



The Annual Audit Letter for Ribble Valley Borough Council

Year ended 31 March 2016

October 2016

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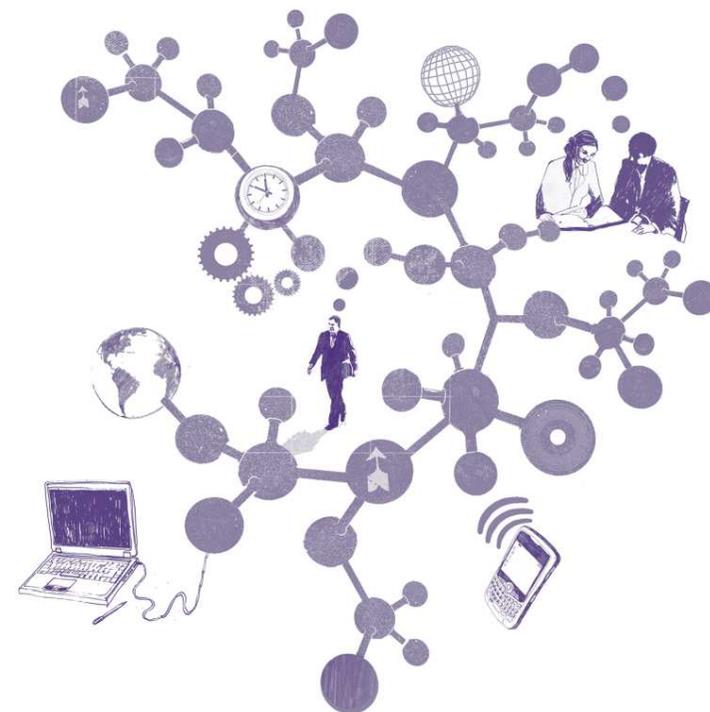
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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Ribble Valley Borough Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Accounts and Audit Committee as those charged with governance in our Audit Findings Report on 17 August 2016.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 18 August 2016.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 18 August 2016

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised ahead of 30 November 2016. We will report the results of this work to the Accounts and Audit Committee in our Annual Certification Letter.

Working with the Council

We have worked with you to move towards the early close of the accounts. You have a good track record of preparing your accounts ahead of the deadline and we have worked with you to bring our work forward.

We would like to 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 2016

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £400,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for certain areas such as Auditor's and senior officer remuneration.

We set a lower threshold of £20,000, above which we reported errors to the Accounts and Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Ribble Valley Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Ribble Valley Borough Council, mean that all forms of fraud are seen as unacceptable. <p>We did not identify any issues to report.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • reviewed entity controls • tested journal entries • reviewed accounting estimates, judgements and decisions made by management • Reviewed any unusual significant transactions <p>We did not identify any issues to report.</p>
<p>Valuation of pension fund net liability</p> <p>The Council's pension fund asset and liability, as reflected in its balance sheet, represents a significant estimate in the accounts.</p> <p>The values of the pension fund net liability is estimated by specialist actuaries.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated. • assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • undertaken procedures to confirm the reasonableness of the actuarial assumptions made. • reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary. <p>We did not identify any issues to report.</p>

Audit of the accounts - Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
Employee remuneration Employee remuneration accruals understated (Remuneration expenses not correct)	As part of our audit work we have: <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 were in line with our documented understanding• Review of the reconciliation of payroll expenditure recorded in the general ledger to the subsidiary systems and interfaces• Sample testing of payroll transactions• Trend analysis for monthly payroll costs. We did not identify any issues to report
Operating expenses Creditors understated or not recorded in the correct period (Operating expenses understated)	As part of our audit work we have: <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 were in line with our documented understanding• Substantive testing of a sample of creditor balances and accruals recognised in the year end balance sheet• Testing of cash payments made after the year-end to identify potential unrecorded liabilities and gain assurance over the completeness of the payables balance in the accounts We did not identify any issues to report.

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 18 August 2016, in advance of the 30 September 2016 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided an excellent set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

Overall the accounts were prepared to a high quality with only disclosure changes required.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Accounts and Audit Committee on 17 August 2016.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council/Authority and with our knowledge of the Council.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We have not had to use any of these powers.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Overall VfM conclusion

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 2016.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

We carried out an initial risk assessment in February 2016 and identified no significant risks, which we communicated to you in our Audit Plan dated March 2016.

We considered risks in respect of specific areas of proper arrangements using the guidance contained in AGN03.

We continued our review of relevant documents up to the date of giving our report in August 2016, and did not identify any further significant risks.

Informed decision making

We found that you have sound arrangements in place to support your decision making. Budget information is taken to the Council on an annual basis, with the 2016/17 budget updating the project 2015/16 outturn. Council members have sufficient detail to make decisions about the budget. The well established budget working group also reviews the budget setting for the year ahead of budget proposals being taken to the full council. The Council's risk management process includes the reporting of red risks to the Accounts and Audit Committee.

Resource deployment

The budget for 2016/17 was set by the full Council. This included updating the three year budget forecast and includes the use of business rates growth, new homes bonus and the proposed use of balances to produce a balanced budget over the period to 2019/20. The Medium Term Financial Strategy (MTFS) clearly sets out assumptions made about future levels of income and expenditure and is clear if there are risks to them. For example the consultation around new homes bonus was included as a potential risk to future income for the Council. The MTFS identified that at the date of agreeing the 2016/17 budget no additional savings were required to support the 2015/16 outturn, or in 2016/17 to balance the budget. However you have identified that savings would be required in 2017/18 (£395k) and 2018/19 (£768k) to balance the budget in 2018/19.

Working with partners

The floods in the area at Christmas were a demonstration of how the Council worked with its key partners to respond to the flooding that impacted on residents and businesses in December 2015. The Council was heavily involved in providing an emergency response at the time of the flood and then in helping with the recovery over the following weeks and months. The Council has successfully secured central government funding through the Bellwin scheme to cover the unplanned costs associated with this.

The other two key areas where the Council is working with other partners in the area is in the establishment of the business rates pool and the move towards a combined authority for Lancashire.

The business rated pool has been set up with Lancashire County Council and some of the Lancashire districts and will be in place for 2016/17 onwards. The Council has agreed to take on the lead role in administering this pool on behalf of the participating authorities.

The combined authority has been identified as a key area for the Council to work with other Councils in Lancashire. A paper has been taken to the Full Council in December 2015 setting out the Council's involvement in the combined authority and the governance arrangements proposed.

Working with the Council

Our work with you in 2015/16

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we delivered the accounts audit in August, well ahead of the end of September the deadline and in line with the timescale we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness. We reported that you have good arrangements in place to support your decision making, to use your resources and to work with other organisations as needed to deliver services.

Sharing our insight – we provided regular accounts and audit committee updates covering best practice. Areas we covered included; Knowing the Ropes – Audit Committee Effectiveness Review, Making devolution work, Reforging local government and Better Together: Building a successful joint venture company.

We have also shared with you our insights on advanced closure of local authority accounts, including our publication "Transforming the financial reporting of local authority accounts" and will continue to provide you with our insights as you bring forward your production of your year-end accounts. We ran a workshop on the impact of early closure on your accounts which was attended by a member of your finance team.

Providing training – we provided training on financial accounts and key audit issues. The session was attended by your head of financial services.

Appendix A: Reports issued and fees

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

Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of the Council	40,202	40,202	53,602
Grant Certification	10,560	10,560	14,080
Total fees (excluding VAT)	50,762	50,762	67,682

Reports issued

Report	Date issued
Audit Plan	March 2016
Audit Findings Report	August 2016
Annual Audit Letter	October 2016



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