



# The Annual Audit Letter for Copeland Borough Council

---

**Year ended 31 March 2013**

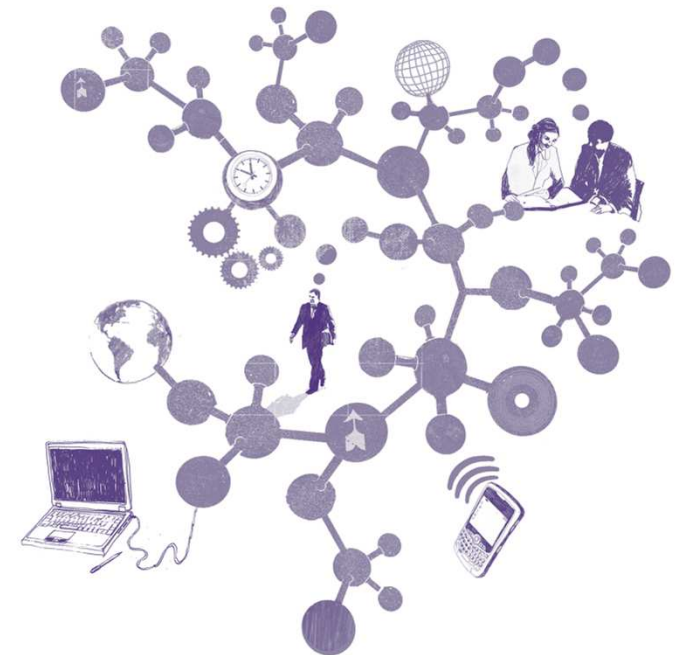
October 2013

**Jackie Bellard**  
Director

T 0161 234 6394 or 07880 456195  
E [jackie.bellard@uk.gt.com](mailto:jackie.bellard@uk.gt.com)

**Richard McGahon**  
Manager

T 0141 223 0889 or 07880 456156  
E [richard.a.mcgahon@uk.gt.com](mailto:richard.a.mcgahon@uk.gt.com)



---

# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	3
2. Audit of the accounts	6
3. Value for Money	9
4. Certification of grant claims and returns	12
<b>Appendices</b>	
A Reports issued and fees	15

---

## 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 Copeland Borough 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 25 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](http://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 21 June 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
- we have certified the National non-domestic rates (NNDR) return without amendment. Work is on-going on the Housing benefit and council tax benefit claim and we will need to issue a qualification letter.

## 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.

- For Copeland Borough Council the financial impact of the Comprehensive Spending Review (CSR) 2010 has meant the Council's net revenue budget in 2012/13 of £12.5 million was over £3 million less than the resources available in 2010/11. To date savings have been made through efficiencies through a reduced management structure, and the introduction of sharing arrangements with other local authorities.

- 
- The Council's budget strategy recognised the need to focus resources on effective delivery of the statutory services the Council has to provide. This meant the Council has focused changes on the discretionary elements of current provision, reducing both its role and funding in the future. The Council's medium term financial plan for 2014- 16 has identified the need for further reductions in the order of 15% which with cost pressures will require further savings of around £1.8 million over the next 2 years. This represents a significant challenge for the Council.
  - Our work on financial resilience highlighted the need to include budget to date and actual to date in quarterly revenue monitoring reports to help members assess the reasonableness of the projected outturn position. We also identified that where there are large movements between, the projected outturn at quarter three and the actual outturn position for the year, the Council should provide a clear commentary to explain the movement.
  - Our audit of the Council's financial statements for 2012/13 identified that the Council needs to continue its work on improving the arrangements for recording and accounting for non-current assets. Areas for improvement include ensuring that the annual review of non-current assets identifies all assets that require revaluation that year, greater liaison between the Valuer, Quantity Surveyor and Finance staff in the valuation process and ascribing useful assets lives to building components, and fully implementing the Council's software based REAL asset register in 2013/14.

## **Acknowledgements**

This Letter has been agreed with the Head of Corporate Resources and will be presented to Audit and Governance Committee on 7 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

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 on 28 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced on 23 July 2013.

One area for improvement is the need to complete the CIPFA Code of Practice on Local Authority Accounting Disclosure Checklist. Completion of the checklist is good practice when producing the draft financial statements and helps ensure compliance with the requirements and identify disclosure errors prior to the draft accounts being authorised for issue.

### Issues arising from the audit of the accounts

We identified four adjustments affecting the Council's net expenditure for 2012/13. The draft financial statements reported net expenditure of £8,057,000 whereas the audited financial statements show net expenditure of £7,916,000.

This change related to:

- revaluation of the Civic Hall, Whitehaven which has led to an additional loss on revaluation of £361,000 being charged to the revaluation reserve
- correction of error made on revaluation of Lancashire Road Recreation Centre resulting in a credit of £197,000 to the revaluation reserve.
- correction of depreciation charged on two assets which reduces depreciation charged to services by £305,000.

None of the changes impacted on the Council's general fund balance or Council Tax.

Our audit of the Council's financial statements for 2012/13 identified that the Council needs to continue its work on improving the arrangements for recording and accounting for non-current assets.

The Civic Hall had not been revalued despite evidence of impairment. We also noted two assets that have not been revalued for over five years. This increased the risk that valuations of assets in the balance sheet could materially mis-stated. The Council has agreed to ensure its annual review of non-current assets identifies all assets that require revaluation taking into account the five-year rolling cycle, indications of impairment and any other factors which may impact on the asset's fair value.

We found an error in componentisation of Flatts Walk Sports Centre leading to excess depreciation charge of £173,000. We also identified that values ascribed to components and useful lives allocated are leading to high depreciation charges with a small number of asset components being carried with nil value in the balance sheet although they are still being used. There is now a better understanding within the Council of, and clear commitment to, the need for greater dialogue and consultation between the Valuer and Quantity Surveyor in ascribing values and useful lives to asset components. Involving finance staff in these discussions will also introduce challenge to the assumptions on asset components. This will help ensure that carrying values and depreciation charges in the financial statements are appropriate.

The Council's software based REAL asset register was not fully implemented in 2012/13. Management made the decision that until they were satisfied with the robustness of the new system that they would use the spreadsheet based asset register for entries in the 2012/13 financial statements. The Council plans to finalise its implementation of the new asset register by the end of October 2013.

---

## **Annual governance statement**

We reviewed the Council's Annual Governance Statement and confirmed it was compliant with the relevant guidance and consistent with our knowledge of the governance arrangements in place.

## **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 and Governance Committee at the Council). We presented our report to the Audit and Governance Committee on 25 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 the Council has adequate systems and processes in place to manage financial risks effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future. Our work showed that Copeland performed well against comparable authorities over a range of indicators. We identified that the Council can improve in year revenue reporting by showing budget and actual to date and by providing more commentary to explain changes in-year end forecasts and actual outturn position. The details of our findings can be found in our separate report 'Review of the Council's arrangements for securing financial resilience for Copeland Borough Council' issued in September 2013.

### 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 had prioritised its resources to take account of the tighter constraints it is required to operate within. The Council's well established transformation programme is designed to improve governance within the Council and to modernise how it does business. The new Corporate Plan approved in February 2013 showed a clear focus on delivering efficient and effective statutory services. Consultation on savings covered a two year period, 2013-2015, with clear communication that savings will be focused on discretionary services.

---

### **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

## **Summary of progress to date**

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.

Our work on certification of grant claims is on-going. We certified the National non-domestic rates return on 24 September 2013 without amendment or the need for a qualification letter. Work is on-going on the Housing benefit and council tax benefit claim but errors identified in the initial testing of cases means further testing is required and a qualification letter will be needed. The detailed findings of our work, and final grant certification fee, will be reported to the Audit and Governance Committee in our Grant Certification report.

# 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	70,656	70,656
Grant certification fee	22,400	22,400
<b>Total fees</b>	<b>93,056</b>	<b>93,056</b>

### Fees for other services

Service	Fees £
None	Nil

### Reports issued

Report	Date issued
Audit Plan	June 2013
Audit Findings Report	September 2013
VfM – Financial Resilience Report	September 2013
Annual Audit Letter	October 2013
Certification report	December 2013 (Estimate)



© 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](http://grant-thornton.co.uk)**