The Audit Findings for Pendle Borough Council

Year ended 31 March 2023

Contents

Your key Grant Thornton team members are:

Georgia Jones
Key Audit Partner
T 0161 214 6383
E Georgia.S.Jones@uk.gt.com

Sophia S Iqbal
Engagement Manager
T 0161 234 6372
E Sophia.S.Iqbal@uk.gt.uk

Jobelle Bongato
Assistant Manager
T 0161 234 6364
E Jobelle.Bongato@uk.gt.com

Section		Page
1.	Headlines	3
2.	Financial statements	6
3.	Value for money arrangements	21
4.	Independence and ethics	23
Appendices		
A.	Communication of audit matters to those charged with governance	27
B.	Action plan – Audit of Financial Statements	28
C.	Follow up of prior year recommendations	29
D.	Audit Adjustments	31
E.	Fees and non-audit services	34
F.	Auditing developments	35
G.	Management Letter of Representation	36
H.	Audit opinion	39
I.	Audit letter in respect of delayed VFM work	44

This Audit Findings 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. Its contents have been discussed with management and the Accounts and Audit Committee.

Georgia Jones

Name: Georgia Jones
For Grant Thornton UK LLP
Date: March 2024

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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.

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 2023 for the attention of those charged with governance.

Financial Statements

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 give a true and fair view of the financial position of the Council and its 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.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed on site and remotely during December 2023 to March 2024. Our findings are summarised on pages 6 to 20. We have identified 7 adjustments to the financial statements that have resulted in a £0.061m adjustment to the Council's Comprehensive Income and Expenditure Statement. This is a decrease in the Council's surplus. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix H) or material changes to the financial statements, subject to the following outstanding matters;

- assets under construction following the adjustments made by the Council;
- finalising our queries on expenditure and income testing;
- finalising our work on the joint venture entities and useful economic lives of assets;
- completing our work on PPE and reserves once the amendments have been made;
- completing additional testing on leases;
- review the Narrative Report once it has been amended;
- final quality review procedures;
- receipt of management representation letter see appendix G; and
- review of the final set of financial statements

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.

Our anticipated financial statements audit report opinion will be unqualified. Our work on the Council's value for money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix I to this report. We expect to issue our Auditor's Annual Report by June 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. In our audit plan we identified three risks of significant weakness, two in respect of financial sustainability and one related to governance which have been brought forward from previous years. Our work on these areas is substantially complete and we are currently finalising our work and our Auditor's Annual Report.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- 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.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us to ensure the audit is completed as efficiently as possible. Although the audit if delayed the Council have worked with auditors to ensure the audit is completed by the 31 March 2024.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Pendle Borough Council have not taken out any new borrowing and repaid a loan within 2022/23.

2. Financial Statements

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 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;
- 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 7 November 2023.

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 19 March 2024, as detailed in Appendix H. These outstanding items are listed on page 2.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The finance team again faced audit challenges this year, with the 2021/22 audit only being completed in November. This led to the delay in the draft accounts for 2022/23 being produced. Upon receipt of the draft accounts, we identified a material error, therefore the accounts were revised and then reissued. The accounts presented to the November Audit Committee included this adjustment.

2. Financial Statements

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 on 7 November 2023.

We set out in this table our determination of materiality for Pendle Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	832,000	We have used planning materiality which equates to 1.85% of your gross operating expenditure for 2021/22 year and 1.76% of your gross expenditure for 2022/23. On receipt of the draft financial statements for 2022/23 we deemed it appropriate to retain the planning materiality figures. This level 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	540,800	This is based on specific risks and sensitivities at the Council, such as the lack of deficiencies in control environment and quality of financial statements in prior years.
Trivial matters	41,600	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate.
Materiality for senior officer remuneration	See comment alongside	Due to the public interest in senior officer remuneration disclosures, we apply specific audit procedures and have not set a materiality level. We design our procedures to detect errors in specific accounts at a lower level of precision which we have determined to be applicable for senior officer remuneration disclosures. We will apply heightened auditor focus in the completeness and clarity of disclosures in this area and will request amendments to be made if any errors would alter the bandings reported for any individual.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
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. . The Authority faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, this was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determine the criteria for selecting high risk unusual journals; • identified and 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 consider their reasonableness regarding corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work to date has not found any issues in respect of management override of controls.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue and expenditure recognition risk **Revenue** ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition 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 ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Pendle, mean that all forms of fraud are seen as unacceptable. **Expenditure** In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom - we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure. This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition. Based on our assessment we consider that we are able to rebut the significant risk in relation to expenditure, but will nevertheless, and in line with PN10, recognise the heighted inherent risk of 'other service expenditure' in our audit scoping and testing assessment.	As part of our final accounts audit process, we have reconsidered our rebuttal of both revenue and expenditure recognition and consider the rebuttal to still remain appropriate. Notwithstanding that we have rebutted these risks we have undertaken the following: • reviewed and tested, on a sample basis, revenue and expenditure transactions • obtained a listing from the cash book of non-pay payments made and received in April and May 2023 to ensure they have been charged to the appropriate year • obtained a listing from the ledger of invoices received and paid in April and May 2023 to ensure they have been charged to the appropriate year • substantively tested a sample of year-end accounts payable and accrual balances. On receipt of the accounts, we identified the Council had not removed an agency grant in relation to Council Tax. This was identified at an early stage and revised accounts provided from which we have completed our testing. Further details of the amendments can be seen in Appendix D. Our audit work to date has not identified any further issues in respect of revenue and expenditure.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary

Valuation of Land and Buildings and Surplus Assets
The Council revalues its land and buildings on a five-yearly rolling programme basis. This valuation of £7.5m represents a significant estimate by management in the financial statements due to the size of the numbers involved. In addition, the year-end valuation of land and buildings is sensitive to changes in assumptions and market conditions and so is a key estimate by management.
 	
We have identified the valuation of land and buildings as a significant risk.
	We have:
	- updated our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land and buildings are not materially misstated and evaluate the design of the associated controls;
	- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work;
	- evaluate the competence, capabilities and objectivity of the valuation expert;
	- write to the valuer to confirm the basis on which the valuations were carried out;
	- challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
	- test a sample of valuations at 31 March 2023 to understand the information and assumptions used in arriving at any revised valuations;
	- test revaluations made during the year to see if they had been input correctly into the Council's asset register;
	- review management's assessment on assets not revalued and challenge the reasonableness; and
	- review whether the expert valuer has reported any material uncertainty in relation to property valuations as at 31 March 2023 and, if so, assess the impact on disclosures in the financial statements and on our audit opinion.
	Our audit work has identified the following issues in respect of the valuation of land and buildings:
	- Whilst reconciling the fixed asset register to the valuers report, we identified the variances as the figures from the valuers report were incorrectly entered into the fixed asset register, which resulted to the following adjustments:
	  - Other land and buildings - £145k overstatement
	  - Surplus assets - £108k understatement
	- We have also identified one asset of £840k which was incorrectly categorised as asset held for sale and instead should have been classified as Other land and buildings.
	- We have reviewed the depreciation calculation and identified this was correctly based on the revalued amount. However, this depreciation was included in the reversal and therefore incorrectly removed. We reviewed the population, and have identified £61k was incorrectly reversed.
	The Council has agreed to amend the accounts for all these adjustments see Appendix D for further details.
	Continued overleaf

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Land and Buildings and Surplus Assets - Continued	We also note a number of recommendation raised in the previous year are still to be implemented. This include: - The Code requires that all surplus assets are revalued on an annual basis at the year-end, The Council have revalued £766k as part of the five year revaluation programme, leaving £107k not revalued. - The valuer performs asset valuations on a five year rolling programme, however, no assessment is completed on the assets not revalued. The Council should conduct its own assessment to ensure that the values of assets that have not been revalued are accurately stated. We have therefore had to complete this work and will charge additional audit fees accordingly as we have raised this a number of times previously. - Revaluations continue to be made from the 1 April. Our Audit Findings Report in 2020/21 recommended the Council revalues assets as at the 31 March. The Council has again failed to implement this recommendation. Therefore, we have been required to complete additional work to assess the movement on assets between 1 April and 31 March, as such we will be charging the Council additional fee in respect of this work. Our audit work remains in progress.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Valuation of the pension fund net liability or asset The Council's pension fund net liability/surplus, 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/surplus is considered a significant estimate due to the size of the numbers involved (£6.93m pension asset in the Council's draft balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net liability as a significant 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 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; • 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; • reviewed management assessment of IFRIC 14 and completed our own audit procedures; and • obtained assurances from the auditor of the Lancashire 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. As at the 31 March 2023 the pension fund is in a net asset position. As such the Council were required to obtain an IFRIC 14 assessment to determine the amount of the pension surplus they can recognise as a net asset. IFRIC14 addresses the extent to which a pension surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC14 limits the measurement of the defined benefit asset to the present value of economic benefits in the form of refunds from the plan or reductions in future contributions. The Council obtained an IFRIC 14 assessment from its actuary which concluded the asset ceiling as £nil. As such the Council are not able to recognise any of the pension net asset in the balance sheet. The Council have agreed to amend the financial statements to reflect this assessment, see Appendix D.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building and Surplus assets valuations – £7.5m	Valued assets of Other land and buildings and Surplus assets amounting to £7.5m comprises (£1.2m) of specialised assets such as leisure centres and playing fields, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder (£6.3m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Liberata to complete the valuation of properties as at 1st April 2022 on a five year cyclical basis. 17% of assets were revalued during 2022/23. Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 01/04/22. Management and the valuer hold discussions to identify assets that may have been materially impaired in the year, although they may not have been due to be revalued in year. However as in previous years these discussions have not been documented and cannot be verified. Annual revaluations are performed across all asset categories to identify general trends in valuation movements for all asset categories. Where any significant changes are identified then all assets within the relevant category are revalued. Management have advised they have made an assessment of assets not revalued and identified no material change to the properties value. As mentioned above and in the previous year these discussions have not been documented and cannot be verified. The total year end value of land and building and surplus assets was £44.839m, a net increase of £0.194m from 2021/22 (£44.645m).	We have reviewed and assessed the details supporting the estimates and judgements in this area, considering; • Revised ISA540 requirements in guidance note; • Assessment of management's expert, your external valuer; • Completeness and accuracy of the underlying information used to determine the estimate • Impact of any changes to valuation method • Consistency of estimate against near neighbours/Montague Evans report • Reasonableness of increase/decrease in estimate • Adequacy of disclosure of estimate in the financial statements The valuation method remains consistent with the prior year. The valuer has prepared their valuations in accordance with RICS Valuation – Global Standards. However, we would reiterate the valuations should be completed as at the 31st March. This is a recommendation we have made in the Audit Findings Report from 2020/21. Failing to complete this change has required us to complete additional procedures to assess the movement on assets between 1 April and 31 March, as such we will be charging the Council additional fee in respect of this work.	Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension surplus – £6.930m IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.	The Council's total net pension surplus at 31 March 2023 is £6.930m and a pension liability for the unfunded element of £2.728m (PY deficit in total of £27.305m) comprising the Lancashire Pension Fund Local Government. 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. The latest full actuarial valuation was completed in 2023. Given the significant value of the net pension fund surplus, small changes in assumptions can result in significant valuation movements. There has been a £34.235m net actuarial gain during 2022/23.	In understanding how management has calculated the estimate of the net pension asset we have: • assessed management's expert • assessment of actuary's approach taken, detail work undertaken to confirm reasonableness of approach We have no concerns over the competence, capabilities and objectivity of the actuary used by the Authority. We have used the work of PwC, as auditor's expert, to assess the actuary and assumptions made by the actuary – see below considerations of key assumptions in your pension fund valuation:	Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.70% - 4.90%	●
CPI Inflation	2.7%	2.7%	●
Increase in pension payment/deferment	2.8%	2.7%*	●
Salary growth	4.2%	3.95-4.25%	●
Life expectancy – Males currently aged 45/65	22.8/21.5 Years	22.4-24.3/ 21.0-22.6	●
Life expectancy – Females currently aged 45/65	25.6/23.8 Years	25.3-26.6/ 23.5-24.7	●

*For the pensions increases, as per PWC report, Mercer used a slightly lower rate for pensions increases in payment to allow for an inflation risk premium. This was deemed a reasonable approach as per PWC.

As noted on page 11, the Council have obtained an IFRIC 14 assessment from its actuary to determine the pension fund asset ceiling (which is limited to the present value of future benefits). We have checked the actuary calculations which concluded a ceiling of £nil. The Council have amended the net pension asset from £6.930m to nil.

Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £0.709m	The Council is responsible for repaying a proportion of successful rateable value appeals. Management uses an external organisation, Analyse Local, to provide valuation data and management calculate the level of provision required. Pendle's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. The provision has decreased by £1.228 million in 2022/23.	To review the estimate, we have; • assessed the impact of the cost-of-living crisis on the collection of debt and adequacy of provisions. • reviewed the appropriateness of the underlying information used to determine the estimate • reviewed the Impact of any changes to valuation method • assessed the reasonableness of the estimate • reviewed the adequacy of disclosure of estimate in the financial statements Our audit work has not identified any issues in respect of this significant estimate.	Light Purple
Depreciation and useful economic lives of assets	Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated. Management's accounting policy is that property depreciation should be applied with a straight-line allocation over the life of the property as estimated by the valuer.	We have: • reviewed the accounting policy; • recalculated the depreciation charge based on the useful economic lives as provided by the valuer as well as an overall recalculation of depreciation; • assessed the reasonableness of the useful economic life for a sample of assets; and • assessed the appropriateness of the policy in line with the financial reporting framework. Our audit work confirmed that the Council have correctly depreciated the assets which have been revalued as at 1 April, in line with our recommendation. However, this depreciation was then incorrectly removed. We reviewed the population, and have identified £61k was incorrectly reversed. The Council depreciate vehicles, plant and equipment on a reducing balance bases however our testing identified one asset which is no longer in use however a value remains in the asset register. Although this is trivial, we have identified a recommendation for the Council to review all vehicles, plant and equipment to ensure it is in use.	Light Purple

Assessment

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

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Civica Financials	ITGC assessment (design and implementation effectiveness only)	● (green)	● (green)	● (green)	● (green)	None	N/A
NEC	ITGC assessment (design, implementation and operating effectiveness)	● (green)	● (green)	● (grey)	● (grey)	None	N/A
Chris 21	ITGC assessment (design and implementation effectiveness only)	● (green)	● (green)	● (grey)	● (grey)	None	N/A

Assessment

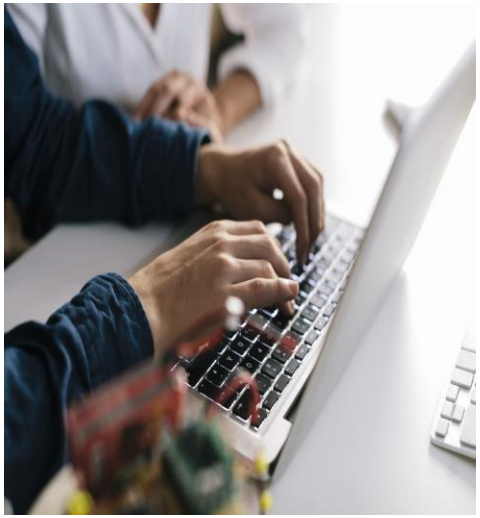
- ● (red) Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● (amber) Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● (green) IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● (grey) Not in scope for testing

2. Financial Statements: 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
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 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 set out at Appendix G.

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bank and investment bodies. This permission was granted and the requests were sent. All these requests were returned with positive confirmation with the exception of one. We have undertaken alternative procedures by obtaining the fixed deposit agreement confirming the amount and terms of the investment.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements

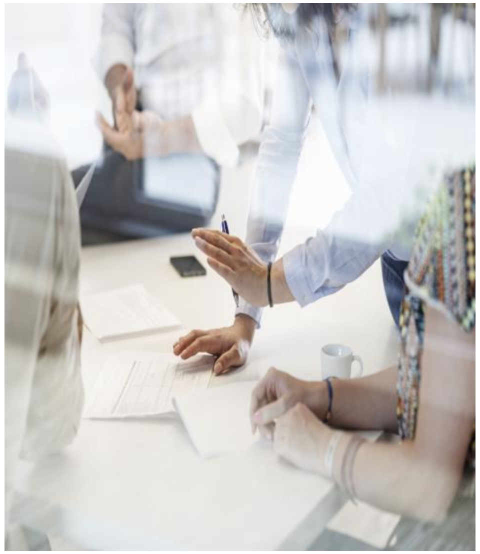
Our responsibility

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).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	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. The narrative statement is due to be amended to reflect the changes made to the financial statements. Our audit work will be completed on the revised statement. Our work on the Annual Governance Statement has not identified any required changes.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. Our value for money work is in progress, We have nothing to report on the other matters.



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	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. • Note that work is not required as the Council does not exceed the threshold;
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2022/23 audit of Pendle Borough Council in the audit report, as detailed in Appendix H, due to incomplete VFM work.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix I to this report. We expect to issue our Auditor's Annual Report by 30 June 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk/s set out in the table below. Our work on these risks are underway and an update is set out below.

Risk of significant weakness	Work performed to date
Acute attention is given to the Medium Term Financial Plan to address the shortfall identified in future years. In doing so the Council should build up on the level of reserves it has in place and draft a detailed plan to identify and implement savings required, to ensure the Council has adequate funds to be able to support any shortfalls.	Our work is currently being finalised and we will report the outcome sin our Auditor's Annual Report.
The Council should ensure regular and sufficiently detailed budget monitoring is reported to the Committee/Council on a minimum of a quarterly basis. Budget monitoring should also be included in performance reviews for individuals. It is important that members have timely and detailed budget monitoring information in order to support them in their decision making.	Our work is currently being finalised and we will report the outcome sin our Auditor's Annual Report.
The Council has had numerous finance staff changes through the various levels of the finance team over the last 18 months. The Council needs to ensure staff changes are minimised so controls can operate as expected and required.	Our work is currently being finalised and we will report the outcome sin our Auditor's Annual Report.

4. 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 and consider that an objective reasonable and informed third party would take the same view. 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 E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

4. 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. No non-audit services were identified which were charged from the beginning of the financial year to March 2024 however the following non audit services were provided in 2021/22 and invoiced in 2022/23. The threats to our independence and safeguards that have been applied to mitigate these threats have been noted below.

Service	Fees £	Threats identified	Safeguards
Audit related			
2021/22 Certification of Housing Benefit Claim	13,840	Self-Interest (because this is a recurring fee)	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 £13,840 in comparison to the total fee for the audit of £70,886 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.
		Self review (because GT provides audit services)	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.

The Council have engaged the services of another firm to complete the 2022/23 HBAP work.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the board, senior management or staff.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

G. Management Letter of Representation

H. Audit opinion

I. Audit letter in respect of delayed VFM work

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 4 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium – Limited Effect on financial statements	The outturn position the Council reported to members in July 2023 was superseded following amendments made to the financial statements. As such this report did not agree with the Expenditure and Funding Analysis note. No further information was report to members to show the outturn position.	The Council should report to members the outturn position which will then agree with the Expenditure and Funding Analysis. **Management response** Agree to report finalised outturn - the service area outturn was reported before the completion of the Statement of Accounts.
Low – Best practice	Our testing of 5 new lessors identified variances in 4 of these leases between the lease listing as compared to the actual lease. The total variances were trivial and amounted to £4k. The Council reviewed the entire population of leases and identified errors in a further 10 leases. The total errors were trivial.	The Council should conduct a regular review of its lease listing in order to prevent errors and discrepancies in financial reporting. **Management response** Agree - This discloser listing shall be reviewed.
Low – Best practice	Our testing on the useful remaining life of vehicles, plant and equipment identified one asset which was not in use whereas the asset register included the asset.	The Council should conduct a review of its fixed asset register in order to identify any further assets that have been disposed of but not written out of the register. **Management response** Agree - Our intention is to review all vehicle/equipment assets for 2023-24 register to assess the validity of Useful Life.
Medium – Limited Effect on financial statements	As part of our testing we noted the Bank Reconciliation for April 2023 was only completed in February 2024.	The Council should ensure the bank reconciliation is balanced in the month following. This will ensure any unreconciled balances are resolved as soon as possible. **Management response** Agree - It is normal practice for the Council that Bank reconciliations be completed by the month after each month end. This reconciliation had fallen behind due to some difficulties with 'stuck' files in cash receipting, and some technology changes. Work continues to bring this reconciliation up-to-date.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Pendle Borough Council's 2021/22 financial statements, which resulted in 6 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note 4 are still to be completed in relation the 2021/22 recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	**Gifts and Hospitality** There was no process for Gift and Hospitality Register to be monitored in 2021/22. Service Managers had been contacted for a response for 2021/22 as part of the audit. No issues were identified which required disclosing.	The Council complete the form online and this is reviewed by the monitoring officer.
✓	**Financial Instruments** Note 14 Nature and extent of risks arising from financial instruments included an amount for the operational boundary limit, however this did not tie into the treasury management strategy.	The amount in Note 15 Nature and extent of risks arising from financial instruments, agrees to the treasury management strategy.
X	**Assets Under Construction** We have noted the Council has long term assets under construction which run for a number of years. These are currently recorded at cost and will be revalued when they come into use. Management has not assessed these assets for any potential impairment. As well as assets under construction the Council should also review intangible assets and other land and buildings for potential impairment. Documentation should be provided for the audit process to demonstrate this review.	This recommendation has not been actioned but the Council plan on addressing this in 2023/24.
✓	**Provision** The Council were unaware of the need to send Analyse Local information for them to send through the current list of appeal's outstanding. Therefore, the provision was over calculated.	The provision has been correctly calculated.
X	**Long Term Debtors** Management have a number of long term debtors with the Pearl companies, however not all the agreements are in place. We received 1 agreement out of the 4 required. Without signed agreements, the Council is at risk of not being able to pursue the repayment of the loans should there be any dispute over payment and/or payment is not received.	The Council have provided agreements which we are reviewing. However, we noted a trivial misstatement on the calculation of interest made by the long term debtors. The Council, should also complete their own due diligence on the amount of interest calculated.
In progress	**Capital Financing Requirement** The Council should review the capital financing requirement to ensure it is calculated in line with the Prudential Code.	The Council have worked with Link to review this and the note will be amended to be in line with the Prudential Code.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

We identified the following issues in the audit of Pendle Borough Council's 2020/21 financial statements, which resulted in 6 recommendations still to be implemented as reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note 5 are still to be completed in relation the 2020/21 recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Revaluation of Assets** Assets are revalued as at the 1 April but we recommend that valuation of land and buildings is undertaken as at 31 March of the year of the accounts. There is a risk that valuations undertaken as at 1 April could move by a material amount if there were any significant fluctuations in the market over the year.	The Asset Re-Valuation individual Report continues to have 1st April date. The Valuations are carried out RICS Red Book compliant during the Financial years. The Council has advised that comparable and market trends are observed throughout and 'Impairment' review considered if 'Market' changes or yields are seen to have taken place. However the Council have not documented this process. We have completed our own assessment to confirm this is materially correct.
X	**Assets not revalued** Assets are revalued on a 5 year rolling program however no further work has been completed on assets not revalued. Management should complete their own assessment on these assets to confirm the value has not been materially changed.	
X	**Surplus assets** The Code requires Surplus Assets to be stated at fair value therefore these assets are required to be revalued on an annual basis. The Council has revalued on an annual basis. The Council has revalued one surplus asset and used that as a basis to assess the value of other surplus assets. However this is not in line with Code requirements and there is a risk that other surplus asset valuation movements may not necessarily be the same as the asset revalued.	The Council have revalued £0.766 million as part of the five year revaluation program, leaving a difference of £0.106 million not revalued.
X	**Depreciation of Additions** The current policy is to depreciate assets the year after acquisition however the Code requires assets to be depreciated as and when they are put into use. The current depreciation policy does not comply with Code requirements and there is a risk that over time depreciation will become increasingly misstated.	No changes have been made to the process in 2022/23. This recommendation stands. The Council's method of depreciation is not compliant with the CIPFA Code. of Practice.
X	**Depreciation of Assets Revalued in Year** Assets revalued in year have a valuation date of 01/04/21 but have not been depreciated in the year. As assets are revalued as at the start of the year, depreciation should be applied for the remainder of the year. The current depreciation policy does not comply with Code requirements and that there is a risk that over time depreciation will become increasingly misstated.	Although the Council depreciated assets revalued in the year this was reversed incorrectly.
✓	**Related Party Transactions** Our testing identified that 11 councillors answered No to the questions on association with any body. However the companies search identified that this was not the case.	No issues have been identified as part of the testing completed in 2022/23.

Assessment

✓ Action completed

X Not yet addressed

D. 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 adjusted misstatements

All adjusted 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 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Impact on general fund £'000
The Council purchased land for a burial site but this was incorrectly classified as Assets Held for Sale and should be in Property Plant and Equipment.	-	Dr Property, plant and equipment £865 Cr Assets Held for Sale £865		
Removal of the pension fund asset in accordance with the requirements of IFRIC 14	-	Dr Pension Reserve £6,930 Cr Pension Liability £6,930		
The Council included an accrual of £500k for Housing Benefits, this was not required.	-	Dr Debtors £411 Dr Creditors £89 Cr Earmarked Reserves £500		
Although revalued assets were correctly depreciated these amount were incorrectly reversed.	Dr. Depreciation £61	Cr. Property, plant and equipment £61 Dr Revaluation Reserve £61	£61	£61
An investment included as cash and cash equivalent has been reclassified as short-term investments as it relates to a period over 3 months	-	Dr Short term Investments £2,500 Cr Cash and Cash Equivalents £2,500		
The valuers report did not reconcile to the fixed asset register due to input error		Cr Property, plant and equipment £37 Dr Revaluation reserve £37		
The Council included amounts in relation to Nelson Town Deal as Property Plant and Equipment, but these were not Council Assets and should be REFCUS	DR NCOS Expenditure £1,903 DR NCOS Income £1,903	Cr Property Plant and Equipment £1,903 Dr Capital Adjustment Account £1,903		
Overall impact	**£61**	**£NIL**	**£61**	**£61**

D. Audit Adjustments

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	Agreed?
Narrative Statement This has been amended to reflect the amendments made in the accounts.	✓
Note 3 Assumptions made about the future and other major sources of estimation uncertainty The note should be amended to include additional disclosure on the pension asset as well as the IFRIC 14 adjustment.	✓
Note 12 Property Plant and Equipment An asset was merged into one asset but not accounted for correctly in the PPE note. An amendment of £105k was made to reclassify this from disposal to revelations. The valuers report did not reconcile to the fixed asset register due to input error. Other land and Buildings were overstated by £145k ad Surplus Assets understanded by £108k.	✓
Note 18 Assets Held for Sale In year expenditure included £865k which should be Property plant and equipment.	✓
Note 20 Provisions The Business Rates Appeals provision should be amended to show the Advanced as 1,077k and Utilised as (£151k) the net amount remains £710k.	✓
Note 22 Unusable Reserves The note has been amended to align with the CIES and Note 12 ***update what was this for Collection Fund Adjustment account the closing balance for 2021/22 has not calculated correctly, therefore the opening balance for 2022/23 is incorrect.	✓
Note 23 Cash Flow Statement –operating activities Table C Interest paid has been amended to £630k from £698k	✓
Note 28 Expenditure and income analysed by Nature The table showing adjustments from the General Fund to arrive to the amounts shown on the CIES has been amended to show the opening balances.	✓
Note 29 Officers Remuneration The salary for the Chief Executive should include the payment made as acting as returning officer, this will increase her banding. The * for Expenses allowances notes these are in relation to the payment of subscriptions however these costs relate to mileage. Formatting of the note has been amended to show the details on one row.	✓

D. Audit Adjustments

Disclosure omission	Agreed?
Note 29 Officers Remuneration The salary for the Chief Executive should include the payment made as acting as returning officer, this will increase her banding. The * for Expenses allowances notes these are in relation to the payment of subscriptions however these costs relate to mileage. Formatting of the note has been amended to show the details on one row.	✓
Note 31 External Audit Costs The external audit services for the current year have been amended to agree with the audit fee agreed in the Audit Plan. The external audit services for the prior year have been amended to show the additional fee agreed in the final 2021/22 Audit Findings Report A footnote has been added to the table to show the grants relate to KPMG.	✓
Note 32 Grant Income When we received the draft statements of accounts, we noted the Council included an agency grant of £5,376k within Net Cost of Services, this increased but Gross Expenditure and Gross Income. The Council amended this before the draft accounts were published for the Accounts and Audit Committee. However this amendment was not made to the Grant note.	✓
Note 35 Defined Pension Scheme Throughout the note reference is made to the next valuation date of 31 March 2022, however this valuation has taken place and the dates should be updated for the following valuation. Sensitivity analysis - Assumptions table should also include details of investment returns. The accounts were amended to include additional disclosure on the impact of the surplus on its future combinations. As well as additionally disclosure on the basis used to determine the amount of the economic benefit available, representing the Ceiling for the amount that can be included on our balance sheet.	✓
Notes to the Collection Fund Note 2 and 3 Reference is made to 2021/22 but this should be 2022/23. Note 5 and 6 Council Tax Base has been amended to agree to the 2022/23 base Note 7 and 8 has been updated to show the correct share of surplus for Council Tax. Note 7 has also been updated to show the Central Government Percept at £8,168k from £8,287k	✓

E. Fees and non-audit services

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

Audit fees	Proposed fee
Scale fee	£38,036
Reduced materiality	£3,000
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs 540	£2,100
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
Local risk factors (VfM significant weaknesses 2020-21)	£4,000
Enhanced audit procedures for Payroll – Change in Circumstances	£500
Enhanced audit procedures for Collection Fund – relief testing	£750
Increased audit requirements of ISAs 315	£3,000
HB Testing	£7,500
Total audit fees (excluding VAT)	**£70,886**

Please note additional fee will be added for the recommendations we have previous made but have not been actioned by the Council, the additional work required for the IFRIC14 assessment and additional work as a result of errors identified.

There are no fees for the provision of non-audit services.

The fees reconcile to the financial statements.

None of the above services were provided on a contingent fee

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
Royal Liver Building
Liverpool
L3 1PS

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Pendle Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Pendle Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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. Such accounting estimates include land and building and surplus asset valuations and pensions asset and liability valuations. 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. 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.

vii. 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.

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.

G. Management Letter of Representation

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 adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as *[they are immaterial to the results of the Council and its financial position at the year-end OR list reasons]*. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

   a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

   b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xvi. We have provided you with:

   a. access to all information of which we are aware that is relevant to the preparation of the Council's 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. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. 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.

xx. 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.

G. Management Letter of Representation

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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

xxv. 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

xxvi. 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's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Accounts and Audit Committee at its meeting on 19 March 2024.

Yours faithfully

Name................................	Name................................
Position..............................	Position..............................
Date.................................	Date.................................

Signed on behalf of the Council

H. Audit opinion - DRAFT

Our draft audit opinion is included below.

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 on financial statements

We have audited the financial statements of Pendle Borough Council (the 'Authority') for the year ended 31 March 2023, 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 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 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 2022/23; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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 are responsible for concluding on the appropriateness of the Interim Director of Resources use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Interim Director of Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Interim Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Interim Director of Resources with respect to going concern are described in the relevant sections of this report.

H. Audit opinion

Other information

The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. The Interim Director of Resources is responsible for the other information. 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.

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 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 themselves. 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 in April 2020 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 '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 matters 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, 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.

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 and the Interim Director of Resources

As explained more fully in the Statement of Responsibilities set out on page x, 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 Interim Director of Resources. The Interim Director of Resources 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Interim Director of Resources 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 Interim Director of Resources 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

H. Audit opinion

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015,the Local Government Act 2003, the Local Government Act 1972, and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012).

We enquired of management and the Accounts and Audit, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Accounts and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to processing of inappropriate journals, in this regard we tested journals posted to accrual codes post year end over performance materiality, debits to property, plant and equipment code in the last quarter of the year and post year end, journals posted by users with admin access capabilities, material post year end transactions and a random selection of journals throughout the period. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on material year end manual journals with high risk characteristics,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, surplus assets and defined pension asset valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including significant accounting estimates related to property, plant and equipment and accruals. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

H. Audit opinion

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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 – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

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.

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.

H. Audit opinion

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor’s Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

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 for Pendle Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

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 44 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:

Name Georgia Jones, Key Audit Partner

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

Liverpool

Date

I. Audit letter in respect of delayed VFM work (updated)

Cllr Anwar
Chair of Accounts and Audit Committee
Pendle Borough Council

Dear Cllr Anwar

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report for 2022-23, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 30 June 2024.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Georgia Jones

Georgia Jones

Director

Grant Thornton

grantthornton.co.uk