

The Audit Findings for Blackburn with Darwen Borough Council

Year ended 31 March 2014

12 September 2014

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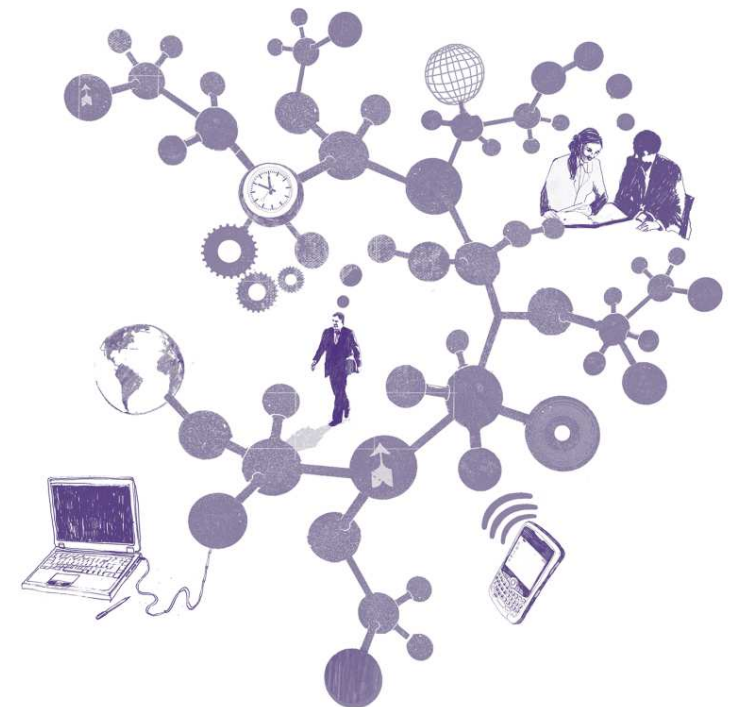
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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify.

We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Section 1: Executive summary

01. Executive summary

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We anticipate providing an unqualified opinion on the financial statements, and an unqualified value for money conclusion.

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Blackburn with Darwen Borough Council's ('the Council') financial statements for the year ended 31 March 2014. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 15 April 2014. Our audit is substantially complete although we are finalising our work in the following areas:

- Review of the final version of the financial statements;
- Obtaining and reviewing the final management letter of representation;
- Updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts.

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

As at 12th September 2014, and subject to the completion of the outstanding work described above, we expect to issue an unqualified opinion on the Council's financial statements.

The financial statements show gross expenditure of £438.2m, net assets of £118.4m and a general fund balance of £12.8m. We have not identified any adjustments affecting the Council's reported financial position. Officers have made some minor adjustments to improve the presentation of the financial statements as a result of the audit.

The key messages arising from our audit of the Council's financial statements are:

- No significant issues were identified;
- The accounts were well prepared and presented;
- The Council provided good quality working papers at the start of the audit and further working papers were produced as required during the audit.
- Finance staff were available throughout the audit to answer our questions promptly and provided additional information in a timely manner.

Further details are set out in section 2 of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VFM conclusion. Overall our work highlighted that the Council has good arrangements in place to secure financial resilience, and proper arrangements in place for challenging how it secures economy, efficiency and effectiveness.

Further detail of our work on Value for Money is set out in section 3 of this report and we have issued a separate value for money for report that sets out in detail our assessment of the arrangements in place. This report has been agreed with officers and an action plan is in place.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable.

Controls

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

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 any control weaknesses, we report these to the Council.

Our work has not identified any significant control weaknesses. However, we identified a small number of areas where IT arrangements can be further strengthened. Further details are provided within section 2 of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Finance.

Acknowledgment

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

Grant Thornton UK LLP
September 2014

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non audit services and independence

05. Communication of audit matters

We have not identified any adjustments affecting the Council's financial position and we are expecting to issue an unqualified opinion on the financial statements

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 15 April 2014. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 15 April 2014

Audit opinion

We anticipate that we will provide the Council with an unmodified opinion. Our audit opinion is set out in Appendix A.

Key findings

The Authority submitted its financial statements for audit by the deadline of 30 June 2014. The draft accounts were prepared to a good standard and were supported by clear working papers.

Our audit work identified a small number of disclosure amendments which would improve the overall disclosure in the financial statements. The most significant issue relates to Property Plant and Equipment (PPE) revaluations and the inclusion of a post balance sheet event.

Property, Plant and Equipment (PPE)

The Council re-values its property portfolio on a rolling five year basis. For those assets not formally re-valued in the year, officers completed a desk – top review to determine whether the carrying value did not differ materially from the value included in the accounts. This review demonstrated that the valuation of assets not re-valued in year has not materially changed. We are satisfied that the outcome of this process is reasonable. To enhance the Council's current arrangements, consideration should also be given to formalising the discussions held with the Council's external valuers to provide an independent assessment of the change in overall asset values for asset categories not re-valued in year.

Post Balance Sheet Event – non adjusting

Prior to 31 March 2014 the governing bodies of two schools (St Luke & St Philips Primary and Witton Park High) decided to convert from local authority maintained schools to academy status effective from 1 May 2014. Consequently, the two schools will be written out of the asset register of the Council. Witton Park High School was built under the Building Schools for the Future (BSF) programme and financed by the Private Finance Initiative. Accordingly, the outstanding PFI liability will remain on the Balance Sheet of the Council. We agreed with Officers that disclosure was required in the 2013/14 financial statements to set out the financial impact of this decision as the values involved are significant.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<p>We considered whether the presumed risk of fraud due to improper recognition of revenue applied for the audit of Blackburn with Darwen Borough Council. we have undertaken and completed the following:</p> <ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Our audit work has not identified any issues in respect of improper revenue recognition.</p>
2.	<p>Management override of controls</p> <p>Under ISA 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> • Review management's approach to the use of estimates, judgments a when preparing financial statements. • Reviewed unusual significant transactions up to and beyond the year-end. • Testing of material journal entries. 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. For each risk identified, we have documented our understanding of processes and key controls over the transaction cycle and undertaken a walkthrough test of the key controls to assess the whether those controls are designed effectively. Having confirmed the effective design of the controls we have then carried out tailored substantive testing as set out below.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle. • Undertaken walkthroughs of the key controls to assess the whether those controls are designed effectively. • Agreed balances substantively to general ledger. • Performed cut-off tests to ensure transactions recorded in correct accounting period. • Tested a sample of creditor and accruals balances to source documents. • Tested a sample of transactions processed through the accounts payable procedures for evidence of occurrence and valuation including correct VAT treatment . 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. For each risk identified, we have documented our understanding of processes and key controls over the transaction cycle and undertaken a walkthrough test of the key controls to assess the whether those controls are designed effectively. Having confirmed the effective design of the controls we have then carried out tailored substantive testing as set out below

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Employee remuneration	Employee remuneration accrual understated	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle. • Undertaken walkthroughs of the key controls to assess the whether those controls are designed effectively. • Agreed balances substantively to general ledger. • Tested a sample of payroll payments back to staff records and timesheets to confirm existence/ occurrence and valuation. • Applied analytical techniques to compare expected payroll costs with actual. • Agreed senior officer disclosures to payroll data. • Substantively tested on costs of pensions- agreeing disclosure of pensions information as provided by the actuary. 	Our audit work has not identified any significant issues in relation to the risk identified.
Welfare expenditure	Welfare benefit expenditure improperly computed	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle. • Undertaken walkthroughs of the key controls to assess the whether those controls are designed effectively. • Reconciled figures in the financial statements to the Housing Benefits subsidy claim. • Tested a sample of housing benefit claims back to source documents to confirm occurrence and accuracy of the assessment. • Completed the required modules 2, 3, 4 and 5 of the Audit Commission/ DWP certification programme. • Reviewed statistical data provided by the DWP. 	Our audit work has not identified any significant issues in relation to the risk identified.

Audit findings against other risks

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Property, plant & equipment	PPE activity not valid	<ul style="list-style-type: none"> • Documented our understanding of processes and key controls over the transaction cycle. • Undertaken walkthroughs of the key controls to assess the whether those controls are designed effectively. • Agreed the general ledger to fixed asset register. • Agreed significant disposals and confirming any profit/ loss on sale had been calculated correctly. • Sample test of PPE additions and disposals, including compliance with capitalisation requirements. • Testing of capital expenditure to confirm adherence to the Authority's accounting policies 	Our audit work has not identified any significant issues in relation to the risk identified.
Property, plant & equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> • Confirmed valuations obtained are correctly reflected in the Authority's asset register and accounted for in the financial statements. • Reviewed of the analysis which demonstrates that the value of assets in the Council's balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. • Detailed testing of accounting entries posted to reflect valuations obtained. 	Our audit work has not identified any significant issues in relation to the risk identified.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<p>The Council's revenue recognition policies can be summarised as follows:</p> <ul style="list-style-type: none"> • Fees, charges and rents due from customers are recognised as income at the date the goods or services are provided. • Where income has been recognised but cash has not been received, a debtor is recognised. 	<p>We have reviewed the policies against the requirements of the Code of Practice on Local Authority Accounting and concluded that:</p> <ul style="list-style-type: none"> • The approach to accounting for income is appropriate and in accordance with current guidance; • the policy is being correctly applied across the Council. However, the disclosure should be extended to cover all material revenue streams including Council Tax and National Non Domestic Rate. 	<p style="text-align: center;">● Green</p>
<p>Judgements and estimates</p>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> – provisions and contingent liabilities – useful life of capital equipment – pension fund valuations and settlements – revaluations – Impairments – PPE valuations. 	<p>We have reviewed the judgements and estimates against the requirements of the Code of Practice on Local Authority Accounting and concluded that:</p> <ul style="list-style-type: none"> • Where the Council has made judgements or estimates in the financial statements these have been supported with robust methodologies and clear explanation of the assumptions applied. 	<p style="text-align: center;">● Green</p>

Assessment



● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Judgements and estimates - PPE</p>	<p>Pages 86-87 of the accounts sets out the Council's accounting policy for the measurement of asset valuations.</p> <p>Set out on Page 38 of the accounts is details of the rolling programme of revaluations undertaken by the Council over the required 5 year period.</p> <p>This approach is similar to many other authorities.</p>	<p>We have reviewed the judgements and estimates against the requirements of the Code of Practice on Local Authority Accounting.</p> <ul style="list-style-type: none"> Where the Council has made judgements or estimates in the financial statements these have been supported with appropriate methodologies and clear explanation of the assumptions applied. Disclosure of judgements and estimates is considered appropriate. <p>We reviewed the Council's asset valuation arrangements and confirmed that the valuation of PPE was not materially mis-stated.</p> <p>However, Paragraph 4.1.2.35 of the Code (which is based on IAS 16 Property, Plant and Equipment), permits a class of assets to be revalued on a rolling basis provided that:</p> <ul style="list-style-type: none"> the revaluation of the class of assets is completed within a 'short period' the revaluations are kept up to date. <p>We would normally expect this 'short period' to be within a single financial year. This is because the purpose of simultaneous valuations is to 'avoid reporting a mixture of costs and values as at different dates'. This purpose is not met where a revaluation programme for a class of assets straddles more than one financial year.</p>	<p style="text-align: center;"> Green</p>
<p>Other accounting policies</p>	<ul style="list-style-type: none"> We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards. 	<p>Our review of accounting policies has not highlighted any issues which we wish to bring to your attention</p>	<p style="text-align: center;"> Green</p>

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate and disclosures sufficient
- Accounting policy appropriate but scope for improved disclosure

Adjusted and unadjusted misstatements

We have not identified any issues that have required adjustments to the final set of the financial statements

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. 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.

As part of our planned programme of work on internal controls, our information system specialist team undertook a high level review of the general IT control environment at the Council. We are pleased to report that no significant issues arose from our work although we did identify a small number of areas where the Council's existing IT arrangements can be further developed. The issues and an action plan was shared with the Head of IT service and support and a response had been received.

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed
6.	Going concern	<ul style="list-style-type: none"> Our work has not identified any reason to challenge the Council's decision to prepare the financial statements on a going concern basis.

Section 3: Value for Money

01. Executive summary

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05. Communication of audit matters

We propose to give an unqualified VFM conclusion

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VFM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have considered the Council's arrangements to secure financial resilience against the following themes:

- Key financial performance indicators
- Financial governance
- Financial planning
- Financial control

Our review found that the Council has effective arrangements in place to deliver financial resilience. The Council set a balanced budget for 2013/14 that included the need to achieve £13.1 million of savings alongside a provisional balanced budget for 2014/15 that identified further savings of £16 million.

The Council has a detailed Medium Term Financial Strategy 2014 – 17 in place that reflects the required financial position and is based on sound principles and assumptions. We noted that the forecast financial position is regularly reported to Members with effective financial control procedures in place.

It is clear that significant challenges remain for the Council because the identification and securing of required savings is becoming increasingly difficult. The Council recognises that all services need to be reviewed to consider how they are provided and who provides them

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council is continuing its focus on medium to long term priorities through its Business Plan and looks for ways to provide services differently while securing those priorities.

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014 .

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

Risk area	Summary observations	High level risk assessment
<p>Key Indicators of Financial Performance</p>	<p>The Council's 2013-14 revenue outturn position was an overspend £1.161 million following a £10.275 million contribution to reserves. There was an underspend of £7.935 million against the updated planned capital programme of £60.027million with the 2014/15 capital programme amended for this slippage.</p> <ul style="list-style-type: none"> • Overall, the Council's level of general fund balances increased to £12.763 million. This equates to 9% of the Council's net expenditure (2013-14) and helps provide cover for known future financial risks; • Although the Council's working capital ratio has reduced from 1.19 in 2007-08 to just over 0.92 in 2013-14, it remains within acceptable levels; • The Council's long term borrowing as a percentage of tax revenue has increased by 48.6 % to 1.56 at 31 March 2013. This is a consequence of the increased PFI liability and is not indicative of a wider problem with borrowing levels; • The Council achieved a collection rate of 96.03% for Council Tax (97.01% in 2012/13) and 97.3% for NNDR (97.1% in 2012/13). There were slightly below the Council's long term targets for each of 96.5% and 98% respectively; and • The Council target for working days lost to sickness absence per Full Time Equivalent (FTE) was 8 days for both 2012/13 and 2013/14. Actual sickness absence per FTE in 2012/13 was 11.35 days and decreased to 9.95 days in 2013/14. The current figure of 9.95 days remains higher than the average for all local government bodies of 8.8 days in 2012/13. 	<p>Green</p>

Risk area	Summary observations	High level risk assessment
Strategic Financial Planning	<p>The Council updated the Medium Term Financial Strategy (MTFS) in March 2014 to cover the period 2014-2017. This strategy is subject to regular review by Members and is updated appropriately. .</p> <p>The current strategy is predicated on significant further savings being required . Some £63 million of further budget reductions are required by the end of 2016/17.</p> <p>The MTFS continues to build on the achievements of the Transformation Programme Board and Transformation Team that helped oversee the delivery of the savings required by 2013/14. The scale of further savings identified in the MTFS will require these arrangements to be continued in future years.</p>	Green
Financial Governance	<p>The Council continues to have sound financial governance arrangements in place. Members and Officers have an appropriate focus on the financial management process. The Council has effective budget monitoring and reporting arrangements in place so that variances are identified and reported to Members alongside the planned corrective actions. The Audit Committee provides adequate challenge on financial and governance issues.</p>	Green
Financial Control	<p>The Council continues to have a robust approach to financial and performance management. This has helped to control spending and achieve the savings required to date. The Head of Internal Audit opinion in 2013/14 concluded the Council has adequate systems of risk management, control and governance in place and that these are being applied to an adequate standard.</p> <p>Robust risk management arrangements are in place and have contributed to the delivery of the planned savings programme.</p>	Green
Prioritising Resources	<p>Members and the Senior Management Team of the Council have demonstrated a clear understanding of the scale of the challenge needed to reshape the Council to ensure resources are prioritised and spending reductions achieved.</p> <p>Prior year savings targets have been achieved, a balanced budget has been set for 2014/15 and plans are in place to identify the required savings in 2015/16 and beyond.</p>	Green
Improving Efficiency & Productivity	<p>The Council has a good understanding of its comparative costs and has made effective use of benchmarking to help challenge performance and deliver vfm.</p> <p>The Council has met the challenge of delivering significant savings and has recognised that the achievement of future savings will depend on continued success in reprioritising services, including considering who will provide certain services going forward.</p>	Green

Section 4: Fees, non audit services and independence

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There are no significant facts or matters that impact on our independence as auditors

Fees, non audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	136,049	Note 1 - 137,119
Grant certification	25,000	Note 2 20,551
Total audit fees	161,049	157,670

Note 1 - There is an additional fee of £1,070 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for borough councils and is subject to agreement by the Audit Commission.

Note 2 - At the time of setting the grant certification fee it was anticipated that we would be required to certify the following claims:

- Housing and Council Tax Benefit: The revised fee for grant certification covers a revised fee for this claim now that it no longer covers council tax benefit.
- Teachers' Pension Claim: This will no longer come under the Audit Commission regime and will be subject to a separate review with the fee being classed as 'Fees for other services'.

Fees for other services

Service	Fees £
Regional Growth Fund (Accelerated Business Growth & FUSE)	7,500

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

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We have delivered our audit in accordance with planned timescales and the requirements of Auditing Standards. We expect to give our opinions by the statutory deadlines.

Communication of audit matters to those charged with governance

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

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

	Audit Plan	Audit Findings
Our communication plan		
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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
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	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKBURN WITH DARWEN BOROUGH COUNCIL

Opinion on the Authority financial statements

We have audited the financial statements of Blackburn with Darwen Borough Council for the year ended 31 March 2014 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and Collection Fund and the related notes. 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 2013/14.

This report is made solely to the members of Blackburn with Darwen Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. 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.

Respective responsibilities of the Director of Finance and auditor

As explained more fully in the Statement of the Responsibilities, the Director of Finance 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, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Finance; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Blackburn with Darwen Borough Council as at 31 March 2014 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- we designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

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

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

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2013, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2013, we are satisfied that, in all significant respects, Blackburn with Darwen Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2014.

Certificate

We certify that we have completed the audit of the financial statements of Blackburn with Darwen Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Karen Murray
Director for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester M3 3EB
24 September 2014

Appendix B: Letter of Representation

Grant Thornton UK LLP
 4 Hardman Square
 Manchester
 M3 3EB
 23 September 2014

Dear Sirs

Blackburn with Darwen Borough Council

Financial Statements for the year ended 31 March 2014

This representation letter is provided in connection with the audit of the financial statements of Blackburn with Darwen Borough Council for the year ended 31 March 2014 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities for the preparation of the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in Great Britain ("the Code") as adapted for International Financial Reporting Standards; in particular the financial statements give a true and fair view in accordance therewith.
- We have complied with the requirements of all statutory directions and these matters have been appropriately reflected and disclosed in the financial statements.
- We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- We are satisfied that the material judgements used by us in the preparation of the financial statements are soundly based, in accordance with the Code, and adequately disclosed in the financial statements. There are no further material judgements that need to be disclosed.

- We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme liabilities for IAS19 disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant retirement benefits have been identified and properly accounted for.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- We have not adjusted the misstatements brought to our attention in the Audit Findings Report, as they are considered to be immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- We have communicated to you all deficiencies in internal control of which management is aware.

Appendix B: Letter of Representation

- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you the entity of the Council's related parties and all the related party relationships and transactions of which we are aware.

Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS

Approval

The approval of this letter of representation was minuted by the Council's Audit and Accounts Committee at its meeting on 23 September 2014.

Signed on behalf of the Council

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....



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