

# The Audit Findings for Pendle Borough Council

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Year ended 31 March 2019

30 July 2019



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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 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Pendle Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and</li><li>• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.</li></ul> <p>We are also required to report whether other information published together with the audited financial statements (including the Narrative Report and Annual Governance Statement), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>We received the draft financial statements on 31 May 2019 meeting the statutory deadline and comprehensive working papers were available from the start of our audit on 3 June 2019.</p> <p>Finance staff responded promptly and knowledgeably to our questions and queries during the audit.</p> <p>Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 12.</p> <p>There have been no adjustments made to the financial statements that impact on the Council's Comprehensive Income and Expenditure statement.</p> <p>We identified one non material unadjusted misstatement arising from a change in the estimation of the LG Pension scheme liabilities following the recent McCloud judgement. Management have determined not to amend the financial statements for this issue as the adjusting amount is not material. Audit adjustments are detailed in Appendix B, together with a small number of disclosure changes.</p> <p>Our work is substantially complete. However, there are a small number of outstanding matters that require to be completed before we can issue our audit report and these are set out on the next page.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Subject to the outstanding matters being satisfactorily resolved, our anticipated audit report opinion will be unqualified.</p>
<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Pendle Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 14-15.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>• certify the closure of the audit.</li></ul>	<p>We have not exercised any of our additional statutory powers or duties</p> <p>We have completed the majority of our work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion</p>

## Acknowledgements

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.

## 2. Summary

### Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Accounts and Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

### Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk-based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you on 16 January 2019

### Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

### Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Accounts and Audit Committee meeting on 30 July 2019, as detailed in Appendix C. These outstanding items include:

- final review procedures;
- receipt of management representation letter (Appendix D);
- review of the final signed Annual Governance Statement; and
- review of the final set of financial statements.

We detail in the table below our assessment of materiality for Pendle Borough Council. Materiality calculations remain the same as reported in our audit plan.

	<b>Council Amount (£)</b>	
Materiality for the financial statements	1,006,000	This equates to 2% of the previous year's gross revenue expenditure for the year and is considered the level above which the users of the accounts would wish to be aware in the context of overall expenditure.
Performance materiality	754,500	Assessed to be 75% of financial statements materiality
Trivial matters	50,300	Assessed to be 5% of financial statements materiality
Materiality for disclosure of senior managers pay	6,000	This item merits lower materiality than the financial statements materiality due to the sensitivity of the disclosure involved.

# Significant findings – audit risks

## Risks identified in our Audit Plan

1

### ISA240 revenue recognition risk

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

## Commentary

We previously considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority. We have determined that the risk of fraud arising from revenue recognition can be rebutted because :

- there is little incentive to manipulate revenue recognition
- the culture and ethical frameworks of local authorities, including Pendle Borough Council, mean that all forms of fraud are seen as unacceptable
- income streams are primarily derived from grants or formula based income from central government and tax payers; and
- opportunities to manipulate revenue recognition are therefore very limited.

### **We therefore do not consider this to be a significant risk**

We have however:

- evaluated the Council's accounting policy for recognition of revenues for appropriateness;
- performed substantive testing on material revenue streams; and
- reviewed unusual significant transactions.

We have not identified any issues during the course of our audit that would cause us to reconsider the previous rebuttal of the risk of improper recognition of revenue.

2

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

We undertook the following procedures in relation to this risk::

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk or unusual journals
- tested high risk / unusual journals recorded for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.

# Significant findings – audit risks

## Risks identified in our Audit Plan

## Commentary

3

### Valuation of land and buildings

The Authority revalues its land and buildings on a rolling programme basis over a five year period. Additional valuations are undertaken, above and beyond those planned as part of the five-year programme, if these are considered necessary to ensure that the carrying value of land and buildings is not materially different from current value at the Balance Sheet date.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess the completeness of source data and consistency with our understanding,
- tested revaluations made during the year to see if they have been input correctly into the Authority's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

We are still discussing with management how they satisfy themselves that those assets not revalued during the year are not materially different to their current / fair value at the year end.

Our audit work to date has not identified any issues in respect of valuation of land and buildings at 31 March 2019.

We have set out our view of the assumptions used in the valuation of land and buildings under the judgements and estimates section at page 8.

# Significant findings – audit risks

## Risks identified in our Audit Plan

## Commentary

4

### Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the estimated valuation in the Authority's balance sheet and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

In response to this risk we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Lancashire County Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

On 12 July the Actuary issued a revised estimate of the pension funds assets and liabilities, recognising the additional liabilities arising from the McCloud judgement. Management have considered these revised estimates and determined that the financial statements should not be amended for these as they are not material.

We have not yet finished reviewing the revised actuarial estimate and this remains part of the outstanding matters set out on page 4.

We are still waiting for the assurances from the auditor of Lancashire County Pension Fund as to the controls surrounding:

- validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and
- the fund assets valuation in the pension fund financial statements

Subject to the satisfactory completion of the outstanding matters our audit work has not identified any issues in respect of valuation of the pension fund net liability at 31 March 2019

We have set out our view of the assumption used in the valuation of the pension fund liability at page 9.


## Significant findings – other risk

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan

Issue	Commentary	Audit view
<p><b>Potential impact of the McCloud judgement</b></p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The government applied to the Supreme Court for permission to appeal this ruling, but this permission was not granted. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud – Court of Appeal) has implications not just for pension funds involved in the case, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>Discussion is ongoing in the sector regarding the potential impact of the ruling on the financial statements of Local Government bodies.</p> <p>The Council requested a revised IAS 19 estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate was of an increase of £574,000 in pension liabilities. However, the actuary also updated the value of plan assets (an increase of £217,000) giving a net impact of £357,000 increase in the Net Pension Liability</p> <p>Management's view is that the impact of the ruling is not material for Pendle Borough Council, and will be considered in future years' actuarial valuations.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material error as a result of this issue.</p> <p>We have included this as an unadjusted item in Appendix A</p>




# Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
<b>Land and Buildings (including surplus assets) NBV £49.1m</b>	<p>The Council request their valuer (Liberata) to revalue other land and building (opening value £46.5m) on a 5 year cycle, using depreciated replacement cost (DRC) for specialised assets such as libraries, galleries and leisure centres. The remainder of operational other land and buildings are required to be revalued at existing use value (EUV).</p> <p>Surplus assets comprise an opening value of £6.6m and the majority are required to be revalued at fair value, estimated as highest and best use from a market participant's perspective.</p> <p>In 2018/19 the Council revalued £15.2m (36% NBV) of other land and buildings and revalued £585,000 (9%) of surplus assets (83% had been revalued in 2017/18)</p> <p>Management have considered the year end value of non-valued properties in 2018/19 using the comparative changes in assets revalued during 2018/19 to determine whether there may have been a potential material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value.</p> <p>The total year end valuation of Other land and buildings was £49.1m, a net decrease of £2m from 2017/18 (£52.2m).</p>	<ul style="list-style-type: none"> <li>We have no concerns over the competence, capabilities and objectivity of the valuation expert (Liberata) used by the Council.</li> <li>The valuer has agreed clear terms of reference for this work with the Council in advance of the work being performed, including within which were the assumptions that were going to be applied to this work.</li> <li>We have reviewed the assumptions applied by the Valuer to the valuation performed, and have confirmed they are reasonable and appropriate given the nature of the assets held by the Council.</li> <li>There have been no changes to the valuation methods this year.</li> <li>We have reviewed and are satisfied with the completeness and accuracy of the information provided to the valuer to determine the estimate</li> <li>We have reviewed the work done by management on those assets not revalued during 2018/19 to confirm that the value held within the financial statements is not materially different to their carrying value.</li> <li>We have also assessed the assertion from the valuer that for those assets revalued during the year, there has not been any material movement between the valuation date and the 31 March 2019 and are satisfied with this assumption.</li> <li>We are satisfied with the disclosure of the estimate within the financial statements.</li> </ul>	 <b>Green</b>

## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious



# Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment																																												
<p><b>Net pension liability – £44.01m</b></p> <p>The Council continues to use Mercers to provide actuarial valuations of the Council's assets and liabilities recognised as a result of participation in the Local Government Pension Scheme.</p> <p>The Council's net pension liability at 31 March 2019 is £44,012,000 (PY £41,796,000) comprising the Lancashire County Pension Fund Local Government and unfunded defined benefit pension scheme obligations.</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> <p>There has been a £521,000 net actuarial loss during 2018/19.</p>	<ul style="list-style-type: none"> <li>We have no concerns over the competency, capability and objectivity of the actuary used by the Council.</li> <li>We have used the work of PWC, as auditor's expert to assess the methodology and assumptions made by the actuary. See below for consideration of the key assumptions used by the actuary.</li> </ul>	 <b>Green</b>																																												
<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>Actuary expected range</th> <th>Auditors Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.4%-2.5%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>CPI</td> <td>2.3%</td> <td>2.2%-2.3%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.4%</td> <td>2.2%-2.5%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Salary growth</td> <td>3.8%</td> <td>3.1% – 3.7%</td> <td style="text-align: center;">●</td> </tr> <tr> <td>Life expectancy at 65 – Males</td> <td></td> <td></td> <td style="text-align: center;">●</td> </tr> <tr> <td>• aged 45 (future pensioners)</td> <td>25.1</td> <td>24.8 - 26.3</td> <td></td> </tr> <tr> <td>• aged 65</td> <td>22.8</td> <td>22.2 -23.7</td> <td></td> </tr> <tr> <td>Life expectancy at 65 – Females</td> <td></td> <td></td> <td style="text-align: center;">●</td> </tr> <tr> <td>• aged 45 (future pensioners)</td> <td>28.2</td> <td>27.9 -29</td> <td></td> </tr> <tr> <td>• aged 65</td> <td>25.5</td> <td>25 – 26.4</td> <td></td> </tr> </tbody> </table>	Assumption	Actuary Value	Actuary expected range	Auditors Assessment	Discount rate	2.4%	2.4%-2.5%	●	CPI	2.3%	2.2%-2.3%	●	Pension increase rate	2.4%	2.2%-2.5%	●	Salary growth	3.8%	3.1% – 3.7%	●	Life expectancy at 65 – Males			●	• aged 45 (future pensioners)	25.1	24.8 - 26.3		• aged 65	22.8	22.2 -23.7		Life expectancy at 65 – Females			●	• aged 45 (future pensioners)	28.2	27.9 -29		• aged 65	25.5	25 – 26.4		<ul style="list-style-type: none"> <li>No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate</li> <li>There have been no changes to the valuation method since the previous year. However, the estimate has now been revised to include liabilities arising from the McCloud judgement.</li> <li>We are satisfied with the reasonableness of the Council's share of LPS pension assets, and that this is in line with expectations.</li> <li>We are satisfied with the adequacy of the disclosure of the estimate in the financial statements</li> </ul>	<p>We have not yet reviewed the revised IAS 19 estimates provided by the Actuary in their amended report and this remains part of the outstanding matters set out on page 4.</p>
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## Assessment

- We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
<b>Provisions for Non Domestic Rate Appeals (£1.7m)</b>	<p>The Council is liable for successful appeals against business rates charged to business in 2018/19 and earlier financial years in their proportionate share. A provision has therefore been made for the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The estimate has been calculated using the latest Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date.</p> <p>The provision has increased by £454,000 in 2018/19.</p>	<ul style="list-style-type: none"> <li>We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate.</li> <li>We have considered the approach taken by the Council to determine the provision, and it is in line with that used by other bodies in the sector.</li> <li>Disclosure of the estimate in the financial statements is considered adequate.</li> <li>There have been no changes to the calculation method this year</li> </ul>	 <b>Green</b>
<b>Debt impairment (£5.25m)</b>	<p>The Council reviews significant debtor balances to determine an allowance for doubtful debts. At 31 March 2019 the Council determined an impairment allowance for doubtful debts of £5.25m (74% of outstanding debt)</p> <p>The provision has increased by £210,000 in 2018/19.</p>	<ul style="list-style-type: none"> <li>We are satisfied with the approach taken by the Council to determine the provision</li> <li>We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate.</li> </ul>	 <b>Green</b>

## Assessment

-  We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
-  We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
-  We consider management's process is appropriate and key assumptions are neither optimistic or cautious

# Significant findings - Going concern

## Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

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## Going concern commentary

### Management's assessment process

Management have a range of procedures in place to provide assurance that the Council remains a going concern including:

- regular review of cash flow and Treasury Management;
- regular review and reporting of financial performance against budget;
- regular review and update of the Medium Term Financial Plan; and
- appropriate review, scrutiny and reporting of earmarked reserves and General Fund Balance.

### Auditor commentary

- Management have undertaken a thorough review of the risks facing the Council including reduction in government funding and pressures on budgets.
- Plans to address the risks are considered realistic and deliverable.
- Overall management processes are considered to be sufficiently robust to demonstrate a well informed view of going concern.

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## Work performed

- We have reviewed the medium term financial strategy and considered the reasonableness of the assumptions on which it is based.
- We noted your total general fund balance (including earmarked reserves) has been retained around its planned level at £7.37m which is around 60% of your net revenue budget for 2019/20.
- Our work has not identified any events or conditions existing that may cast significant doubt on the Council's ability to remain as a going concern

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## Concluding comments

- We have identified no events or conditions in the course of the audit that we consider may cast significant doubt on your ability to continue as a going concern.
- We are satisfied with the appropriateness of management's going concern assessment process. As such we plan to issue an unmodified audit report in respect of going concern.

# Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
1 <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have previously discussed the risk of fraud with the Accounts and Audit Committee We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures.</li> </ul>
2 <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed</li> </ul>
3 <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</li> </ul>
4 <b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council which is included at Appendix D. A specific representation has been requested for management's decision, not to amend the financial statements for the actuary's revised IAS 19 pension scheme estimate following revision for 'McCloud' liabilities.</li> </ul>
5 <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested from management permission to send confirmation requests to the Council's Bank for bank balance, and to several other institutions for investment confirmation. This permission was granted and the requests were sent.</li> <li>We have received positive confirmations for all requests.</li> </ul>
6 <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
7 <b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li>All information and explanations requested from management was provided.</li> </ul>

# Other responsibilities under the Code

Issue	Commentary
<b>1 Other information</b>	<ul style="list-style-type: none"> <li>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Narrative Report and Annual Governance Statement), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</li> </ul> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – as per Appendix C</p>
<b>2 Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
<b>3 Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>For Pendle BC no further work is required as the Council does not exceed the threshold for WGA group procedures.</li> </ul>
<b>4 Certification of the closure of the audit</b>	<p>Subject to the satisfactory conclusion of the matters identified on page 3 and 4, we intend to certify the closure of the 2018/19 audit of Pendle Borough Council in the audit opinion, as detailed in Appendix C.</p>

# 3. Value for Money

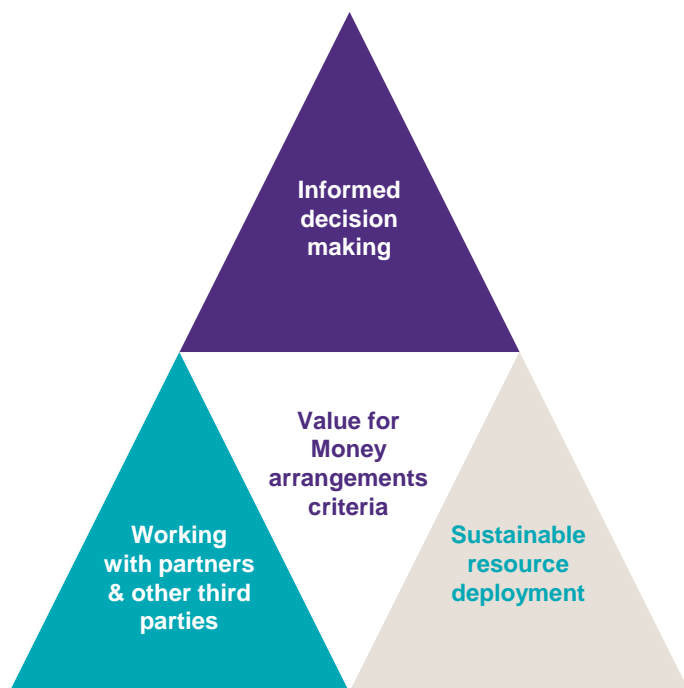
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single 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."*

This is supported by three sub-criteria, as set out below:



## Risk assessment

We carried out an initial risk assessment in January 2019 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 7 March 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risk we identified from our initial and ongoing risk assessment.

## Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Financial resilience – reviewing the Council's financial outturn and Medium Term Financial Position

We have set out more detail on the risk we identified, the results of the work we performed, and the conclusions we drew from this work on the following pages.

## Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The text of our report, which confirms this can be found at Appendix C.

## Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

## Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment

	Significant risk	Findings	Conclusion
1	<b>Financial sustainability - Medium term financial position</b>	<p>The Council demonstrates a well supported budget setting process. This process incorporates an appropriate level of challenge and scrutiny from member committees to ensure budgets are achievable operationally, input from a range of stakeholders to ensure the budget remains relevant, a good level of support from finance to ensure budgets are achievable from a resourcing perspective and that there is ongoing budget monitoring and updates for new information throughout the year to ensure budgets remain appropriate;</p> <p><b>Revenue Outturn 2018/19</b></p> <p>Consistent with previous years the Council has delivered its planned outturn for 2018/19 with a balanced position against its net expenditure budget of £12.197m delivering its savings of £847,000 and utilised £785,463 from the Budget Strategy reserve (a reduction of £204,637 on the original planned transfer figure of £990,100).</p> <p>Individual service budgets delivered broadly on target and the Council maintained its General Fund Balance at £1,000,000 which has been the level the Council has set for several years as the 'minimum working balance', together with £6.374m in Earmarked Reserves, including £2.988m in the Budget Strategy Reserve.</p> <p><b>2019/20 Budget and Medium Term Financial Strategy</b></p> <p>In February 2019 the Council approved a balanced budget for 2019/20 as a net budget of £12.908m. As in previous years the budget was set with prudent assumptions, including allowances for inflation, pay increases and a range of other growth factors which are likely to occur over the course of the year, together with realistic assumptions on the levels of income from fees and charges in the current economic climate.</p> <p>The Council's MTFP covers the financial periods 2020/21 to 2021/22. The MTFP recognises the ongoing pressures from core spending reductions and required savings of £2.9m over the two year period. The MTFP also recognises the significant risks arising from key pressures such as inflationary expenditure costs, volatility in business rates and limits on Council Tax increases. Mitigating actions have been identified where possible.</p> <p>Work continues to identify the £2.9m savings over the following two years. However, the Council is still forecasting to have virtually exhausted its Budget Strategy Reserve by 31 March 2022.</p> <p><b>A balanced plan has been prepared for 2019/20 and the MTFP remains realistic in terms of current understanding on central government plans. However, uncertainty remains around the Local Government Spending Review, which has now been deferred for another year and will not take effect until the 2021-22 financial year. Both Officers and Members need to make sure that effective financial management continues to be at the heart of all decisions to ensure that the Council is best placed to deal with the challenges ahead.</b></p>	<p>We have concluded that the Council has effective arrangements in place for sustainable resource deployment.</p>
	<p>The Council has a track record of managing expenditure within budget and the 2018/19 savings target of £847,000 had been achieved upfront prior to 1 April 2018. However a contribution from the Budget Strategy Reserve (BSR) was required to achieve a balanced budget.</p>		
	<p>For 2019/20 There is further planned utilisation of reserves of £1.1m</p>		
	<p>By the end of the Medium Term Financial Plan (MTFP) in 21/22 the Council is projecting the utilisation of all £3.3 million of the Budget Strategy Reserve (BSR) subject to achievement of savings plans.</p>		
	<p>There is uncertainty beyond 2019/20 on core funding across all local authorities due to ongoing Fair Funding Review and the redesign of the Business Rates Retention Scheme.</p>		
	<p>Using reserves to fund the budget gap is not a sustainable position over the medium to longer term and the Council needs to continue its work to identify realistic savings plans.</p>		
	<p>We will continue to monitor the Authority's financial position through regular meetings with senior management and consider how the Authority manages its budget. We will continue to assess progress in the identification and delivery of the future savings required as identified in the current iteration of the MTFP.</p>		



# 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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

## Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following audit related services were identified.

	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing Benefit Subsidy Grant	8,690	Self-Interest (because this is a recurring fee)	The level of this fee (even if it were to become recurring) taken on its own is not considered a significant threat to independence as the fee for this work is £8,690 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level
<b>Non-audit related</b>			
None	0		

# Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of unadjusted misstatements

All unadjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
<b>1 Updated IAS 19 estimates – McCloud judgement</b>			
As mentioned earlier in the Report, the Council's Actuary has updated their IAS19 figures to reflect the impact of the McCloud judgement on the Past Service Costs, and also the increase in the actual return on assets, which has increased the overall Net Pension Liability by £357,000. The impact of these costs is reversed out via the Movement in Reserves Statement to the Pensions Reserve.			
<b>Change in Pension Liability estimate</b>	Cost of Services + 574	- £357	+ 574
• Pensions Liability Adjustment for estimated liabilities arising from 'McCloud Judgement'	Remeasurement of Net Defined Benefit Liability -217		- 217
• Revised IAS 19 – updated return on Assets			
<b>Overall impact</b>		<b>£-357</b>	<b>+£357</b>

## Adjusted misstatements

There are no other misstatements identified within the financial statements

## Disclosure changes

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

Disclosure	Detail	Auditor recommendations	Adjusted?
<b>Note 28 Officers remuneration</b>	• Error in the Chief Executive's remuneration for 2018/19 as this includes an amount relating to a former officer working in a consultant capacity and therefore should be removed.	• Remove relevant remuneration	✓
<b>Various</b>	• Various narrative and typographical amendments	• Amend for clarity and understanding	✓

# Fees

We confirm below our final fees charged for the audit and for the provision of audit related services.

<b>Audit Fees</b>	<b>Proposed fee (£)</b>	<b>Final fee(£)</b>
<b>Council Audit</b>	£31,285	£TBC
<b>Total audit fees (excluding VAT)</b>	<b>£31,285</b>	<b>£TBC</b>

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Due to the nature of this year's audit, which has resulted in additional audit procedures on the value of your pension liability and PPE, we are proposing to request additional fee. Where we charge additional fees the value has to be agreed with both the Council and Public Sector Audit Appointments Ltd. We will include the final proposed fee in our Annual Audit Letter.

## Non Audit Fees

<b>Fees for other services</b>	<b>Fees (£)</b>
<b>Audit related services:</b>	
• Housing Benefit Return	£8,690*
<b>Non-audit services</b>	
None	Nil
	<b>£8,690*</b>

\* Estimated based on current understanding of HBCOUNT work required for 2018/19

# Audit opinion (DRAFT)

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

## Independent auditor's report to the members of Pendle Council Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Pendle Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Movement in Reserves, the Statement the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, and Accounting Policies. 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### Other information

The Chief Financial Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, the Narrative Report and the Annual Governance Statement other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

# Audit opinion

## Responsibilities of the Authority, the Chief Financial Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Chief Financial Officer. The Chief Financial Officer 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Accounts and Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

### Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing 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.

## Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made 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.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2019.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Pendle Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. 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.

[Signature]

Mark Heap  
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

July 2019

# Management Letter of Representation

**\*\*Prepare on client letterhead\*\***

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB  
30 July 2019  
Dear Sirs

## Pendle Borough Council - Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Pendle Borough Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vi. Except as disclosed in the financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure

- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the amendments and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these and are free of material misstatements, including omissions.
  - we have not amended the financial statements for the revised actuarial statement received on 11/7/19, which incorporates the 'McCloud judgement pension liabilities, as we do not consider an overall increase of £217k in the Net Pension Liability to be material.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

### Information Provided

- xiv. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- xv. We have communicated to you all deficiencies in internal control of which management is aware.
- xvi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xvii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xviii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.

# Management Letter of Representation

- xix. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xx. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxi. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## **Annual Governance Statement**

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

## **Narrative Report**

The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

## **Approval**

The approval of this letter of representation was minuted by the Council's Accounts and Audit Committee at its meeting on 30 July 2019.



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