

The Annual Audit Letter for Hyndburn Borough Council

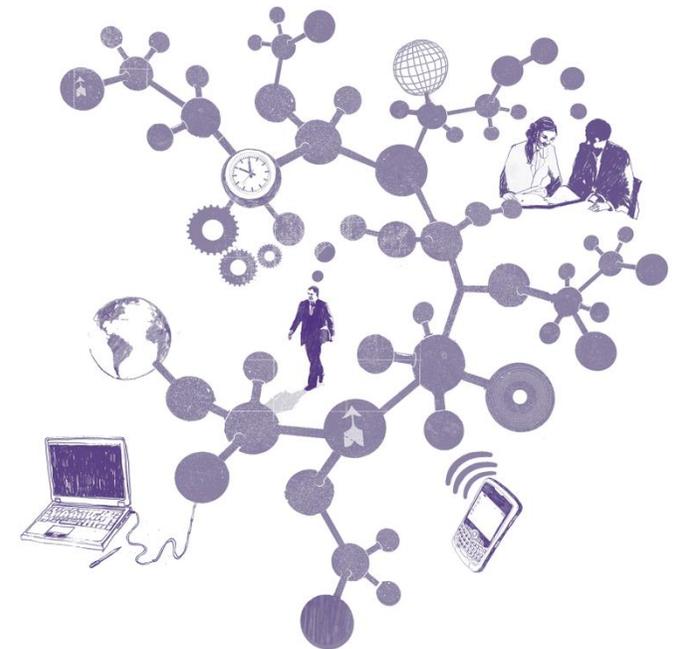
Year ended 31 March 2015

22 October 2015

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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Hyndburn Borough Council ('the Council') for the year ended 31 March 2015.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. 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 11 March 2015 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission and Public Sector Audit Appointments Limited.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 21 September 2015 to the Audit Committee. The key messages reported were:

- We received draft financial statements and substantially all of the accompanying working papers at the start of our audit, in accordance with the agreed timetable.
- The draft accounts and working papers were of good quality and requests for additional information were responded to promptly. We will continue to liaise with Finance staff to identify further improvements to the efficiency of the accounts production and audit processes in the context of the earlier deadlines from 2017/18.
- The draft financial statements recorded a deficit on the provision of services of £4,209k. Following our audit this increased to £4,319k as a result of an adjustment to increase the 'Net interest on the net pension liability' by £110k from £1,379k to £1,489k. 'Actuarial (gains)/losses on pension assets and liabilities has increased by £210k from £10,009k to £10,219k. Overall, 'Total Comprehensive Income and Expenditure' has therefore increased by £320k, from £14,545k to £14,865k.
- There was a corresponding adjustment to the 'Net pensions liability' on the balance sheet, increasing it by £320k from £45,472k to £45,792k. This reduced the Council's 'Net Assets' in the Balance Sheet from £3,728k to £3,408k.
- We verified the prior period adjustment (PPA) made by the Council that relates to the investment made to Globe Enterprise Ltd., which reduced long term investments at 31 March 2014 from £583k to £359k. We noted however that as this is not a material adjustment, it should not have been reflected as a prior period adjustment because it does not meet the definition in IAS 8.
- We also identified a number of adjustments to improve the presentation of the financial statements.

We issued an unqualified opinion on the Council's 2014/15 financial statements on 23 September 2015, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Key messages continued

Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2014/15 on 23 September 2015.</p> <p>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 2015.</p>
Certification of housing benefit grant claim	<p>We are currently reviewing the council's Housing Benefit subsidy claim, for which the certification deadline is 30 November 2015.</p>
Audit fee	<p>Our fee for 2014/15 was £62,569, excluding grant certification work and VAT which was in line with our planned fee for the year and the same as the fee for the previous year. Further detail is included within appendix B.</p>

Appendix A: Key issues and recommendations

This appendix summarised the significant recommendations identified during the 2014/15 audit.

No.	Issue and recommendation	Priority	Management response/ responsible office/ due date
1.	<p>The Council's return to Lancashire Pension Fund, which is used by the actuary to provide figures that are included in Note 36 Defined benefit pension schemes, included in error an amount of £2.5m deficit contribution that was paid in 2013/14. As a result of this error in the information submitted, the figures provided by Mercers were overstated, requiring some adjustments to the figures recorded in the accounts.</p> <p>Recommendation: The return to the pensions fund administrator, on which the actuary bases the notified figures for inclusion in the financial statements, should be subject to management check prior to submission.</p>	High	<p>Currently the submission is drawn up by the Principal Accountant (Systems). The collection of data and return preparation will stay with the accountant but the document will be checked by the Financial Controller prior to submission.</p> <p>Responsible officer: Principal Accountant (Systems); Financial Controller.</p> <p>Due date: On going</p>

Appendix B: Reports issued and fees

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

Fees for audit services

	Per Audit Plan £	Actual fees £
Council audit	*62,569	62,569
Housing benefit grant certification fee	8,220	8,220
Total audit fees	70,789	70,789

** £61,669 per fee letter 10 April 2014 plus £,900 supplementary fee approved by the Audit Commission for audit work required on business rates.*

Reports issued

Report	Date issued
Audit Plan	March 2015
Audit Findings Report	September 2015
Certification Report	To be issued when our work on grants is complete
Annual Audit Letter	October 2015



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