



The Annual Audit Letter for Blackburn with Darwen Council

Year ended 31 March 2013

October 2013

Karen Murray
Engagement Lead

T +44 (0)161 953 6900

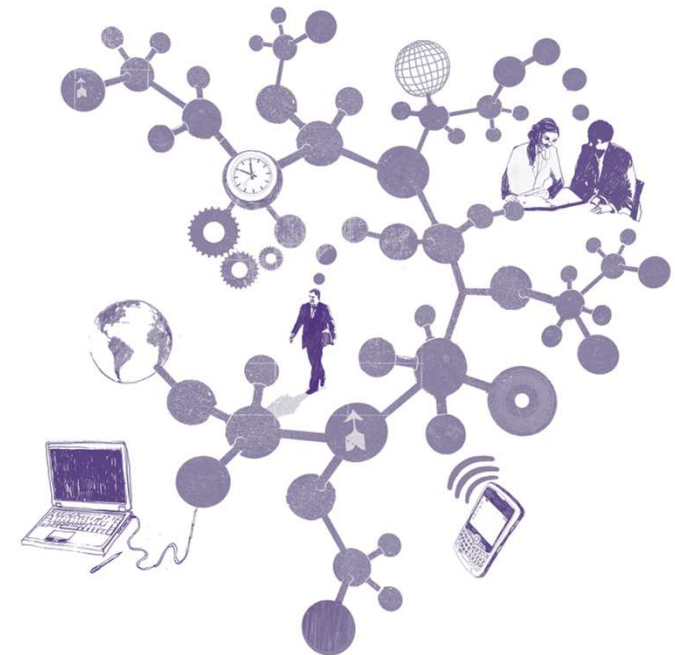
E Karen.L.Murray@uk.gt.com

Chris Whittingham
Engagement Manager

T +44 (0) 161 214 6362

M 07880 456174

E c.whittingham@uk.gt.com



Contents

Section	Page
1. Executive summary	3
2. Audit of the accounts	6
3. Value for Money	11
4. Certification of grant claims and returns	13

Appendices

A Reports issued and fees

Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

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 Blackburn with Darwen Council ('the Council') for the year ended 31 March 2013:

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

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 24 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 16 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 opinion on the council's Whole of Government Accounts submission.

Executive summary

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 gave an unqualified opinion on the financial statements on 27 September 2013 . Our audit did not identify any material errors or uncertainties in the financial statements.
- The Council has delivered £38.4 million of savings in the last 2 financial years in response to significant reductions in funding from central government. In doing so, the council has taken a long term, strategic view to service transformation. However, the Council continues to face reductions in funding and a further £29 million of savings need to be achieved by 2014/15. It is essential that the Council continues to manage the financial position closely and maintain the robust systems and processes that are in place to manage financial risks and opportunities.

Acknowledgements

This Letter has been agreed with the Director of Finance and will be presented to Audit Committee on 14 January 2014.

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

04. Certification of grant claims and returns

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 in accordance with the national deadline and comprehensive working papers were made available from the start of the audit fieldwork.

Issues arising from the audit of the accounts

Financial statements opinion

Our audit did not identify any material errors or uncertainties in the financial statements. We identified one non-material error that was not corrected in the accounts. Officers agreed to make a small number of adjustments to improve disclosures and the presentation of the accounts.

The Council's Building Schools for the Future (BSF) project includes a number of schools funded under a PFI arrangement. In 2013/14 it is expected that one of these schools will attain Academy status. The Council will need to ensure that the appropriate accounting treatment is applied and that key judgements are documented.

Annual governance statement

Our review of the annual governance statement confirmed that it complied with the requirements of the CIPFA/SOLACE – Delivering Good Governance in Local Government Framework – published in June 2007.

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 24 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 27 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.

Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

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 that effective arrangements are in place to maintain the Council's financial resilience at a time of significant budget constraints.

The Council had a two year budget strategy that delivered savings of £38.4 million by the end of 2012/13. The strategy was developed in response to the significant reductions in funding from central government. The Council also had to respond to additional cost pressures driven by increased demand for some services and inflation. To achieve these savings, the Council took a strategic and long term view to service transformation.

At 31 March 2013 the General Fund balance stood at £8.221 million. This equates to 5.4% of net expenditure in 2012/13 and provides adequate cover for future financial risks.

The Council holds £12.1m of reserves on behalf of schools. A review of reserves held by schools identified that 35 schools have reserves that are in excess of the thresholds set by the Schools Forum with a total value of £3.1 million. However, of this, £3.0 million is held to fund agreed and costed capital programmes that will be delivered in future years. Four schools were in deficit at the year end but work is underway through the Schools Forum to prepare robust recovery plans.

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

Value for Money

Key findings

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 that the Council has already delivered significant savings and achieved the cost reductions required to date. The Council established a Transformation Programme Board and a Transformation Team to ensure delivery of the identified savings through service transformation and redesign, alternative delivery models and downsizing.

A detailed Medium Term Financial Strategy 2013 -2016 is in place and sets out the additional savings that the Council will need to achieve. Based on current planning assumptions, the Council must save £29.2 million by the end of 2014/15 and a further £15.5 million in 2015/16. This presents a significant challenge for the Council, particularly in demand led areas such as adults' social care. This means it is essential that the Council continues to monitor delivery of its savings programme and has systems in place to manage financial risks and opportunities.

Against this background, the Council has continued to invest in capital projects to help boost economic growth. The most notable of these projects is the Building Schools for the Future (BSF) project. This is a 25 year contract for the construction, remodelling and maintenance of 9 schools. The remaining capital programme reflects the major regeneration agenda being undertaken by the Council and includes the development of the "Cathedral Quarter" , the redevelopment of the old Blackburn Market site and the "Pennine Reach" scheme to improve public transport infrastructure. The Council has also successfully worked in partnership with a range of organisations to generate inward investment into the Borough.

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.

Section 4: Certification of grant claims and returns

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We will certify 3 claims and returns for the financial year 2012/13 relating to expenditure of £140.961 million.

Approach and context to certification

Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

Key messages

Our work on certification of grant claims is on-going. Our work to date has not identified any issues which we wish to highlight. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit..

Fees

	Per Audit plan £	Actual fees £
Audit Fee	136,059	136,059
Grant certification fee	25,900	25,900
Total fees	161,949	161,949

Fees for other services

Service	Fees £
Regional Growth Fund	6,840

Reports issued

Report	Date issued
Audit Plan	16 April 2013
Audit Findings Report	16 September 2013
Certification report	Not yet issued
VfM – Financial Resilience Report	13 September 2013
Annual Audit Letter	18 October 2013



© 2013 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk