

Subject:	Audit Findings Report	Status:	For Publication
Report to:	Audit and Accounts Committee	Date:	24 September 2013
Report of:	Grant Thornton	Portfolio Holder:	
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception	<input type="checkbox"/> Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required:	No	Attached: No
Biodiversity Impact Assessment	Required:	No	Attached: No
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1.	RECOMMENDATION(S)
1.1	Members are asked to consider the Audit Findings Report for the 2012/13 financial year.

2. PURPOSE OF REPORT

2.1 The reports summarises the findings from our audit of the Council's financial statements and our review of arrangements for the Value for Money Conclusion

3. CORPORATE PRIORITIES

3.1 The matters discussed in this report impact directly on the following corporate priorities:

- **Responsive Value for Money Services:** This priority is about the Council working collaboratively, being a provider, procurer and a commissioner of services that are efficient and that meet the needs of local people.

4. RISK ASSESSMENT IMPLICATIONS

4.1 The issues raised in this report involve risk considerations linked to ensuring strong financial management to enable the Council to achieve its budget.

5. BACKGROUND AND OPTIONS

5.1 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.

5.2 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).

5.3 In the course of the audit we asked officers to make some amendments to the accounts presented to the Audit and Accounts Committee on 25 June 2013. All amendments were made and we expect to give an unqualified opinion on the financial statements presented to the Committee on 24 September 2013.

5.4 We also expect to give an unqualified Value for Money conclusion confirming that the Council has in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources

COMMENTS FROM STATUTORY OFFICERS:

6. SECTION 151 OFFICER

6.1 This is a report of the External Auditor

7. MONITORING OFFICER

7.1 This is a report of the External Auditor

8. POLICY IMPLICATIONS AND CONSULTATION CARRIED OUT

8.1 Discussion of findings with the Head of Finance and the Finance Manager

9. CONCLUSION

9.1 Our overall conclusion is that we expect to give an unqualified opinion on the Council's financial statements and on the VfM Conclusion.

Background Papers	
Document	Place of Inspection
Audit Plan	http://www.rossendale.gov.uk/meetings/meeting/772/audit_and_accounts_committee



The Audit Findings for Rossendale Borough Council

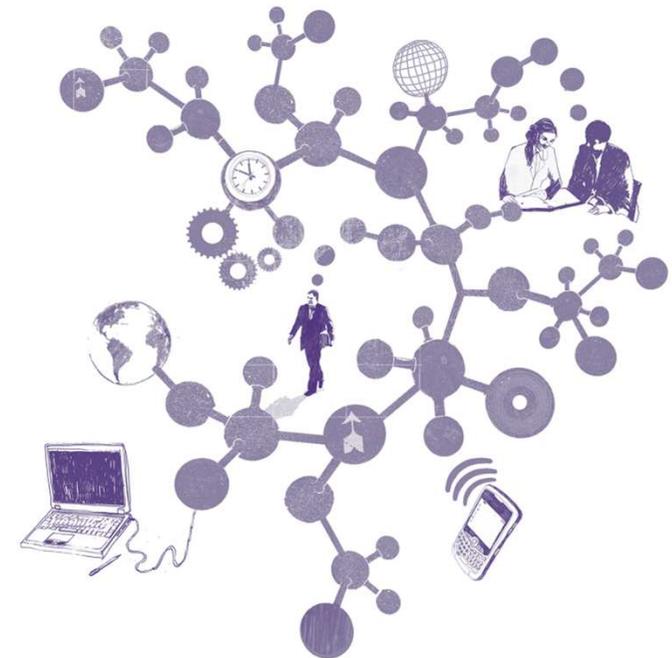
Year ended 31 March 2013

19 September 2013

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

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

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Section 1: Executive summary

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 Rossendale Borough Council's ('the Council') financial statements for the year ended 31 March 2013. 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 13 June 2013

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

- review of the final version of the financial statements;
- obtaining and reviewing the final management letter of representation;
- updating our post balance sheet events review, to the date of signing the opinion;
- completion of our own internal review processes

- Whole of Government Accounts
- review of Group Accounts

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 a small number of adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements recorded net expenditure of £333k, with net cost of services being £9,403k; the audited financial statements show net expenditure of £180k, with net cost of services increasing to £9,457k. The main reasons for the changes are:

- an increase in expenditure of £54k due to the incorrect coding of Housing Benefit payments to 2013-14
- revaluation of land and buildings that had not been revalued in the last five years

We have also made a number of adjustments to improve the presentation of the financial statements.

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

Executive summary

- the working papers provided to support the accounts and the help we received from the finance team were of a good quality
- there were some land and buildings that had not been revalued in the last five years, which did not adhere to the CIPFA Code or the Council's own accounting policies
- Rossendale Transport Limited accounts are unlikely to have been approved by the end of September. We will update Members on this part of our audit at the Audit and Accounts Committee.

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

Value for money conclusion

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

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

Whole of Government Accounts (WGA)

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

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

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

Further details are provided within section 2 of this report.

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 Finance Team.

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 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 2013**

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 and Accounts Committee on 25 June 2013. We also set out the adjustments to the financial statements 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 25 June 2013 except we decided not to complete a predictive analytical review on staff costs.

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 journals entries • review of accounting estimates, judgements and decisions made by management • 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 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	Operating expenses understated	<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 • tested key controls • review for completeness of recording of transactions • Attribute tests of a sample of operating expenditure items. 	<p>Our audit work has not identified any significant issues in relation to the risk identified. In reviewing transactions for completeness we did identify housing benefit transactions totalling £54k that had been incorrectly posted to 2013-14, but related to 2012-13. We requested an amendment for this item.</p>
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> • Documentation and identification of the process and key controls in the operating expenses cycle • Walked through sample items to confirm our understanding. • Testing of controls • Review for completeness of balances • Substantive tests of year end balances, including year end adjustments 	<p>Our audit work has not identified any significant issues in relation to the risk identified. In reviewing transactions for completeness we did identify housing benefit transactions totalling £54k that had been incorrectly posted to 2013-14, but related to 2012-13. We requested an amendment for this item.</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
Employee remuneration	Remuneration expenses not correct	<ul style="list-style-type: none"> • Documentation and identification of the process and key controls in the employee remuneration cycle • Walked through sample item to confirm our understanding. • Attribute testing of a sample of employee remuneration 	Our testing of employee remuneration has not identified any significant issues.
Welfare expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> • Documentation and identification of the process and key controls in the welfare benefits cycles • Walked through sample item to confirm our understanding • Substantive testing via our testing of the housing and council tax benefit claim and testing of the entries in the accounts 	Our testing of welfare benefits has not identified any significant issues.
Property, plant & equipment	PPE activity not valid	<ul style="list-style-type: none"> • Documentation and identification of the process and key controls in the property plant and equipment cycle • Walked through sample item to confirm our understanding. • Substantive testing of capital expenditure in the year • Testing a sample of year end property plant and equipment balances. 	Our testing in relation to the risk that PPE activity is not valid has not identified any significant issues.

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>Property, plant & equipment</p>	<p>Revaluation measurement not correct</p>	<ul style="list-style-type: none"> • Documentation and identification of the process and key controls in the property plant and equipment cycle • Walked through sample item to confirm our understanding • Substantive testing of capital expenditure in the year • Testing a sample of year end property plant and equipment balances • Review of the valuation and assumptions of the Council's expert. 	<ul style="list-style-type: none"> • Our initial review of the accounts identified that the Council's revaluation programme resulted in land and buildings with a value of over £1m in the financial statements presented for audit had not been revalued in the last 5 years. This did not adhere to the Council's policy and the CIPFA Code. These set out that assets should be revalued over a five-year rolling programme. We requested that the Council to revalue the assets and resulted in various amendments to the accounts. The net effect is a £179k increase to assets and the introduction of investment property as a classification on the Balance Sheet. The revaluations were only fully completed on 12 September, which resulted in delays for the production of the final revised statements • Our testing also identified that the Marl Pits Leisure Centre became operational during 2012/13 and therefore required re-valuation. The re-valuation has been completed and has not changed the value of the asset.

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"> Revenue is the gross inflow of economic benefit, in cash and cash equivalents, in the reporting period. Revenue is measured at the fair value of the consideration received or receivable. In most cases the consideration receivable is in the form of cash or cash equivalents. 	The Council's policy is consistent with the principles of International Accounting Standard (IAS)18 (Revenue) and the CIPFA Code of Practice. The policy has been adequately disclosed in the financial statements.	 Green
Judgements and estimates	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> – useful life of property, plant and equipment; – arrears; and – IAS19 Pension fund assets and Liabilities 	The Council has demonstrated that it has established a robust process to produce the estimates included in its financial statements.	 Green
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. 	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	 Green

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate and disclosures sufficient

-  Accounting policy appropriate but scope for improved disclosure

Adjusted misstatements

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
1 A housing benefit payment made in April 2013 but relating to 2012/13 expenditure was incorrectly charged to 2013/14. This increases expenditure and creditors.	54	(54)	54
2 Cash flow loan to Rossendale Leisure Trust to be treated as a long-term debtor because it is not guaranteed to be paid back in year. Increases long-term debtors and reduces short-term debtors	0	500 (500)	0
3 Other income on the Comprehensive Income and Expenditure Account has been understated by £28,000	(28)		(28)
4 A number of assets on the Balance Sheet required revaluation. This resulted in a number of amendments to the Balance Sheet, including introducing the 'Investment Property' category on the Balance Sheet.	(179)	179	(179)
5 We found that the calculation and disclosure of the year-end NNDR balance with Central Government did not adhere to CIPFA Code requirements. We therefore requested an increase in Creditors by £93k and Provisions by £200k, with Debtors decreasing by £293k.		293 (293)	
Overall impact	£153	£125	£153

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	121	Note 23	Some of the loans classified as Mortgage Loan Replacement Scheme loans in Note 23 actually relate to Empty Homes Scheme and Homelessness Bond Loans. The note has been revised..
2 Misclassification	500	Balance sheet	Cash flow loan to Rossendale Leisure Trust is now to be treated as a long-term debtor because it is not guaranteed to be paid back in year.. Increases long-term debtors and reduces short-term debtors.
3 Misclassification	293	Balance sheet and notes 27 (Debtors) and 32 (Creditors)	NNDR creditor with the Government was incorrectly netted off debtors. The amount has been removed from debtors and is shown within creditors. The review of the NNDR balance also identified a negative provision which was consolidated in to the final creditor balance.
4 Disclosure	See Appendix D	Note 24	A number of amendments were made to this note to improve the overall disclosure. Please see appendix D for the summary of issues.
5 Disclosure		Note 37	Contingent Liability note amended to highlight the Council as a guarantor on a lease taken out by the Leisure Trust in 2008.
6 Disclosure		Note 14	The Audit Fee note required amendment to reflect fees charged for the year for grants and also to show the fees incurred for dealing with an objection issue for a previous year that had not been accounted for in 2011/12.

Misclassifications & disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value £'000	Account balance	Impact on the financial statements
7 Disclosure		Note 36	Estimated employer contributions have been added for 2013/14, to agree with CIPFA Code requirements.
8 Disclosure		Note 13	The Related Parties note required amending to give further information on the transactions with Rossendale Leisure Trust.
9 Disclosure		Note 17	The note was updated to take account of the revaluations highlighted previously in this report and also to show correctly an impairment, which originally had been classified as a revaluation.

Internal controls

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

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We have concluded that there are no issues of sufficient importance to merit being reported to you in accordance with auditing standards. Our consideration of internal controls only identified a small number of minor IT risks which we are discussing with Officers and there are no issues from our review that we need to report to the Audit and Accounts Committee.

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 through correspondence dated 26 June 2013 . We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures
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

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Value for Money

Value for Money conclusion

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

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

We are required to give our 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 following three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control

Overall our work highlighted that the Council has appropriate arrangements in place to be financial resilient. This includes having a sound medium term financial plan; processes to challenge service costs; and appropriate consultation with staff and public. We made a small number of recommendations and these are set out in our Financial Resilience Report.

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. We have completed a detailed risk assessment and found that the Council has appropriate arrangements in place to challenge economy, efficiency and effectiveness. Alternative delivery methods are being considered and delivered, for example shared service arrangements are now in place with a number of other Lancashire councils. Costs are being challenged in all of the Council's services and further savings plans are being identified.

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: Fees, non audit services and independence

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Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	60,161	60,161
Grant certification	13,150	13,150
Total audit fees	73,311	73,311

Certification work is on-going. The final fee will reported to the Audit Committee later in the year in our annual certification report.

Fees for other services

Service	Fees £
None	Nil

Independence and ethics

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

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

Section 5: Communication of audit matters

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Communication of audit matters to those charged with governance

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

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

Respective responsibilities

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

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

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

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

	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

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should ensure valuations meet the Code requirements as set out in the following extract: <i>Where assets are re-valued (ie the carrying amount is based on fair value), valuations shall be carried out at intervals of no more than five years. Valuations may be carried out on a rolling basis or once every five years.</i>	Medium	Noted and agreed	31 March 2013: Head of Finance and Property Services
2	Consider all of the amendments set out in the report and ensure that arrangements are in place to minimise the risk of these occurring in future years.	Low	Noted and agreed	31 March 2013: Head of Finance and Property Services

Appendix B: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROSSENDALE BOROUGH COUNCIL

Opinion on the financial statements

We have audited the financial statements of Rossendale Borough Council for the year ended 31 March 2013 under the Audit Commission Act 1998. The financial statements comprise the Authority and Group Movement in Reserves Statement, the Authority and Group Comprehensive Income and Expenditure Statement, the Authority and Group Balance Sheet, the Authority and Group 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 2012/13.

This report is made solely to the members of Rossendale Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Head of Finance and auditor

As explained more fully in the Statement of the Head of Finance Responsibilities, the Head of Finance 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 and Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance; 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. 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 Rossendale Borough Council as at 31 March 2013 and of its expenditure and income for the year then ended;
 give a true and fair view of the financial position of the Group as at 31 March 2013 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 2012/13.

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 November 2012, 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 2013.

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 November 2012, we are satisfied that, in all significant respects, *Rossendale Borough Council* put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

Certificate

We certify that we have completed the audit of the financial statements of Rossendale Borough 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

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
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M3 3EB

25 September 2013

Appendix C: Overview of 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.

Changes to Audit Plan

We have not had to change our Audit Plan as previously communicated to you on 25 June except for the areas highlighted in the table below.

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cost of services - operating expenses	Operating expenses	Other	Operating expenses understated	No	Yes – see page 15
Cost of services – employee remuneration	Employee remuneration	Other	Remuneration expenses not correct	No	None
Costs of services – Housing & council tax benefit	Welfare expenditure	Other	Welfare benefits improperly computed	No	None
Cost of services – other revenues (fees & charges)	Other revenues	None		No	None
(Gains)/ Loss on disposal of non current assets	Property, Plant and Equipment	None		No	None
Precepts and Levies	Council Tax	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Interest payable and similar charges	Borrowings	None		No	None
Pension Interest cost	Employee remuneration	None		No	None
Interest & investment income	Investments	None		No	None
Return on Pension assets	Employee remuneration	None		No	None
Impairment of investments	Investments	None		No	None
Investment properties: Income expenditure, valuation, changes & gain on disposal	Property, Plant & Equipment	None		No	None
Income from council tax	Council Tax	None		No	None
NNDR Distribution	NNDR	None		No	None
PFI revenue support grant and other Government grants	Grant Income ⁹	None		No	None
Capital grants & Contributions (including those received in advance)	Property, Plant & Equipment	None		No	None

Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
(Surplus)/ Deficit on revaluation of non current assets	Property, Plant & Equipment	None		No	Yes – see page 13
Actuarial (gains)/ Losses on pension fund assets & liabilities	Employee remuneration	None		No	None
Other comprehensive (gains)/ Losses	Revenue/ Operating expenses	None		No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	PPE activity not valid	No	None
Property, Plant & Equipment	Property, Plant & Equipment	Other	Revaluation measurements not correct	No	Yes – see page 16
Heritage assets & Investment property	Property, Plant & Equipment	None		No	None
Intangible assets	Intangible assets	None		No	None
Investments (long & short term)	Investments	None		No	None
Debtors (long & short term)	Revenue	None		No	Yes – see page 16
Assets held for sale	Property, Plant & Equipment	None		No	None
Inventories	Inventories	None		No	None

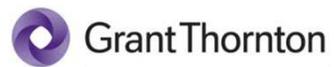
Audit findings

Account	Transaction cycle	Material misstatement risk?	Description of risk	Change to the audit plan	Audit findings
Cash	Bank & Cash	None		No	None
Borrowing (long & short term)	Debt	None		No	None
Creditors (long & Short term)	Operating Expenses	Other	Creditors understated or not recorded in the correct period	No	None
Provisions (long & short term)	Provision	None		No	Yes – see NNDR item on page 16
Pension liability	Employee remuneration	None		No	None
Reserves	Equity	None		No	None

Appendix D: Summary of amendments on the financial instruments note

Various financial instruments note changes were requested and agreed:

- Amend Financial Instruments gains and losses note - Total Investment Expenditure for Loans and Receivables to £44k.
- Re-classify the £500k Rossendale Leisure Trust as a long-term debtors from short-term
- Debtors have been overstated by £110k in several of the notes because advance payments were included twice.
- Interest receivable in the Financial Instruments Gains and Losses note amended to (£8k), from (£6k)
- Measurement note required amendment to set further information on the Rossendale Transport Limited share valuation and also soft loans with the Company.
- Fair value information for 12/13 for PWLB loan was required to show £4,904k for >1year
- 11/12 fair value for PWLB was amended to show correctly in the note, £4,441k for >1year
- Further disclosure amendments were required on the Rossendale Leisure Trust guarantee
- Bank deposits were added to the first table of note 24 to ensure consistency with other elements of the note.



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