

Independent auditor's report to the members of Pendle Borough Council

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Pendle Borough Council (the 'Authority') for the year ended 31 March 2025, 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 material accounting policy information. 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 2024-25.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

On 27 February 2025, we issued a disclaimer of opinion on the Authority's financial statements for the year ended 31 March 2024. We were not able to obtain sufficient appropriate audit evidence by 28 February 2025, the previous backstop date, that the financial statements were free from material misstatement. We were therefore unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority Comprehensive Income and Expenditure Statement for the year ended 31 March 2025 for the same reason.

As a result of the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Authority's opening balances reported in the financial statements for the year ended 31 March 2025. Consequently, we have been unable to satisfy ourselves over the in-year movements in the net pension liability and property, plant and equipment. This has also resulted in uncertainty over the closing balance of property, plant and equipment of £57.664m as at 31 March 2025. Similarly, we have not been able to obtain assurance over the Authority's closing reserves balance of £55.812m as at 31 March 2025, also due to the uncertainty over their opening amount.

We have concluded that the possible effect of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority's to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

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

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, 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.

Opinion on other matters required by the Code of Audit Practice

The Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use

of resources, whether 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 Director of Resources

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources. The 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 2024-25, for being satisfied that they give a true and fair view, and for such internal control as the 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 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.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our 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 2025.

We have nothing to report in respect of the above matter except:

On 18 July 2024 we identified a significant weakness in the Authority's arrangements for financial sustainability. This was in relation to:

- The Authority identifying gaps between its future spending and income but not identifying the necessary savings to bridge these gaps. The Authority had a remaining budget gap of £1m a year from 2024/25 and would have extinguished its useable reserves by 2027 if it used reserves instead of identifying savings.
 - We recommended that the Authority should urgently prepare and agree short and medium-term plans to close its budget gap using reserves to meet a significant part of the gap is unsustainable. The preparation of plans should include taking decisions regarding future years before the budget setting Council meetings. As part of our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025, we have reviewed the Authority's progress implementing this recommendation. The Authority still has work to do to address this fully therefore the significant weakness remains in place.

On 18 July 2024 we identified significant weaknesses in the Authority's arrangements for governance. This was in relation to

- Governance arrangements underpinning the Council's relationships with its joint venture companies because members who are also directors of the companies do not always declare conflicts of interest. Legal agreements between the Council and the companies are not up to date and there is a lack of clarity about the roles of the Council's officers in relation to the companies. We recommended that the Authority:
 - commission independent legal advice on its relationships with and governance of its joint venture companies, PEARL, PEARL 2, PEARL Brierfield Mill and PEARL Together, to ensure that all aspects of the governance of the companies are sufficiently robust and compliant with the law relating to local government and companies. The Council should then implement any recommended changes to governance arrangements in relation to the companies. As part of our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025, we have reviewed the Authority's progress implementing this recommendation. The Authority still has work to do to address this fully therefore the significant weakness remains in place.
- The arrangements for determining planning applications were inconsistent. Area Committees have granted planning permission against the Council's policies. This has resulted in appeals and has generated avoidable costs and delays on development We recommended that the Authority:
 - commission a focussed independent legal report on the consistency, costs and efficiency of its planning process and the potential future impacts of continuing with the current arrangements. As part of our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025, we have reviewed the Authority's progress implementing this recommendation. The Authority still has work to do to address this fully therefore the significant weakness remains in place.

On 29 January 2025 we also identified further significant weaknesses in the Authority's arrangements for governance. This was in relation to:

- Internal audit identifying issues with information governance and issuing a limited assurance opinion in July 2024. They reported that fundamental weaknesses were identified in the Council's information governance processes to maintain the confidentiality, integrity and availability of personal identifiable data that the Council processes. We recommended that the Authority:
 - should urgently implement the actions identified by Internal Audit to address fundamental weaknesses identified in the Council's information governance processes to maintain the confidentiality, integrity and availability of personal identifiable data that the Council processes and holds. As part of our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025, we have reviewed the Authority's progress implementing this recommendation. The Authority still has work to do to address this fully therefore the significant weakness remains in place.

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 the Authority's use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. 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 have documented 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 have considered 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 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to the Authority's consolidation returns and we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

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 85 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**]**

Georgia Jone, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor
Liverpool

[Date**]**