

**REPORT OF:** CHIEF FINANCIAL OFFICER  
**TO:** POLICY AND RESOURCES COMMITTEE  
**DATES:** 24<sup>th</sup> OCTOBER 2019

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**THE ANNUAL AUDIT LETTER  
FOR YEAR ENDED 31<sup>ST</sup> MARCH 2019**

**PURPOSE OF REPORT**

1. This report presents The Annual Audit Letter to members for noting. The Annual Audit Letter is issued by our external auditors, Grant Thornton and summarises their key findings from the audit work they carried out for the year ended 31<sup>st</sup> March 2019.

**RECOMMENDATIONS**

2. The committee is recommended to note The Annual Audit Letter at [Appendix One](#).

**ISSUE**

3. The Annual Audit Letter (Letter) provides a commentary on the results of audit inspection work carried out by Grant Thornton and highlights issues they wish to draw to the attention of the public. Detailed findings have already been reported to the Accounts and Audit Committee in the Audit Findings Report on 30<sup>th</sup> July 2019.
4. The following are the main areas of audit work they carry out with the salient points explained below:
  - Financial Statements Opinion
  - Value for Money Arrangements
  - Certification of Grants

**Audit of the Financial Statements and Opinion**

5. The external audit inspection of the Council's Statement of Accounts, which is produced by the Council by the end of May, has a deadline of the end of July. The whole of the Statement of Accounts is audited, however, significant risk areas are identified by the auditor that are subject to particular scrutiny. For 2018/19 these risk areas were:

- Management Override of internal controls
  - Valuation of land and buildings
  - Valuation of net pension liabilities
6. The audit findings and conclusions for the three significant risks above are presented on pages 6 and 7 within the Letter. No issues are reported on the first two risks, however, it is highlighted that a revised Pension Valuation had to be commissioned due to the McCloud judgement.
7. Following discussions with Grant Thornton, the Statement of Accounts was not changed to reflect the updated Pension Valuation figures. This was because the McCloud judgement issue appeared relatively late in the closedown process, the financial impact turned out not to be material in value (i.e. less than £1.006m) and it did not impact on the actual financial performance of the Council. The fact the statements were not changed was reported to the Accounts and Audit Committee in July 2019 and is referred to as a *non-material unadjusted misstatement* within the Letter.
8. Grant Thornton gave an unqualified opinion on the Council's financial statements and certified that they had completed the audit in accordance with the requirements of the Code of Audit Practice on 31<sup>st</sup> July 2019.

### **Value for Money Conclusion**

9. There was one risk area identified for particular scrutiny as part of the audit work on the 2018/19 Value for Money Conclusion which was Financial Sustainability. The audit findings are set out on Page 10 within the Letter at [Appendix One](#).
10. Grant Thornton concluded that the Council has effective arrangements in place for sustainable resource deployment and they were 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<sup>st</sup> March 2018. The Letter highlights that effective financial management needs to continue to deal with the financial challenges ahead.

### **Certification of Grants**

11. The external auditor also carries out audit inspection work to certify the Council's Housing Benefits Subsidy Claim on behalf of the Department for Work and Pensions. This inspection is currently underway and due to be completed by 30<sup>th</sup> November 2019.

### **Audit Fee Variation**

12. The fees charged for the external audit inspections are set out on Page 11 within the Letter. There were three areas of work that led to additional audit work being undertaken. Two of these, being Additional Audit Procedures on Pensions Liabilities and Premises, Plant and Equipment Valuations have been challenged by Local Authorities and have been referred to Public Sector Audit Appointments Ltd for resolution.

## **IMPLICATIONS**

### **Policy**

13. There are no policy implications arising directly from the recommendations in this report.

## **Financial**

14. There are no financial implications arising directly from the recommendations in this report.

## **Legal**

15. There are no new legal implications resulting directly from the recommendation in this report.

## **Risk Management**

16. There are no implications for the strategy risk register resulting directly from the recommendation in this report.

## **Health and Safety**

17. There are no health and safety implications arising directly from the recommendation in this report.

## **Sustainability**

18. There are no sustainability implications arising directly from this report.

## **Community Safety**

19. There are no community safety issues arising directly from the contents of this report.

## **Equality and Diversity**

20. There are no equality and diversity issues arising from the contents of this report.

## **APPENDICES**

[Appendix One](#) – The Annual Audit Letter for the year ended 31<sup>st</sup> March 2019

**LIST OF BACKGROUND PAPERS** – None