



The Audit Findings for Pendle Borough Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Year ended 31 March 2020

5 November 2020



Contents



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Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

Appendices

- A. Audit adjustments
- B. Fees
- C. Audit Opinion

Page

3

6

19

23

25

27

28

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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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 2020 for those charged with governance.

<p>Covid-19 The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. The Council has had to administer grants to businesses. The finance team have had to adapt to working remotely and access the systems using remote access.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>Our audit risk assessment included the impact of the pandemic on our audit and the audit plan. The plan included an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 7.</p> <p>Restrictions for non-essential travel has meant both Council and audit staff have had to work remotely. We have used video calling to have regular meetings with finance staff and also confirm the accuracy of information produced by the entity.</p> <p>The accounts were provided to us on the 10 August 2020. Working papers have been provided throughout the audit through our cloud based system we use called 'Inflo'. Although we are pleased to report that the Council has worked well with the audit team in collaborating to identify solutions to hurdles presented by remote working, there has been a increased challenge in this area due to the timeliness of receipt of some working papers. Our 'inflo' document sharing system has helped facilitate this but inevitably the remote working has impacted on delivery and additional resources have been necessary on both sides to complete the work in accordance with the new extended reporting timetable.</p> <p>We have experienced delays in receiving some information due to the Council challenges to access their systems remotely. In particular this related to not receiving transactional breakdowns in the format received in previous years. This made it difficult to agree back to the statements which delayed data being analysed and samples being requested. There was also some delays in samples being returned to us due to additional staff priorities in relation to responding to COVID. In the past we have had direct access to the systems to obtain ledger information which we have not been able to. It should be noted despite these obstacles the finance team have endeavoured to respond to our queries as promptly as possible.</p>
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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 2020 for those charged with governance.

<p>Financial Statements</p>	<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"> • give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and • 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. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site/remotely during August-November. Our findings are summarised on pages 7 to 18. We have identified no adjustments to the financial statements that have impacted the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix A.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the outstanding matters listed on page 6.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting property, plant and equipment and pension property valuation material uncertainties.</p>
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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 2020 for those charged with governance.

Value for Money arrangements	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>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 have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 19 to 22.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit. 	<p>We have not exercised any of our additional statutory powers or duties</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit once we receive instructions from WGA.</p>

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

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.

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;
- 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 our audit plan, as communicated to you on the 28 July 2020.

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 10 November 2020, as detailed in Appendix C. These outstanding items include:

- completion of testing on REFCUS, journals, revenue cut off, provision and reconciling the payroll expenditure to the ledger.
- completion of a small number of outstanding audit procedures;
- receipt of the final report from the auditor of Lancashire Local Government Pension Scheme;
- receipt of management representation letter; and
- review of the final set of financial statements and subsequent procedures.

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.

Materiality levels remain the same as reported in our audit plan.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	930,000	• This equates to 2% of your gross operating expenditure for 2018/19 year and is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure.
Performance materiality	697,500	• Based on 75% of materiality derived from the risk of misstatement
Trivial matters	46,500	• Based on a 5% of materiality
Materiality for Senior Officers Remuneration	5,000	• Due to the sensitive nature of the disclosure

Significant audit risks

Risks identified in our Audit Plan

Covid- 19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation
- Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates
- Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement

Auditor commentary

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 10th August 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council property valuation expert
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment;
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence.

The results of our work concluded that appropriate arrangements had been put in place to manage the COVID 19 situation.

Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, your valuer has disclosed a material valuation uncertainty within their valuers report (in line with VPGA 10 of the RICS Red Book Global). You have disclosed this material uncertainty within note 3. We will reflect your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted a material valuation uncertainty.

Similarly, there is also an impact of Covid-19 on the valuation of the Local Government Pension Fund (LGPS) property assets. Lancashire's LGPS accounts include a material uncertainty around the valuation of property assets and the fund auditor intends to include an emphasis of matter in their auditor's report in this regard. Your financial statements disclosures have been updated (note 3) to reflect this and our audit report will also contain an "emphasis of matter" paragraph relating to this matter.

Significant audit risks

Risks identified in our Audit Plan

ISA240 revenue risk – the Council's reported revenue contains fraudulent transactions.

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

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having 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
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Pendle Borough Council, mean that all forms of fraud are seen as unacceptable.

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.

Auditor commentary

We rebutted this risk in our Audit Plan and no changes to our assessment have been reported in the audit plan.

We;

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage 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 any changes in accounting policies, estimates or significant unusual transactions.

Our audit work is in progress, but has not identified any issues in respect of management override of controls to date.

Significant audit risks

Risks identified in our Audit Plan

Valuation of land and buildings (Rolling revaluation)

The Authority revalues its land and buildings on a rolling five-yearly basis and annually for surplus assets. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£49 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

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.

Auditor commentary

We;

- updated our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land and buildings were not materially misstated and evaluated the design of the associated controls
- 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
- discussed with the valuer the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Authority's valuer's report and the assumptions that underpin the valuation.
- tested revaluations made during the year to see if they had 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 have satisfied themselves that these are not materially different to current value at year end.

Management identified the material uncertainty regarding the valuation of land and buildings due to market uncertainty arising from the Covid-19 pandemic reported by their expert valuer as a significant issue in Note 3 to the financial statements.

Our audit work has identified one issue in respect of valuation of land and buildings which related to the incorrect accounting treatment for individual assets derecognised in year and combined into a single asset.

Significant audit risks

Risks identified in our Audit Plan

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 numbers involved (£44 million) 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

Auditor commentary

We;

- 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 evaluate 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;
- undertook 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

At the time of drafting this report, we are yet to receive the information and assurances requested from the auditor of Lancashire Pension Fund that will enable us to conclude our procedures in this area.

We are aware that there is a possibility that the Pension Fund Auditor will include an emphasis of matter in the audit report drawing attention to a material valuation uncertainty relating to the Fund's real estate portfolio. Where this is the case, we will need to consider the impact on our own report and the need for associated disclosure within the financial statements.

Our audit work is in progress, but has not identified any issues in respect of valuation of the net liability.

Significant findings – other issues

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 and a summary of any significant control deficiencies identified during the year.


Issue**Commentary**

IFRS 16 implementation has been delayed by one year





Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.

Note 1 makes brief reference to IFRS16. We are satisfied that your disclosure is consistent with the requirements of IAS 8.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Provisions for NNDR appeals - £1.934m	<p>The Council is liable for successful appeals against business rates charged to business in 2019/20 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 2020. 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 £228,000 in 2019/20.</p>	<ul style="list-style-type: none"> We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. 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. Disclosure of the estimate in the financial statements is considered adequate. The calculation has been slightly adjusted to account for the impact of COVID19 on the Business Rates Income. 	

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 estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other/Surplus - £46.87m	<p>The Council request their valuer (Liberata) to revalue other land and building (opening value £49.105m) 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 2019/20 the Council revalued £6.2m (9% NBV) of other land and buildings and revalued £3.6m (73%) of surplus assets (36% had been revalued in 2018/19)</p> <p>In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 1.</p> <p>The valuation of properties valued by the valuer has resulted in a net decrease of £2.3m. Management have considered the year end value of non-valued properties, and the potential valuation change in the assets revalued at 01/04/19 using the comparative changes in assets revalued during 2019/20 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 and Surplus Assets was £46.8m, a net decrease of £2.3m from 2018/19 (£49.1m).</p>	<ul style="list-style-type: none"> We have no concerns over the competence, capabilities and objectivity of the valuation expert (Liberata) used by the Council. 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. 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. There have been no changes to the valuation methods this year. We have reviewed and are satisfied with the completeness and accuracy of the information provided to the valuer to determine the estimate We have reviewed the work done by management on those assets not revalued during 2019/20 to confirm that the value held within the financial statements is not materially different to their carrying value. 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 2020 and are satisfied with this assumption. <p>We are satisfied with the disclosure of the estimate within the financial statements.</p>	

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 estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																								
Net pension liability – £39.8m	<p>The Council's total net pension liability at 31 March 2020 is £39.8m (PY £44m) comprising the Local Government Pension Scheme (LGPS). The LGPS is a funded defined benefit scheme administered by Lancashire County Council.</p> <p>The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2020. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £7.3m net actuarial gain/loss during 2019/20.</p>	<p>We have no concerns over the competency, capability and objectivity of the actuary used by the Council.</p> <p>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.</p> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.3% – 2.4%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.10%</td> <td>2.10%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.6%</td> <td>3.35% - 3.6%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>22.3 23.8</td> <td>20.9 – 23.2 22.5 – 24.7</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25 26.8</td> <td>24 – 25.8 25.9 – 27.7</td> <td>●</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.3% – 2.4%	●	Pension increase rate	2.10%	2.10%	●	Salary growth	3.6%	3.35% - 3.6%	●	Life expectancy – Males currently aged 45 / 65	22.3 23.8	20.9 – 23.2 22.5 – 24.7	●	Life expectancy – Females currently aged 45 / 65	25 26.8	24 – 25.8 25.9 – 27.7	●	<p>●</p>
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		<p>We have reviewed the assumptions used for each of these variables. Our own independent actuary has also confirmed that they are comfortable that the assumptions used by Mercers are reasonable for the purpose of valuing the liabilities at 31 March 2020.</p>																									

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
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- We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Significant findings – matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
The most significant events that occurred during the year was the Covid-19 pandemic.	During the year we have considered the challenges arising from Covid-19. We are satisfied that management responded swiftly and appropriately to the challenges of Covid-19.
Business conditions affecting the Council, and business plans and strategies that may affect the risks of material misstatement	The Council's external valuation expert, Liberata has raised uncertainty regarding how the impact of Covid-19 on market conditions may affect land and buildings valuations during 2020/21.
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	No disagreements with management occurred during the audit.
Other matters that are significant to the oversight of the financial reporting process.	None to report

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).

Going concern commentary

Management's assessment process

Management has provided

- Cash flows for the period ended 31 March 2022
- Judgements and assumptions taken

Auditor commentary

The 2020/21 budget was finalised in February 2020 and in late March the global pandemic of Covid-19 was announced affecting the economy and public sector bodies. The short term effects has resulted in increased costs for public service bodies to meet the needs of the public and uncertainty over future funding as the government looks to support a decline in the economy. This therefore affects the short to medium term budget forecasts for the Council.

Assumptions underpinning the budget forecast in the short term are now uncertain. The Council approved a balanced budget for 2020/21. We have assessed the reasonableness of the assumptions underlying this forecast in light of the global pandemic and have reviewed management's cashflow forecast up to 30 March 2022.

Work performed

Management have provided us with a written assessment of going concern which we have reviewed in conjunction with cash flow forecasts and the MTFS.

Our work included:

- determining whether the conclusions made by the management regarding the decision not to disclose any going concern material uncertainties in the financial statements were prudent and appropriate;
- we have reviewed management's assessment in the light of the Council's position and the national context and assessed the underlying assumptions used to support management's preparation of the accounts on a going concern basis;
- reviewing cash flow forecasts up to March 2022 to assess the existence of any material uncertainties related to going concern.

Concluding comments

Based on the audit work performed over the going concern assumption adopted by management, we are satisfied that it remains appropriate for the Council to prepare accounts on a going concern basis as at 31 March 2020. The Council have a reasonable expectation that the services they provide will continue for the foreseeable future. For this reason we consider it appropriate for the entity to continue to adopt the going concern basis in preparing the financial statements. We do not consider there to be a material uncertainty which would cast doubt on the ability of the entity to continue as a going concern.

Other matters for communication

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	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Accounts and Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Council, which is included in the Accounts and Audit Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the bank, investment bodies and long term debtors. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Disclosures	Our review found no material omissions in the financial statements.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management are being provided. Our audit identified some delays with the audit evidence provided with the financial statements which has resulted in the audit taking longer to complete than in previous years. However we acknowledge the challenging circumstances with the remote working environment and software reporting issues.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix C.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • 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 • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters</p>
Specified procedures for Whole of Government Accounts	<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> <p>Work is not required as the Council does not exceed the threshold. However, we do need to issue an Assurance Statement once the guidance is available.</p>
Certification of the closure of the audit	<p>Once we are able to complete the WGA procedures, we will be able to certify the closure of the 2019/20 audit of Pendle Borough Council.</p>

Value for Money

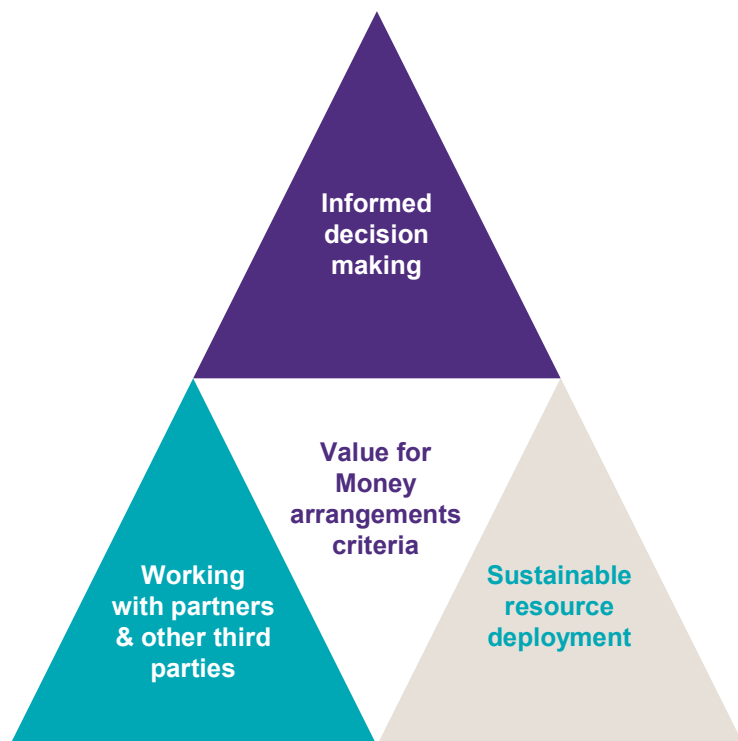
Background to our VFM approach

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 April 2020. 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 February 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to you in our Audit Plan dated July 2020.

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 have not identified any new VFM risks in relation to Covid-19. We do not consider Covid-19 to be a significant risk given the date of the pandemic.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

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 pages 21 to 22.

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.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>Financial Sustainability</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 £319,000 from the Budget Strategy reserve (a reduction of £169,000 on the original planned transfer figure). 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>In February 2019 the Council set a balanced budget for 2019/20, approving Net Revenue Expenditure of £13,525k. In January the Council reported a projected underspend of £175k against the 2019/20 budget and approved revised Net Revenue Expenditure of £13,350k.</p> <p>Significant pressures remain for the Medium Term Financial Plan. The Council have previously reported that savings of around £4m are required over the three year period to 2022/23, with the Budget Strategy Reserve projected to be almost exhausted by 2023.</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>	<p>Consistent with previous years the Council has delivered its planned outturn for 2019/20. When setting the budget, the Council planned to use £1.1m from the budget support reserve to support the revenue budget. This went down to £0.9m on the revised budgets and the actual slippage was in fact £424k due to underspends in net cost of services.</p> <p>The revenue outturn includes the creation of 3 new reserves:</p> <ul style="list-style-type: none"> • COVID19 Support reserve Council received £70k in March 2020 this was placed in an earmarked reserve to be paid in 2020/21 with the second tranche of funding which was £909k. • Future High Streets Fund - £138k have been separately identified in an earmarked reserve as part of the 2019/20 outturn position. • Towns Fund Reserve - £162k have been separately earmarked on closure of the 2019/20 accounts for release in future years. <p>In March 2020 the Council, like every other council were impacted by the COVID 19 epidemic. The impact of this has been felt throughout the Council's services. The Council has had to incur additional expenditure which includes increased support to the leisure trust, implementation of the track and trace system as well as the costs to enable staff to work remotely. As well as the increased expenditure the Council has also suffered from a reduction of income through the pandemic. The Council estimated the potential impact of this as at September 2020 was £2.7m the Council notifies central government of these costs on a monthly return. Government support has been provided to cover part of these costs, as at September 2020, the Council has received £1.1m. Other support maybe available to cover part of these costs however the Council have also created a reserve of £1.5m to cover these costs. The reserve has been funded using £1.250m from the budget strategy reserve and £0.250m from the general fund working balance.</p> <p>The Medium-term financial strategy of the Council has been updated following the pandemic and shows the councils continued struggle. The Council has set a balanced budget for 2020/21 this has been achieved by using £714k of the budget reserve, the last of the budget reserve will be used in 2021/22. For the three years from 2021/22 the</p>	<p>We conclude that there are appropriate arrangements in place for the in year reporting and monitoring of the financial position.</p>

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
Continued:	<p>Council does forecast a shortfall of around £3.1m which is around £1m each year. However this is based on a range of assumptions that may change throughout the period. Therefore, the Council will have to continue to identify ways in which they can continue with their established financial strategy which is to:</p> <ul style="list-style-type: none"> • GROW council's income by increasing taxable capacity both in business rates and council tax. • CHARGING for services so raising income whilst continuing with the services the resident's value. • SAVING costs by looking at how the Council delivers services • STOP spending on lower or non-priority areas. <p>As well as undertaking a review of remaining reserves and balances to determine the scope and implications of freeing up committed resources in support of the General Fund Budget and so restoring the balance of General fund back to £1m.</p> <p>The Council has a General Fund balance of £1m at the year end which is the limit they would like to maintain. If the council were unable to identify further savings to fund the budget they will need to look at further options, including the use of Earmarked Reserves. The Council realises this is not the way forward and are confident savings will be identified to fund the budget gap and minimal reserves are used</p> <p>The Council is currently reviewing saving options for 2021/22 through the budget working group. 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.</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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B

Independence and ethics

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 non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	11,000	Self-Interest because this is a recurring fee Self review because GT provides audit services	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,000 in comparison to the total fee for the audit of £38,185 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

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.

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 1 Accounting Policies and Note 11 PPE - Depreciation	The notes make references to reducing balance percentages that are no longer relevant to the asset category.	Remove references that are no longer relevant	✓
Note 3 Assumptions made the future and other major sources of estimation uncertainty	The pension fund auditor will include an emphasis of matter in the audit report drawing attention to a material valuation uncertainty relating to the Fund's real estate portfolio.	Amend the accounts to include this disclosure	✓
Note 27 Expenditure and Income analysed by Nature	An adjustment was made between categories as insurance was charged generally to support service recharges but has now been charged to the specific category the insurance relates to.	Amend to the correct category	✓
Note 30 External Audit Costs	The note is to be adjusted to include the audit rebate.	Amend the accounts to include this disclosure	✓
Note 34 Defined Benefit Pension Schemes	This note is to include further narrative in relation to the McCloud adjustment.	Amend the accounts to include this disclosure	✓
Collection Fund Note 11 Lancashire Business Rates Pooling Arrangements	The note was not available at draft statements, this has now been received.	Update the accounts with the note	✓

A number of other minor disclosure and typographical errors were identified which have been amended

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Accounts and Audit Committee Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Revaluations – We identified 2 incidents were individual industrial units within an estate, historically held independently in the fixed asset register had been aggregated in year. Upon enquiry, it was confirmed that there has been no material changes in use, additions or disposals to the asset. The reason for aggregation was following valuers instructions in order to include the land value for the estate which had not been included in the value for each individual unit. The individual assets were revalued down to zero and the combined asset was accounted for as a revaluation from nil. As there is no change to the assets this charge to the CIES should not have been made.	406	(406)	406	• Adjustment not material
Overall impact	£406	£(406)	£406	

Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	38,185	TBC
Total audit fees (excluding VAT)	£38,185	TBC

The fees in the financial statement include £4,500 in relation to the 2018/19 Audit as well as an audit rebate of £(3,780).

The proposed indicative fee of £38,185 has been approved by PSAA. We set out in our audit plan how the Financial Reporting Council's has set its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and robust testing. This coupled with the recent impact of Covid 19 and the time taken in managing the audit in a more remote working environment, has clearly impacted out work and we will need to review the actual audit inputs required at the conclusion of our work to assess any fee implications arising from this.

In our experience, based on the indications from audits being undertaken to date, the issues highlighted above are increasing the time taken on audits by an average of 25%. We understand from discussions with ICAEW that this is similar to other firms. We are mitigating this as far as possible through reduced travel time and travel costs and will be looking at how we can absorb some of the remaining overrun ourselves. However, it is possible that this will not be sufficient to cover the full additional cost. We are aware that the Council's finances are constrained and we will seek to minimise these costs as best we can and will also consider our performance in delivering to the November deadline. Whilst it is too soon to estimate whether there will be any additional costs to the Council it is important to highlight this matter to you. We will discuss any additional costs with the Council's S151 Officer as we progress further towards the concluding stages of the audit. We hope the explanation above and the recent Redmond report (that indicates that, before the impact of Covid 19 is taken into account, audit fees are under-priced by 25 percent) provides some context to any additional fees and the actions we are taking to mitigate them.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services HBAP claim	11,000	TBC
Total non- audit fees (excluding VAT)	£11,000	TBC

Audit opinion

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

Independent auditor's report to the members of Pendle Borough 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 2020 which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Statement of Accounting Policies, Notes to the Core Statements, Critical Judgements in Applying Accounting, Expenditure and Funding Analysis, and Notes to the Collection Fund Statement. 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Chief Executive and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Audit 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 Executive's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Executive 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.

In our evaluation of the Chief Executive's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in note 3 to the financial statements, the outbreak of Covid-19 has impacted global financial markets and market activity has been impacted. A material valuation uncertainty was therefore disclosed in both the Authority's property valuer's report and the pension fund's property valuation reports. Our opinion is not modified in respect of this matter.

Other information

The Chief Executive is responsible for the other information. The other information comprises the information included in the Statement of Accounts, 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 Edition' 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, for the financial year for which the financial statements are prepared is consistent with the financial statements.

Audit opinion

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.

Responsibilities of the Authority, the Chief Executive and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 43, 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 Executive. The Chief Executive 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Chief Executive 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 Executive 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. 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 April 2020, 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 2020.

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.

Audit opinion

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 April 2020, 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 2020.

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 - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2020. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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]

Julie Masci, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bristol

[Date] November 2020

