Grant Thornton

Audit Findings (ISA 260) Report for Pendle Borough Council

Year ended 31 March 2025

15 January 2026

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January 2026

Dear Members of the Accounts and Audit Committee

Audit Findings for Pendle Borough Council for the 31 March 2025

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2024-.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Georgia Jones

Director
For Grant Thornton UK LLP

Contents

Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Pendle Borough Council (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 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 Authority's financial statements give a true and fair view of the financial position of the Authority 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

As of this report's date, we have concluded several areas of our audit work, detailing the findings in the body of this report. For work not yet concluded, we have highlighted the work undertaken to date, and any findings or recommendations.

Key areas where we have been unable to conclude include opening balances, please see below.

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

- completion of our work on assets not revalued and assets revalued as at 1/4/24;
- completion of the review of leases disclosure once the agreed amendments have been made;
- finalising our work on journals, revaluations, reserves and grants;
- final quality reviews by the engagement manager and engagement lead;
- receipt of management representation letter see page 58; and
- review of the final set of financial statements.

Our findings to date are summarised on pages 16 to 29. We have identified 3 adjustments to the financial statements, resulting in a £0.125m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed at page 34-37. During the course of our work, we have also raised 3 recommendations for management, which are set out at page 38, with follow up of our prior year's audit recommendations detailed at page 40.

Owing to the challenges of undertaking an audit where the previous years audit was subject to a backstop-related disclaimed audit opinion, we have been unable to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 28 February 2026. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements and need to modify our opinion. Our anticipated financial statements audit report opinion will be disclaimed for the opening balances.

Our draft Audit Report is provided at page 56. We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

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 Authority 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 Authority'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 Authority's arrangements under the following specified criteria:

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified four significant weaknesses in the Authority's arrangements and so are not satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. These relate to:

- financial sustainability in relation to medium term budget gap;
- governance arrangements of the joint venture companies;
- governance arrangements over the personal identifiable data that the Council processes and holds; and
- governance arrangements over planning processes.

Our findings are set out in the Auditors Annual Report which accompanies this report.

Headlines

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 required under the Code. However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until:

- confirmation has been received from the NAO that the group audit (Whole of Government Accounts) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code;

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit. However, our previous recommendations on revaluations had not been addressed which has resulted in further audit work.

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office’s (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Headlines

National context – local audit recovery

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop legislation.

As a result, for 2024/25:

- we have limited assurance over the opening balances for 2024/25
- no assurance over the closing reserves balance also due to the uncertainty over their opening amount.

Our aim for the 2024/25 audit has been to start to rebuild assurance, therefore our focus has been on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures; and closing balances.

On 5 June 2025 the National Audit Office (NAO) published its "Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06" for auditors which sets out special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. The key messages outlined within this guidance include rebuilding assurance through:

- tailored risk assessment procedures for individual audit entities, including assessments over risk of material misstatements of opening balance figures and reserves;
- designing and performing specific substantive procedures, such as proof-in-total approach;
- special considerations for fraudulent reporting, property, plant & equipment, and pension related balances.

We will discuss with you our strategy for rebuilding assurance, in the light of this year's audit, as part of our planning for 2025/26.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

The implementation of IFRS 16 has resulted in £0.863m of Lease liabilities and £1.061m Right of Use Assets recognised on the balance sheet in respect of former operating leases. The difference of £0.198m between the two values are due to peppercorn leases (where the Council has the right to use assets, but negligible liability associated with those rights).

Our work in this area is still in progress however we have noted that the Council has not completed a reconciliation between the operating lease commitments disclosed applying IAS17 at the end of the annual reporting period immediately preceding the date of initial application and the lease liabilities recognised in the Balance Sheet at the date of initial application.

In addition we noted a number of disclosures which were not correctly stated in the draft accounts and required restating. We have also identified several leases from our search on the land registry which were not included in the lease register. The Council are reviewing these.

See page 23 for further details on the work completed and issues identified.

Materiality

Our approach to materiality

As communicated in our Audit Plan presented at the 29 July 2025 to the Accounts and Audit Committee, we determined materiality at the planning stage as £1.067 million based on 1.8% of the prior year expenditure. At year-end, we have reconsidered planning materiality based on the 2024/25 draft financial statements. As the level of gross expenditure was not significantly different to the prior year we determined there was no need to revise the materiality for the post statements audit.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £1.067 m based on professional judgement in the context of our knowledge of the Authority, including consideration of factors such as stakeholder expectations, industry developments and reporting requirements for the financial statements.
- We have used 1.8 % of 2023/24 expenditure as the basis for determining materiality. The use of 1.8% as a benchmark percentage has been reduced from the 1.85% used in 2022/23.

Performance materiality

- We have determined performance materiality at £0.640m, this is based on 60% (2022/23 – 65%) of headline materiality. Performance materiality is used for the purposes of assessing the risks of material misstatement and determining the nature, timing, and extent of further audit procedures. This is the amount we set at less than materiality for the financial statements as a whole, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
- We have adjusted our performance materiality downward as the 2023/24 audit was subject to backstop arrangements . Consequently, we are not able to readily place reliance on opening balances which increased audit risk.

Specific materiality

- Given public interest in senior officer remuneration disclosures we set a lower materiality level for this area. We design 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 evaluate errors in this disclosure for both quantitative and qualitative factors against this lower level of materiality.
- 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 exceed the threshold we have set or would alter the bandings reported for any individual.

Reporting threshold

- We will report to you all misstatements identified in excess of £0.053 m , in addition to any matters considered to be qualitatively material.

Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Authority (£)	Qualitative factors considered
Materiality for the financial statements	1,066,770	We have calculated materiality based on 1.8% of the total expenditure set out in the 2023/24 unaudited financial statements (which equates to 1.74% of expenditure in 2024/25). It 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	640,062	We based our assessment on a number of factors that included the 2023/24 audit being back stopped, quality of working papers in prior year, extent of misstatements identified in previous years and the Council response to audit queries. Based on these factors we have set PM at 60% (where 75% is the maximum level permissible) of materiality for the Council's financial statements
Reporting threshold	53,300	The amount below which matters would be considered trivial to the reader of the accounts and equates to 5% of materiality.
Specific materiality for senior officer remuneration	30,000	Materiality is reduced for remuneration disclosures due to the sensitive nature and public interest

Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	🟠
Valuation of land, buildings and surplus assets	Significant	↔	✗	High	🟠
Valuation assumptions of the Pension Fund liabilities/asset	Significant	↔	✗	High	🟢
IFRS 16 Implementation	Other	↔	✗	Low	🟠

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

🟢 Not likely to result in material adjustment or change to disclosures within the financial statements
🟠 Potential to result in material adjustment or significant change to disclosures within the financial statements
🔴 Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed and Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We have: • Evaluated the design effectiveness of management controls over journals • Analysed the journals listing and determined the criteria for selecting high risk unusual journals • Tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. **Findings** In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included: • journals posted by senior management and users with admin access; • journals posted on the weekend over performance materiality; • material journals at year-end; • journals with a user ID of finance; • debits to creditor and debtor journals above performance materiality; • debits to property, plant and equipment in the last quarter and post year end; and • supplementary journals on a risk basis Application of these routines and supplementary procedures identified 63 journals to test. Our audit work to date has not identified any issues in respect of management override of controls. However, we have noted the Council's Head of Finance has posted and approved her own journals. Whilst we are satisfied the journals are appropriate, we have raised a recommendation that there should be adequate segregation of duties. We did identify any changes in accounting policies or estimation processes and review of key estimates has not identified any matters to bring to your attention. This is in line with our expectations.

Significant risks

Risk identified	Audit procedures performed and Commentary
The revenue cycle includes fraudulent transactions Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. We have identified and completed a risk assessment of all revenue streams for the Council. 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; • The culture and ethical frameworks of local authorities, including Pendle Borough Council, mean that all forms of fraud are seen as unacceptable.	We did not consider this to be a significant risk for the Council; we will not be undertaking any specific work in this area other than our normal audit procedures. We have: • reviewed and tested, on a sample basis, revenue transactions to supporting evidence, ensuring the correct accounting treatment and that it remains appropriate to rebut the presumed risk of revenue recognition; • designed and completed appropriate audit procedures to ascertain the recognition of income is in the correct accounting period using cut-off testing; and • evaluated the Council's accounting policy for revenue recognition for appropriateness. **Findings** Our audit plan confirmed that we considered it appropriate to rebut the fraud risk in relation to revenue and this remains appropriate. Whilst revenue recognition was not identified as a significant risk, we have carried out procedures and tested material revenue streams to gain assurance over this area and evaluated that it remained appropriate to rebut the presumed risk of revenue recognition. Our audit work to date has not identified any instances of fraudulent revenue recognition or inaccurate cut-off of revenue recorded around the year end.

Significant risks

Risk identified	Audit procedures performed and Commentary
The expenditure cycle includes fraudulent transactions Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies. We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is no significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.	As we did not consider this to be a significant risk for the Council, we did not undertake any specific work in this area other than our normal audit procedures. We have : • Reviewed and tested, on a sample basis, expenditure transactions, ensuring the correct accounting treatment and that it remains appropriate to rebut the presumed risk of expenditure recognition • Designed and carried out appropriate audit procedures to ascertain the recognition of expenditure is in the correct accounting period using cut-off testing. **Findings** Our audit plan confirmed that we considered it appropriate to rebut the fraud risk in relation to expenditure and this remains appropriate. Whilst expenditure recognition was not identified as a significant risk, we have carried out procedures and tested material expenditure streams to gain assurance over this area and evaluated that it remained appropriate to rebut the presumed risk of expenditure recognition. Our audit work to date has not identified any instances of fraudulent expenditure recognition or inaccurate cut-off of expenditure recorded around the year end.

Significant risks

Risk identified	Audit procedures performed and Commentary
Valuation of land and buildings and surplus assets The Council revalues its land and building on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of numbers involved, and the sensitivity of this estimate due to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified the closing valuation of land, buildings and surplus assets are a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • Evaluated the competence, capabilities and objectivity of the valuation expert • Written to the valuer to confirm the basis on which the valuation was carried out • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • Tested revaluations made during the year to see if they were input correctly into the Council's asset register • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. • For all assets not formally revalued, evaluated the judgement made by management or others in determination of current value of these assets. Our work to date has not identified any material adjustments or significant findings related to the valuation of land and buildings. We are satisfied that management's judgements are appropriate and have been determined using a consistent methodology. During the audit process the Council performed a reconciliation between CPM (formlerly Techforge) and the asset register to identify discrepancies between the systems. This identified a number of adjustment to the PPE note included £500k which was included as a disposal but only part of the asset was disposed. Our work on disposals also identified assets which were disposed of in 2023/24 but were not included in the PPE note in 2023/24. These have been recorded as disposals in 2024/25 and as the NBV of the asset is not material a prior period adjustment is not required. We have raised a recommendation for the reconciliation process to be incorporated into future audits and as part of the closedown process. We have made a recommendation in previous years that assets be revalued as at the year end, however, assets are still revalued as at 1 April 2024 with no work performed by management to assess whether there has been any movement in value between 1 April and the year-end. Furthermore, no evidence has been provided to support managements assessment to confirm these assets are materially correct. These recommendations have been included in our Audit Findings Report for the previous 5 years. If not implemented going forward we will continue to charge the Council additional fees in relation to the additional work this generates for the audit.

Significant risks

Risk identified	Audit procedures performed and Commentary
Valuation of the pension fund liabilities/asset The Council's pension fund net defined benefit balance, as reflected in its balance sheet, represents a significant estimate in the financial statements. The pension fund balance is considered a significant estimate due to the size of the numbers involved, and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of 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). We have therefore concluded that, there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. 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 , salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. Our consulting actuary has indicated that a +/-0.1% change in the discount rate, inflation or salary increase would have approximately +/-1.5% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS19 estimate due to assumptions used in their calculation. With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net balance 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 pension fund net balance 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 Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability component; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as the auditor's expert) and performing any additional procedures suggested within the report; evaluate the Council's assessment of IFRIC 14 (if applicable) and • obtained assurances from the auditor of 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 Lancashire Pension Funds financial statements. Continued over the page.

Significant risks

Risk identified	Audit procedures performed and Commentary
Valuation of the pension fund liabilities/asset continued	Our review of the processes and controls in respect of pensions and the instructions issued by management identified no issues, nor did our assessment of the competence, capability and objectivity of the actuary. We also confirmed the accuracy and completeness of the information provided by the Council to estimate the liability. We challenged the actuary's assumptions and used our auditor's expert (PWC) to provide expert input on the assumptions that had been used. Page 27 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability. We have reviewed the IAS19 assurances from the auditor of Lancashire Pension Fund and have not identified any issues. Our audit work has not identified any matters to bring to your attention and we have gained assurance that the IAS 19 pension net liability has been appropriately accounted for and disclosed within the financial statements.

Other risks

Other risks are, in the auditor's judgement, those where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for another risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgemental, or unusual in relation to the day-to-day activities of the business.

Risk identified	Key observations
IFRS 16 implementation From the adoption by local government of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees. IFRS 16 has preserved the distinction between finance and operating lease accounting for lessors. In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called "peppercorn" rentals. This is one instance where the right of use asset and its' associated liability are not initially recognised at the same value. Key judgements include • determining what is deemed to be a low value lease. This is based on the value of the underlying asset when new and is likely to be the same as the Council's threshold for capitalising owned assets; • determining whether an option to terminate or extend the lease will be exercised. This is important as it affects the lease term and subsequently the calculation of the lease liability based on the expected payments over the lease term; and • the valuation of the right of use asset after recognition. An expert valuer may be required to support management in this. We have therefore identified completeness of the identification of relevant leases and valuation as a risk	We have • reviewed the Council's IFRS16 implementation processes to identify relevant transactions such as peppercorn leases and leases that have "rolled over" at the end of the term; • reviewed the proposed accounting policy; • reviewed the reconciliation of 31/03/2024 IAS17 operating lease commitment disclosure to 01/04/24 IFRS16 lease liabilities; and • assessed how leases with options to extend or terminate have been identified and the likelihood of these options to be exercised The implementation of IFRS 16 has resulted in £0.863m of Lease liabilities and £1.061m Right of Use Assets recognised on the balance sheet in respect of former operating leases. The difference of £0.198m between the two values are due to peppercorn leases (where the Council has the right to use assets, but negligible liability associated with those rights). From our work completed to date, we have noted the Council have not completed a reconciliation which explains the difference between the operating lease commitments disclosed applying IAS17 at the end of the annual reporting period immediately preceding the date of initial application and the Lease liabilities recognised in the Balance Sheet at the date of initial application. The Council are currently completing this. Continued over the page

Other risks Continued

Risk identified	Key observations
IFRS 16 implementation (continued)	We have noted a number of presentation and disclosure issues: • the opening balance adjustment was not restated in the accounts The Council are amending the disclosure to clearly show the initial recognition of IFRS16; • lease liability was not shown separately on the Balance Sheet but included within borrowings. • the interest expense has not been separately disclosed in the lease liability note; • the Council did not disclosure the incremental borrowing rate applied to the lease liabilities at initial measurement; • our review of the lease liability maturity analysis identified the current portion and non-current portion was not adequately separated. In assessing the appropriateness of the accounting policy applied for IFRS 16, it was noted that low value assets were included as part of the accounting policy. However, the Council did not apply this in the current year but will do so in the following year. The accounting policy did not include peppercorn leases while they were included as part of the population in the lease register. The accounting policy has been amended for this. We have also undertaken procedures to confirm the accuracy and valuation of the right of use assets and the lease liability. We identified 2 errors where the interest rate was not compounded monthly. This resulted in an understatement of £125k in the balance sheet for both the right of use assets and the lease liability and an equivalent overstatement in the CIES. The Council have reviewed the two remaining assets and the impact of these is trivial. The adjustment is included on page 35 We have also reviewed the Councils procedures on completeness of leases and undertaken our own procedures. This identified some further leases which were not initially included in the lease register. The Council are reviewing these and will amend the accounts accordingly.

Other findings

Other findings – key judgements and estimates

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings and Surplus assets £11,930k at 31 March 2025	Other land and buildings revalued comprises £3,580k 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 of other land and buildings (£8,351k) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Authority has engaged an internal valuer to complete the valuation of properties as at 1 April 2024 on a five yearly cyclical basis. 23.2% of total assets were revalued during 2024/25. 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 51.155m, a net increase of 5.227m from 2023/24 (45.928m). This was largely due to the acquisition of Pendle Shopping Centre at a cost of £3.595m.	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 years. 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 each year 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.	Amber We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

Assessment:

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Amber] 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
- [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of net pension liability/asset £2.176m at 31 March 2025 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 Authority's net pension liability at 31 March 2025 is £2.176m (PY £2.538m) comprising the Lancashire Local Government. The Authority uses Mercers to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2023. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The net pension liability has decreased by £0.362m during 2024/25.	In understanding how management has calculated the estimate of the net pension liability we have: • assessed the use of management's expert • assessed the actuary's approach taken, and confirmed the reasonableness of their approach We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council. 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 the pension fund valuation: (see table below) We have examined the completeness of accuracy of the underlying information used to determine the estimate, including liaison with the auditor of Lancashire Pension Fund. We have assessed the adequacy of disclosure of estimate in the financial statements. We have not identified any changes to the valuation method. From the work completed we are satisfied with the reasonableness of the estimate and disclosures of the estimate in the financial statements.	GREEN

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.8%	5.70% - 5.90%	Reasonable
Pension increase rate	2.7%	2.60% - 2.70%	Cautious
Salary growth	4.1%	3.1% to 5.1%	Optimistic
Life expectancy – Males currently aged 45/65	22.3 21.1	21.1 – 23.2 20.8 – 22.0	Reasonable
Life expectancy – Females currently aged 45/65	25.4 23.6	25.2 – 26.1 23.5 – 24.3	Reasonable

Other findings – Information Technology

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

			ITGC control area rating			
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**	**Related significant risks/other risks**
Civica Financials	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	None
Techforge	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	None

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
- ● [Black] Not in scope for assessment

Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	• We have previously discussed the risk of fraud with the Accounts and Audit Committee and 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 page 55.
Confirmation requests from third parties	• We requested from management permission to send confirmation requests to the Authority's banking and treasury partners for the current year and prior year. This permission was granted and the requests were sent. Positive confirmations were received from all parties.
Disclosures	• Our review found omissions to the disclosures in the financial statements however amendments have been made for this see page 36 for further details.
Audit evidence and explanations	• All information and explanations requested from management was provided.

Other responsibilities

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 2024). 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 Authority'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 Authority 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 Authority and the environment in which it operates • the Authority's financial reporting framework • the Authority'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; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

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. 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 ‘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.
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. We have nothing to report on these matters.

Other responsibilities

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 Authority does not exceed the threshold.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2024/25 audit of Pendle Borough Council in the audit report, as detailed in Appendix H, due to not having received confirmation from the NAO that the group audit (Whole of Government Accounts) has been certified by the C&AG.

Audit adjustments

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.

We will provide an update to management and the Audit Committee should any issues be identified from the remaining testing.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Leases In calculating the lease liability we noted the interest rate was not compounded monthly	-125	ROU Dr 577 Lease Liability Cr 452 Cash Cr 125	-125	£0
The lease liability should also be disclosed separately on the balance sheet.		Dr Borrowing 863 Cr Lease Liability 863		
PPE disposals – The Council disposed of the full asset, however only part of the asset was disposed off.		PPE Dr500 Unusable reserves Cr 500		
PPE additions – The Council included recoverable VAT within PPE additions		PPE Cr 55 Debtors Dr 55		
Overall impact	-125	0	-125	0

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	Misclassification or change identified	Adjusted?
Note 12 Property, plant and equipment	Our review of disposals identified VPE revaluations and disposals incorrectly noted (see separate global action for disposals)	TBC
	IFRS 16 transition opening balances restatements were shown as an addition and not as a cumulative opening balance restatement.	TBC
	11 additional leases have been identified of which 10 of these leases were identified through the land registry and 1 was through the Keyword search general ledger review testing which have not been included in the Council accounts. The Testing is still in progress, and the amount impact is still to be confirmed.	TBC
Capital Commitments	The note has been adjusted by £148k to remove non-capital commitment items.	TBC
Note 28 Expenditure and Income Analysed by Nature	Both gross expenditure and gross income include support service recharges of expenditure £150 and income of -£150 which is included in the total support service recharge income amount of £262k. This service recharges will be eliminated and removed from the CIES. The remaining part of the support service recharge income which amounts to £112k pertain to income which are not recharges and an adjustment has been to include them in the correct heading.	TBC
Note 29 Officers remuneration	Disclosure was added to confirm the remuneration band table includes all employees. Additional narrative was added to show the start date for the Head of Property and Engineering.	TBC
Note 31 External Audit Costs	The note has been amended to correctly reflect the refund for 2023/24, remove items which are not in relation to external audit fee and updated the fee for grant certification.	TBC
Note 33 Related Party Disclosure	Our review of the related party evidence noted a related party was incorrectly disclosed. This resulted in a net understatement of £138k.	TBC

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	Misclassification or change identified	Adjusted?
Leases	Additional disclosure are to be made to disclose the interest expenditure and incremental borrowing rate applied. The maturity analysis has been amended to disclose the current and non current portion.	TBC
Throughout	A number of immaterial accounting policies and disclosures have been included in the financial statements. These should be removed to avoid obscuring material information within the financial statements.	TBC

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our 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	**Revaluation** 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 This recommendation has been made for the previous 5 years.	We recommend the Council revalues assets as at 31 March or provide a formal assessment to confirm the value as at 1 April remains at year end. **Management response** Our RICS qualified valuers work to the RICS Valuation Global Standards (Red Book) in which it explicitly states that forward dated valuations are not acceptable for financial reporting purposes. For 2024–2025, the Valuer has confirmed that no material movements were identified which would give rise to a material misstatement between the valuation date and the year end. Going forward to strengthen the audit trail, management will formally retain: • A year-end valuation review note from the valuer consideration of market movements and asset-specific risks (i.e. information from CoStar on market movement evidence) • Supporting evidence referenced in that review, including market commentary and comparable summaries where relevant This documentation will support management's assessment in future audits. Management considers this a proportionate response that provides sufficient evidence without incurring the additional cost of full year-end revaluations. **Auditor note** – we are not recommending that the Council carry out forward dated valuations, we are recommending valuations are conducted as at 31 March as is the case with the majority of local authorities. If the Council does not adopt this, the risk is that the value of land and buildings are materially misstated at the year end. By not adopting this recommendation the Council are accepting that risk and the associated implications.

Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

Action plan Continued

Assessment	Issue and risk	Recommendations
Medium	**PPE Reconciliation** The Council disposed of several assets in 2023/24 however the disposals were not included in the PPE note in the prior year. These have been included in 2024/25. The Council partly disposed of an asset but disposed the full value of the asset in the asset register.	We recommend the Council reconciles CPM (Techforge) to the fixed asset register as part of the close down process. **Management response** The Council will improve its reconciliation of the fixed asset register going forward.
Medium	**Cash** Our review of the 2023/24 bank reconciliation identified the bank balance was overdrawn as such the balance should have been recorded in current liabilities.	We recommend the Council reviews the bank balance at year end to confirm if its correctly stated. **Management response** This was an oversight and going forward if the bank reconciliation indicates the balance is overdrawn it will be recorded as a liability.
Medium	**Cyber Security Policy** The Council do not have a formal documented policy in place. This should be completed and include at least the following : asset management, threat and vulnerability management, access management (including privileged access), data protection, security logging and monitoring, comprehensive backups for all critical systems, and incident/breach detection and response. Although the Council has controls in place which adhere to this it should be documented.	We recommend the Council have a formal Cyber Security Policy in place **Management response** The Council is currently reviewing its individual IT policies which includes a formal Cyber Security Policy, this is due to be finalised by the end of February 2026. Throughout 2024/25 the Council had an Information Security Handbook in place that encompassed all its IT policies including Cyber Security.
Medium	**Journals testing** Our review of journals identified the Head of Finance has posted and self authorised these journals. Although these journals are appropriate there should be adequate segregation of duties.	We recommend the head of finance does not post any journals and journals should be authorised by another member of finance. **Management response** The Council accepts that this should not happen and will endeavor to avoid this going forward. The Council has adequate segregation of duties in place, however due to the size of the team this is very occasionally unavoidable.

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan Continued

Assessment	Issue and risk	Recommendations
● Medium	**Opening balances** The Council posts a journal for opening balances in period 1. Moving forward, the Council should input the opening balances in period 0 so they can be seen as opening balances on the trial balance.	Opening balances should be transferred in period 0 so they can be seen as opening balances. **Management response** This will be implemented going forward.
● Low	**Related Party Transactions** Two Directors of the Council officers did not complete their declaration of interests. We have reviewed companies house and are satisfied no additional disclosures are required.	Officers should be reminded of the requirement to make all disclosures and a copy of the online register to be maintained. **Management response** In regard to the two individuals referred to, one had left the Authority and the other was on long term sick leave. Going forward the Council will ensure where appropriate declaration of interests will be completed as part of the exit process

Follow up of prior year recommendations

In our 2024-25 Audit Plan we provided an update on issues identified and reported in the 2022-23 Audit Findings Report given the 2023-24 audit was backstopped. Set out below are those prior year recommendations where our assessment was that implantation of required actions by Management were still in progress.

We have followed up on the implementation of our recommendations. There are 8 items marked as in progress in the 2024-25 Audit Plan of which 4 have been actioned and 4 remain outstanding.

Audit Year	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
2022-23	✓	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 of errors were trivial. The council should conduct a review of its leases listing in order to prevent discrepancies.	Review of leases has been undertaken with the application of IFRS16 in 2024/25 Accounts.
2022-23	✓	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 to identify any further assets that have been disposed of but not written out of the register.	The Council have completed a review of assets and this is reflected in the PPE note. Reconciliation with CPM (previously Techforge) has been completed
2021-22	X	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. Documentation should be provided for the audit process to demonstrate this review.	No indicators of impairment have been identified however no documentation has been provided to confirm this.
2020-21	X	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	Assets continue to be valued at 1st April Market conditions are reviewed quarterly by property team for any significant changes to be considered however these remain to be undocumented.

Follow up of prior year recommendations

Audit Year	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
2020-21	X	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.	No work has been completed on assets not revalued.
2020-21	X	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 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.	We identified 4 surplus assets, with a total NBV of £400k have not been revalued in 2024/25.
2020-21	X	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.	The Council have amended the policy to depreciate assets for a full month in the month of acquisition and not when they are put in use. However this has not been applied.
2020-21	✓	Assets revalued in year have a valuation date of 01/04/2021 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 remaining of the year. The current depreciation policy does not comply with Code requirements and that there is a risk over time depreciation will become increasingly misstated.	Depreciation calculations within FAR have been updated to reflect this from 2023/24

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our draft AAR accompanies this audit findings report.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we have identified four significant weaknesses in arrangements. Our Auditor's Annual Report includes further details.

Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context there are no independence matters that we would like to report to you.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority 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 Authority 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 Authority or 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 and the Authority.
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 Authority, senior management or staff that would exceed the threshold set in the Ethical Standard.

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.

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). We have no matters to disclose.

- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

FY2026/27 and FY2026/27 marks Georgia Jones' Year 6 and Year 7 of involvement as Engagement Lead in this engagement. In light of the anticipated local government reorganisation, which will result in the Council's dissolution in FY2027/28, we believe her continued involvement is essential to ensure continuity and uphold audit quality.

We consider that an objective, reasonable and informed third party would concur the safeguards to be put in place such as the involvement of Value-for-Money experts and PSA Partner Led Panel discussions are sufficient and appropriate to mitigate the familiarity threat arising from Georgia's extended tenure. Therefore, this would not have impact on our independence. Furthermore, this rotation extension has already been approved by the PSAA.

Fees and non-audit services

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the current date, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

No non audit services are provided to the client.

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Pendle Borough Council.

The additional fees are to be discussed with management and require approval by PSAA before they can be invoiced to the Council.

Audit fees	£
PSAA Scare Fee	142,185
Testing of housing benefits	8,000
IFRS 16	8,000 (TBC)
Revaluation of assets as at the 1 April	3,000
Total	£163,185

Fees and non-audit services

Total audit and non-audit fee		
Audit fee – PSAA Scale Fee	£142,185	Non-audit fee (for grant certification work)
Testing of housing benefits	£8,000	
IFRS 16	£8,500 (TBC)	
Revaluation of assets as at the 1 April	£3,000	
Total	£161,685	

The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- fees per financial statements £105,385
- prior audit year credit £60,000
- 2024/25 Housing Benefit fee payable to KPMG (£23,200)
- 2024/25 Est additional fees to be agreed £19,500
- total fees per above £161,685

This covers all services provided by us and our network to the Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Appendices

A. Communication of audit matters with 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 matters in relation to going concern	●	●
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
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		●

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

Our team and communications

Grant Thornton core team

Georgia S Jones

Engagement Lead/
Key Audit Partner

- Key contact for senior management and the Accounts and Audit Committee
- Overall quality assurance

Dipesh Patel and Sophia Iqbal

Audit Manager

- Audit planning
- Main contact for the finance team
- Project and Resource management of the delivery of the audit
- Performance management reporting

Simbongile Sibiya

Audit In-charge

- Audit team management
- Day-to-day point of contact
- Audit fieldwork

Amber J Mackenzie - Banister

VFM Lead

- Value for Money (VFM) planning
- Main contact for the review of VFM arrangements
- Development of the VFM commentary in the Auditor's Annual Report

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	• Regular meetings with the Head of Resources	• The Audit Plan • Audit Progress and Sector Update Reports • The Audit Findings Report • Auditor's Annual Report on VFM	• Audit planning meetings • Audit clearance meetings • Communication of issues log	• Technical updates
Informal communications	• Open channel for discussion		• Communication of audit issues as they arise	• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

Logistics

The audit timeline

Key Dates

Year end:

31 March 2025

Accounts and Audit committee:

July 2025

Close out meeting: December 2025

Accounts and Audit Committee: January 2026

Sign off:

February 2026

Audit phases:

Planning & Interim

March – April 2025

Key elements

- Planning meeting with management to set audit scope
- Planning requirements checklist to management
- Agree timetable and deliverables with management and Accounts and Audit Committee
- Issue the Audit Plan to management and the Accounts and Audit Committee in July 2025
- Document design effectiveness of systems and processes

Final

October to December 2025

Key elements

- Audit team to complete fieldwork and detailed testing
- Weekly update meetings with management

Key elements

- Draft Audit Findings issued to management
- Audit Findings meeting with management
- Draft Auditor's Annual Report on VFM issued to management
- Reports issued for inclusion in Accounts and Audit Committee Papers

Completion

December 2025

Key elements

- Audit Findings (ISA260) Report presented to Accounts and Audit Committee
- Auditor's Annual Report on VFM presented to the Accounts and Audit Committee

D. Management letter of representation

We have requested a letter of representation from management.

To follow

E. Audit opinion

The opinion will be modified to disclaim the opening balances following the backstop of the 2023/24 financial statements.

To follow