



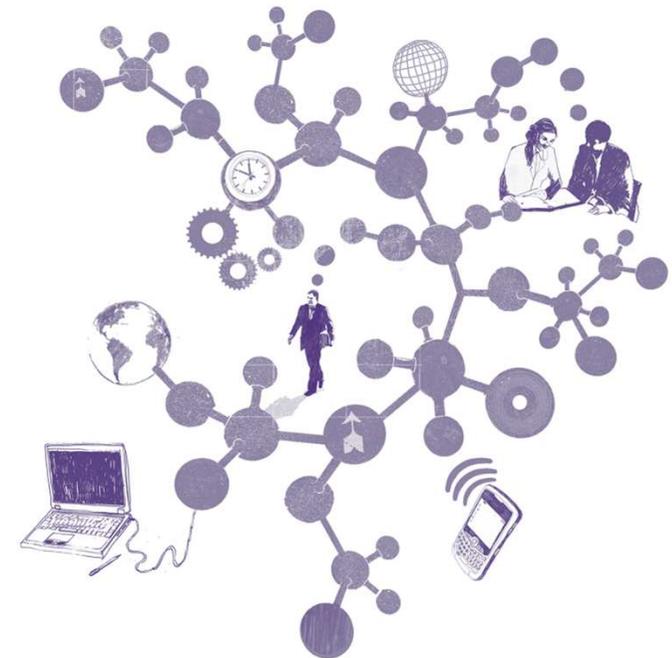
The Annual Audit Letter for Carlisle City Council

Year ended 31 March 2013

October 2013

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Section 1: Executive summary

01. Executive summary

02. Audit of the accounts

03. Value for Money

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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 Carlisle City 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 26 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 27 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 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 Carlisle City Council the financial impact of the Comprehensive Spending Review (CSR) 2010 equated to a £3.011 million reduction in central government support for the lifetime of the review (a 28% total reduction in the four year period). It is likely that the 2013 Spending Round, which announced a further 10% funding reduction, could cost the Council an additional £260,000 per annum from 2015/16.

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- The reductions in central government funding has been a significant financial challenge for the Council. Savings have been spread over the next four years as a way of maintaining the Council's future financial health. However the temporary use of revenue reserves to cushion the funding cuts has been necessary, these falling below minimum levels the Council had set as a target in 2013/14 and 2014/15, before increasing again. Members will need to closely monitor the general fund balance position.
 - Our work on financial resilience identified the need to improve the profiling and delivery of the capital programme and to forecast the year end revenue and capital outturn from quarter two onwards. This will allow Members to provide further challenge on forecasting and delivery.
 - Our work on economy, efficiency and effectiveness has highlighted that in 2012/13 public reporting of performance has been limited. There needs to be clear arrangements in place to publically report performance against the Carlisle Plan 2013-2016. Members will also need to ensure that Internal Audit recommendations to improve contract monitoring arrangements for outsourced contracts are implemented.
 - We identified two significant inconsistencies in the accounts which required amendment. Ensuring that Quality Assurance (QA) procedures include internal consistency checks between the financial statements and agreement with grants, returns and other information will help minimise potential errors in the accounts.

Acknowledgements

This Letter has been agreed with the Director of Resources and the Financial Services and HR Manager and will be as presented to the Audit Committee on 24 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

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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. Good quality working papers were made available from the start of the audit fieldwork, which commenced on 1 July 2013.

Issues arising from the audit of the accounts

We did not identify any adjustments which would affect the Council's reported financial position. However, we made two significant amendments to correct misclassification errors in the Collection Fund and Trading Services income and expenditure. We also made a number of adjustments to improve the presentation of the financial statements and ensure that they fully comply with the Code of Practice on Local Authority Accounting 2012/13.

Annual governance statement

The Annual Governance Statement (AGS) was based on the updated draft CIPFA / SOLACE Delivering Good Governance in Local Government guidance issued in August 2012. However the guidance was finalised in an Addendum in December 2012 and included several more areas which were included in an updated AGS within the audited accounts.

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 26 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

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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 had adequate systems and processes in place to manage financial risks effectively. This has helped it secure a stable financial position that enables it to continue to operate for the foreseeable future. Our work identified that the Council's General Fund balance at 31 March 2013 was £2.542 million and that will not reach its target level of £2.6 million until the 31 March 2015. We also identified the need to improve the profiling and delivery of the capital programme and to forecast the year end revenue and capital outturn from quarter two onwards. The details of our findings can be found in our separate report 'Review of the Council's arrangements for securing financial resilience for Carlisle City Council' issued in September 2013.

Challenging economy, efficiency and effectiveness

We reviewed whether the Council had prioritised its resources to take account of the tighter constraints it is required to operate within and whether it had achieved cost reductions and improved productivity and efficiencies.

Our work highlighted that the Council's 'Transformation Programme' has provided a good basis for its strategic approach to delivering spending reductions. Some benchmarking has been undertaken to compare Carlisle's 2011/12 position against the district council average and historic cities group. Our work identified that public reporting of performance has been limited to an assessment against five service standards but there needs to be an improved focus on how performance against the Corporate Plan is reported. Internal Audit has highlighted the need to improve contract monitoring arrangements for outsourced contracts.

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

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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 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 and confirm there were no fees for the provision of non audit services.

Fees

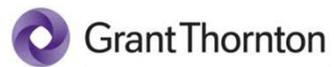
	Per Audit plan £	Actual fees £
Audit Fee	70,153	70,153
Grant certification fee	22,150	22,150
Total fees	92,303	92,303

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)



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