

Pendle Borough Council

Audit progress report and sector updates

November 2024



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Introduction

Your key Grant Thornton team members are:

Georgia Jones

Key Audit Partner

T 0161 214 6383

E Georgia.S.Jones@uk.gt.com

Dipesh Patel

Audit Manager

T 0161 234 6391

E Dipesh.Patel@uk.gt.com

Muhammad Afzal

Assistant Manager

T 0161 214 3690

E Muhhammad.T.Afzal@uk.gt.com

This paper provides the Accounts and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Accounts and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at October 2024

Financial Statements Audit of 2022-23

The audit of the Financial Statements for 2022-23 has been concluded and an unqualified opinion was issued on 23 October 2024.

Financial Statements Audit of 2023-24

We issued our audit plan on 16 July 2024 where we outlined our audit timeline for 2023/24 financial statements audit. We were scheduled to begin our final audit at the end of September however, at the time of writing we are yet to receive draft financial statements for 2023/24 from management so are unable to commence our audit.

Accounts were due to be published in draft form by 31 May 2024. It should be noted that the Ministry of Housing, Communities & Local Government has put in place proposals to bring local audit on track, and has prepared legislation to enact a backstop date for the financial statements for the year ended 31 March 2024 to be audited by 28 February 2025.

At this point having not received the financial statements for 2023/24 the likelihood of completing the audit by 28 February 2025 is in doubt. We continue to liaise with officers to assess progress by the Council in the production of the accounts and the practicalities of completing an audit on them once received.

Value for Money

Our value for money work for 2022-23 was reported to full Council on 18 July 2024 and is complete.

For the year 2023-24, we will aim to complete all 2023/24 value for money audit reviews by 31 December 2024 and will report the results in our Auditor's Annual Report to the January 2025 committee.

From current trends around inflation, employee cost pressures and service demand, we anticipate that risks around financial sustainability and reserves will require consideration across most local government value for money reviews both for 2023/24. Arrangements for governance and improving economy, efficiency and effectiveness will also be reviewed.

Where there are lesson to be learnt from the findings for our 2022/23 value for money reviews, we will seek to share them on a timely basis and will follow up any recommendations made in the Auditor's Annual Report for 2022/23 for the Council.

Progress at October 2024

Audit Fees 2023-24

PSAA have published their scale fees for 2023/24 [2023/24 auditor appointments and audit fee scale – PSAA](#).

For Pendle Borough Council the fees are £128,100 for the Council audit and an additional fee of £7,530 is set to cover audit work in respect of the revised ISA 315 Identifying and Assessing the Risks of Material Misstatement requirements, as set out in our audit plan issued in July 2024.

These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

Audit Fees 2022-23

The audit fees for 2022-23 set out in our audit plan were £70,866.

We are proposing additional fees for 2022-23 as follows:

- Work to verify housing benefit expenditure as we do not audit the HB subsidy claim - £7,500
- Additional work on significant weaknesses identified in our value for money work reported to full Council on 18 July 2024 - £12,500
- Audit issues in relation to the valuation of assets and the fixed asset register £14,300 including:
 - assets classed as PPE that should have been classed as REFCUS
 - assets classed as Other Land & Buildings that should have been classed as assets under construction
 - assets under construction incorrectly accounted for – included assets that should have been impaired or disposed of.
 - depreciation incorrectly charged on revalued assets

- Issues set out in relation to the valuation of assets impacted on other areas of the accounts such as the MIRS which required investigation and correction - £4,500
- Issues with the Capital Financing Requirement requiring investigation and correction - £2,500
- Delays in the provision of information requiring additional resourcing, internal consultation with technical and quality colleagues on the issues and errors identified and the associated amendments, additional review time and additional reporting requirements - £7,900.

Total additional fees for 2022-23 are £49,200.

Overall total fees for 2022-23 are £120,066.

For context – previously, additional fees of £40,250 were charged for 2021-22 due to delays, quality of the accounts and errors giving a total fee for 2021-22 of £92,385.

The fee for 2023-24 is £135,630.

Audit Deliverables

Below are some of the audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date*	Status
Audit Plan We are required to issue a detailed audit plan to the Accounts and Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements.	July 2024	Complete
Audit Findings Report The Audit Findings Report will be reported to the Accounts and Audit Committee.	TBC*	Not yet due
Auditors Report This includes the opinion on your financial statements.	TBC*	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	TBC*	Not yet due

*We are unable to confirm planned dates for the Audit Findings Report, Auditor's Report and Auditor's Annual Report as we have not yet received the Council's 2023/24 accounts for audit.

Audit Backstop – update

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the parliament with a written statement to confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. A backstop date for 2023/24 introduced of 28 February 2025.

On 5 September 2024 parliament approved the Accounts and Audit (Amendment) Regulations 2024 which will enable the audit backstop to be enacted.

In such cases an issue a disclaimer of the audit opinion will be given to the 2023-24 Statement of Accounts.

The implication of backstopping an audit is the lack of assurance in respect of opening balances, or in respect of prior year transactions which could impact on reserves including the General Fund Balance, Collection Fund, or usable / unusable reserves.

