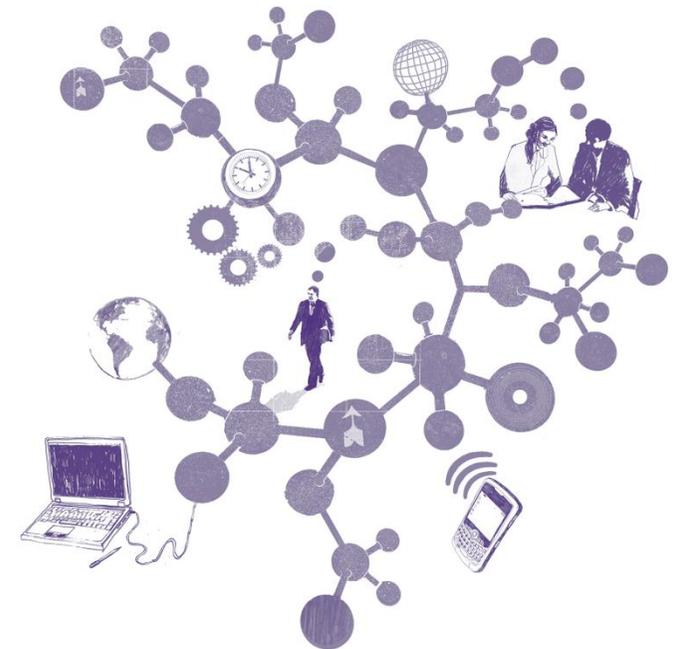
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Contents

Section	Page
1. Executive summary	3
2. Audit of the accounts	6
3. Value for Money	8
Appendices	
A Reports issued and fees	

Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Preston City Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 18 September 2013.

Responsibilities of the external auditors and the Council

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

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 17 April 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

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

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified short form assurance statement on the Council's Whole of Government Accounts submission
- Our work on certification of grant claims is on-going. We have certified the National Non Domestic Rates return with one amendment. The detailed findings of our work on grant claims will be reported in our Grant Certification report upon completion of our work.

Key areas for Council attention

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

We issued an unqualified opinion and Value for Money (VFM) conclusion on the 26 September 2103. The accounts presented for audit required relatively few changes and were supported by good quality working papers.

Overall the Council has sound arrangements in place to deliver value for money and has delivered a balanced budget in 2012/13, with a revenue underspend of £125k after transfers to reserves, and set a balanced budget for 2013/14.

In 2012/13 the Council delivered a significant series of cultural events as part of the Preston Guild 2012. To support this, the Council put in place robust governance structures for the period leading up to the Guild to ensure that the risks relating to delivery of the wide programme of events were appropriately managed. As a result, the Preston Guild 2012 was delivered within the budget agreed by members.

Looking ahead the Council needs to make significant savings over the medium term. These savings are set out in the Council's medium term financial plan, and work has begun with members to identify and deliver longer term savings. Delivering these savings will be challenging for the Council.

The Council has ambitious plans in relation to its asset base, including redevelopment of the market, the bus station and rationalisation of office accommodation used by the Council. These plans have been developed to support the regeneration of the City centre but will also deliver financial savings and better services for users.

As part of this, the Council had made an "in principle" decision to demolish the bus station and associated car park as part of a proposal to redevelop the site as a new transport hub for the city. Although the plans were still at an early stage, they will need to be reviewed in the light of the decision to Grade II listing status to the existing bus station.

Acknowledgements

This Letter has been agreed with the Corporate Director of Community and Business Services and will be presented to Audit Committee on 20 November 2013.

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

Grant Thornton UK LLP
October 2013

Section 2: *Audit of the accounts*

01. Executive summary

02. Audit of the accounts

03. Value for Money

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below:

Preparation of the accounts

The Council presented us with draft accounts on 25 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced in July 2013.

Issues arising from the audit of the accounts

The draft accounts supplied were prepared to a good standard with all required material disclosures. Working papers supplied to support the key entries in the accounts. Responses for further information were provided as agreed. Very few amendments were made to the accounts as a result of the audit.

Annual governance statement

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

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Council). We presented our report to the Audit Committee on 18 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 26 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

We also issued a short form assurance statement on the Council's Whole of Government Accounts submission.

Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Our work highlighted the Council has good arrangements in place to secure financial resilience.

The Council delivered a small underspend of £125,000 on the 2012/13 budget despite the pressures on income during the year.

An area of particular challenge for the Council has been the management and financial monitoring of the 2012 Guild. Because of the nature of the event, and the inherent risks of overspending or under recovering income, specific and detailed arrangements were put in place to ensure that both income and expenditure were regularly monitored and prompt action taken on variances throughout the planning period and during the event itself. As a result, the Guild was delivered in line with the budget approved by Members.

At 31 March 2013, the Council's general fund stood at £5,334,000.

Looking forward, the Council has identified that significant savings will need to be delivered over the life of the next medium term financial plan. The Council has identified the savings plans required in 2014/15, and work is underway to identify detailed plans for the two following financial years. However, the scale of the savings needed presents a significant challenge for the Council and will require difficult decisions about the level and nature of the services provided going forward.

Further details are provided in our Financial Resilience report issued in September 2013.

Value for Money

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Our work highlighted the Council has a good track record in delivering its budget and savings plans whilst maintaining service performance.

The Council has taken a robust approach to ensuring it understands its costs, particularly in high spend areas. As a result, it has considered various options for service delivery going forwards.

The council's asset base continues to be an area of focus. This is linked to the overall plan for City Centre regeneration but will also deliver financial savings alongside an improved experience for the public. Key to this, are the plans under consideration for the redevelopment of the market and the bus station, together with a rationalisation of the office accommodation used by the Council.

As part of this, the Council had made an "in principle" decision to demolish the bus station and associated car park as part of a proposal to redevelop the site as a new transport hub for the city. Although the plans were still at an early stage, they will need to be reviewed in the light of the decision to Grade II listing status to the existing bus station in September 2013.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Appendices

Appendix A: Reports issued and fees

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

Fees

	Per Audit plan £	Actual fees £
Audit Fee	79,936	79,936
Grant certification fee	16,800	See below
Total fees	96,736	79,936

Our work on the certification of grant claims is on going. The final fee (including any variation) will be reported in the Grant Certification report on completion of the work.

Fees for other services

Service	Fees £
None	Nil

Reports issued

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



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