Grant Thornton

Audit Findings

Year ending 31 March 2018

Blackburn with Darwen Borough Council

23 July 2018

Contents

Your key Grant Thornton team members are:

John Farrar
Associate Director
T: 0161 234 6384
E: john.farrar@uk.gt.com

Thilina De Zoysa
Manager
T: 0113 200 1589
E: Thilina.De.Zoysa@uk.gt.com

John Cangley
In charge auditor
T: 0141 223 0689
E: john.d.cangley@uk.gt.com

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.

Headlines

This table summarises the key issues arising from the statutory audit of Blackburn with Darwen Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

Financial Statements	Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion: • the Council's financial statements give a true and fair view of the Council's financial position and Council's expenditure and income 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 Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed on site during July. Our findings are summarised on pages 4 to 14. There are no adjustments to the financial statements that have impacted the Statement of Comprehensive Income and Expenditure. Audit adjustments are detailed in Appendix C. We have also raised five recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 24 July 2018. These outstanding items include: • receipt of signed management representation letter; and • review of the final set of financial statements. • Other minor outstanding queries from the management in relation to less significant account balances We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with our knowledge of your organisation and with the financial statements we have audited.
Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion: • the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion')	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Blackburn with Darwen Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 15 to 17.
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 • certify the closure of the audit	We have not exercised any of our additional statutory powers or duties. We have completed the majority of work under the Code. We expect to be able to certify the conclusion of the audit once we have completed our review of the Council's Whole of Government Accounts return (NAO deadline 31 August 2018). Further details are noted on page 14.

Acknowledgements

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.

Summary

Overview of the scope of our audit

- This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management
- 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.

Audit approach

- Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:
  - an evaluation of the Council's internal controls environment; and
  - substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion as detailed in Appendix E.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality determination summarised below remains the same as per our audit plan reported to the Accounts and Audit Committee on 20 March 2018.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	7,988,000	Considered to be the level above which users of the accounts would wish to be aware in the context of overall expenditure.
Performance materiality	5,991,000	Assessed to be 75% of financial statement materiality.
Trivial matters	395,000	Assessed to be 5% of financial statement materiality.
Materiality for specific transactions, balances or disclosures		These items merit a lower materiality than financial statement level materiality due to being of particular interest to the public.
Senior officer remuneration	25,000	
Related party transactions	100,000	

Going concern

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Going concern commentary

Management's assessment process	Auditor commentary
• Medium Term Financial Strategy 2017-2020 • Revenue Budget performance 2017/18 • Approved Budget 2018/19 • The robustness of the Budget and recommended level of reserves • Digital Strategy 2018-2020 • Assessment of going concern basis paper 2017/18 • Working Capital and Cash flow • Risk management	A paper called "assessment of going concern basis" was prepared by management in April 2018. It covered various financial tools that are relevant for budget monitoring which included forecast income and expenditure. It included a going concern assessment of the Council covering all the documents highlighted under 'Management's assessment process' column. • It concluded that the Council is a going concern for the foreseeable future • It discussed the savings plans and overall financial health for the foreseeable future using the relevant reports • We have also carried out further work as part of our Value for Money Conclusion in relation to sustainable resource deployment
Work performed	**Auditor commentary**
We performed detailed work on the MTFP and met with Director of Finance and Customer Services in relation to approved budgets (2018/19) and savings plans.	• Our work indicates that there are no material uncertainties in terms of the going concern assessment by the management and no further disclosures are considered necessary in the Financial Statements.
Concluding comments	**Auditor commentary**
	We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where: • the Director of Finance and Customer Services use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or • the Director of Finance and Customer Services has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Significant audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	**Auditor commentary** Having considered the risk factors set out in ISA240 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 • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Blackburn with Darwen Borough Council, mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Blackburn with Darwen Borough Council.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance. Management over-ride of controls is a risk requiring special audit consideration.	**Auditor commentary** We have: • gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness • obtained a full listing of journal entries during the year, and identified and tested high risk journal entries for appropriateness and correct treatment • evaluated the rationale for any changes in accounting policies or significant unusual transactions. Our audit work has not identified any issues regarding management override of controls.

Significant audit risks

Risks identified in our Audit Plan	Commentary
3 **Valuation of land and buildings** The Council revalues its land and buildings using a five year rolling programme to ensure that carrying value is not materially different from current value. This represents a significant estimate by management in the financial statements. We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration	**Auditor commentary** In addressing the valuation risk, we have: • evaluated management's processes and assumptions for the calculation of the estimate, including consideration of the instructions issued to the external valuer and how the scope of the valuer's work has been determined. • assessed the competency, experience and objectivity of the external valuer. • met with the valuer to discuss the basis on which valuations have been carried out and confirmed this is consistent with our expectation based on the provisions of the CIPFA Code of Practice and relevant accounting standards • Identified the data provided to and/or obtained by the valuer to inform the valuation process and confirmed the appropriateness of the data used • tested revaluations provided during the year to confirm these are accurately reflected in the asset register and that the associated accounting entries have been posted to reflect movements in asset values • Inspected management's process for obtaining assurance in relation to those assets not subject to formal valuation during the year to confirm the process is sufficiently robust to mitigate the risk that the value of assets not revalued might be materially misstated (either at the level of individual assets or in aggregate). Our audit work has not identified any material errors. However a less significant error of land and buildings valuation overstatement and a misclassification of assets were identified, as detailed in Appendix C. These misstatements are immaterial to the results of the Council and its financial position at the year-end. We also identified areas that the Council could further improve its processes in relation to valuation and reporting of land and buildings. We have included these recommendations in Appendix A

Significant audit risks

	Risks identified in our Audit Plan	Commentary
4	**Valuation of pension fund net liability** The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements. We identified the valuation of the pension fund net liability as a risk requiring special audit consideration	**Auditor commentary** In addressing the pension fund net liability valuation risk, we have: • identified the controls put in place by management and the controls established by the Lancashire Pension Fund to ensure that the pension fund liability is not materially misstated. We also assessed whether these controls were implemented as expected. • evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. On behalf of external audit suppliers to local government, the National Audit Office has commissioned an auditor's expert to undertake a review of the actuaries engaged by local government pension funds, including the Lancashire Pension Fund. We also considered the expert's findings and followed-up on any implications for our audit. • undertook procedures to confirm the reasonableness of the actuarial assumptions made, particularly if these are specific to Blackburn with Darwen Borough Council. • checked the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary • assessed the advance payment made to the pension fund during the year including the accounting treatment and related disclosures around this payment. Our audit work has not identified any material issues in relation to valuation of pension fund net liability

Significant audit risks

Risks identified in our Audit Plan	Commentary
5 **Implementation of a new General Ledger system** The Council implemented a new General Ledger system, Civica from 1 April 2017. The Civica system is in use at many local authorities similar in size and scale to Blackburn with Darwen Borough Council. The General Ledger is at the heart of organisation's accounting process and directly associated with preparation of financial statements. Local Authority accounting transactions can be complex and are typically significant in volume. For instance, there were over 1.3 million transactions recorded in the Council's ledger in the previous year. Interfaces operate between the Council's ledger and a number of subsidiary systems used by the Council. These subsidiary systems process a range of transactions, most notably payroll, housing benefits, council tax and business rates. Accuracy and completeness of data migration from an old to a new system is paramount for transparent financial reporting. There is a inherent risk that things could go wrong in data migration due to human and technological errors in such data transfers. We identified the implementation of a new General Ledger system as a risk requiring special audit consideration.	**Auditor commentary** In addressing the implementation of the new General Ledger system risk, we have: • discussed with management and understood the processes and controls in place to ensure successful migration of data relevant to the production of the financial statements from the old ledger to the new Civica financial ledger system as at 1 April 2017; • evaluated the general IT controls around such transfers through our IT specialists; and • examined and agreed the accuracy of the opening balances as at 1 April 2017 to confirm these have been completely and accurately brought forward to the new Civica ledger system Our audit work has not identified any issues relating to accuracy and completeness of data transfer from the old to new ledger system. We also agreed the opening balances as at 1 April 2017 to the audited closing balances as at 31 March 2017.

Reasonably possible audit risks

	Risks identified in our Audit Plan	Commentary
6	**Operating expenses** Non-pay expenditure on other goods and services represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. We identified completeness of non-pay expenditure as a risk requiring particular audit attention.	**Auditor commentary** We have undertaken the following work in relation to this risk: • gained an understanding of processes and key controls over the transaction cycle including undertaking walkthrough of the key controls to assess the whether those controls were in line with our documentation • tested the year end reconciliation of the accounts payable system to the general ledger • assessed the accrual process established by management • tested a sample of year end accruals and creditor balances to confirm these accurately reflect year end liabilities • tested a sample of payments made in April 2018 to confirm the associated invoices have been accounted for in the correct financial year Our audit work has not identified any material issues in relation to this area.
7	**Employee remuneration** Payroll expenditure represents a significant percentage of the Council's operating expenses. As the payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention.	**Auditor commentary** We have undertaken the following work in relation to this risk: • confirmed our understanding of the Council's processes and the associated controls in relation to employee remuneration costs • tested the year end reconciliation of the payroll system to the general ledger • performed substantive analytical procedures to ensure the accuracy and completeness of employee remuneration costs Our audit work has not identified any material issues in relation to this area.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	• The income of the Council is accounted for in the financial year in which the activity it relates to takes place, regardless of when cash is received. Where income has been recognised but cash has not been received a debtor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of the debtor is written down and a charge made to revenue for the income that might not be collected. • Services, fees, charges and other amounts due are recorded as income when goods are sold or services delivered. • Council tax and non-domestic rates are accrued for in the same way as other Council income, and are recognised in the Taxation and Non-specific Grant Income line within the Comprehensive Income and Expenditure Statement. • Government grants are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and the grants or contributions will be received.	• The Council's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code) • The main elements of the Council’s revenues are predictable and there is minimal judgement required from the Council • The accounting policies are appropriately disclosed in the statement of accounting policies in the financial statements	● (green)

Assessment

● Marginal accounting policy which could potentially be open to challenge by regulators
● Accounting policy appropriate but scope for improved disclosure
● Accounting policy appropriate and disclosures sufficient

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Judgements and estimates	Key estimates and judgements include: • Uncertainty in future level of funding for local government and impairment of assets due to closure of services • Analysis of the lease with the Blackburn Market on the basis of non specialist nature of the space rented and the duration of the lease compared with economic life of the asset • Accounting for schools • Land and building valuations and depreciation upon useful lives of the assets • Private Finance initiative schemes • Pension fund valuations and settlements • Impairments of debtors • Provisions • Fair value of financial instruments	• The Council's accounting policies for key estimates and judgements are appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). • They are also consistently applied year on year and none of these judgements and estimates are new to 2017/18. • Critical judgements, estimation uncertainty and accounting policies are appropriately disclosed in accounting policies note. • Our risk based audit testing of key estimates and judgements has considered the extent of judgement involved, the potential impact of different assumptions and the range of possible outcomes. • We are satisfied that the key estimates and judgements are appropriate and adequately disclosed.	● (green)

Assessment

● Marginal accounting policy which could potentially be open to challenge by regulators
● Accounting policy appropriate but scope for improved disclosure
● Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Matters in relation to fraud**	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period relevant to our audit opinion and no other issues have been identified during the course of our audit procedures.
2	**Matters in relation to related parties**	We are not aware of any related parties or related party transactions which have not been disclosed.
3	**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. To this extent we have met with the Council's Monitoring Officer and we sought assurances from the Audit Committee.
4	**Written representations**	A standard letter of representation has been requested from the Council.
5	**Confirmation requests from third parties**	We requested and received third party confirmations as relevant from third parties
6	**Disclosures**	Our review found no material omissions in the financial statements. Management agreed to make a number of additional disclosures in the accounts resulting from the audit as set out in Appendix C.
7	**Significant difficulties**	No difficulties were experienced in obtaining working papers or explanations for audit queries from the finance team.
8	**Audit evidence and explanations**	All information and explanations requested from management was provided

Other responsibilities under the Code

We set out below details of other matters which we, as auditors, are required by the Code to communicate to those charged with governance.

	Issue	Commentary
1	**Other information**	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. Management agreed to add further disclosure in the narrative report regarding treasury management to comply fully with the Code. We plan to issue an unqualified opinion in this respect – refer to Appendix D.
2	**Matters on which we report by exception**	We are required to report by exception in a number of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties We have nothing to report on these matters.
3	**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. As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. The deadline for the WGA consolidation audit is 31 August 2018 and we plan to complete our audit work and report by the deadline.
4	**Certification of the closure of the audit**	We do not expect to certify the completion of the 2017/18 audit of Blackburn with Darwen Borough Council in our auditor's report, as detailed in Appendix E as we do not plan to complete the Whole of Government Accounts audit until the 31 August 2018 deadline.

Value for Money

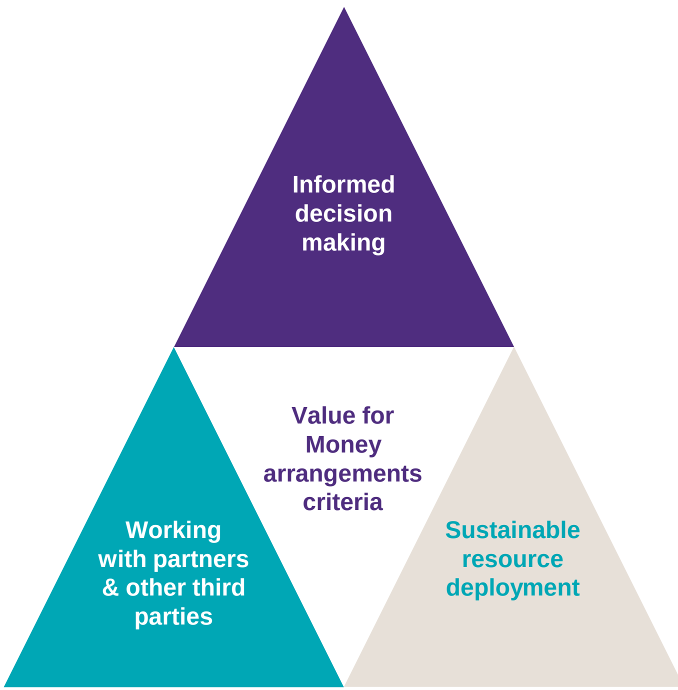
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2018 and identified one significant risk in respect of sustainable resource development using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan in March 2018.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

In relation to Blackburn with Darwen Borough Council, we did not identify any arrangements that are not operating effectively and therefore such reporting in our VFM conclusion is not required.

Our work done in respect of the significant risk identified and conclusions reached are reported at page 16 and 17.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- the Council's success in recent past on containing expenditure within budget estimates
- Achievement of 2017/18 out-turn
- Medium Term Financial Strategy (MTFP) and the robustness of that plan
- Assumptions and challenges to the MTFP
- Assessment of the progress made by the Council in realising the targets set in its savings plan
- Consideration of contingency planning

We have set out more detail on the risks we identified, the results of the work we performed and the conclusions we drew from this work on page 17.

Overall conclusion

Based on the work we performed to address the significant risks, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix E.

Recommendations

We discussed our findings arising from our work with management and have not identified any recommendations. However we have discussed the importance of the savings plans and longer term unsustainability of utilising earmarked reserves on a continuing basis. Management is fully aware of this situation and is working on monitoring and achievement of future savings plans to minimise the usage of such reserves.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	The Council has a strong record of containing expenditure within budget estimates. However, in common with many local authorities, the Council is experiencing increasing demand for adult and children's services, and rising costs. This could increase the financial pressures faced by other services within the Council. Existing savings programme may be insufficient as the cost of delivering statutory services continues to rise. The Council is currently updating its Medium Term Financial Strategy to cover the period to 2020/21. We need to evaluate the Council's arrangements to accurately forecast future net expenditure given the expected overspends in children's services and adult social care in 2017/18 and the progress made by the Council to identify and implement the savings plans required to bridge any financial gaps identified Our work was focused around : 1) Detailed review of updated Medium Term Financial Strategy (MTFS) including an evaluation of the realism of the assumptions underpinning the Council's projections of anticipated future expenditure over the forecast period. 2) Assessment of the progress made by the Council in realising the targets set in its savings programmes. 3) Consideration of contingency planning implemented by management and elected members to address the risk of shortfalls or slippage against the agreed savings targets	• The Finance Council obtained approval of the Budget strategy and proposals for the revenue budget 2018/19 together with a MTFS (2018/19 – 20/21) in February 2018. Whilst a balanced budget has been set with the use of reserves for 2018/19 with a net expenditure of £131,478 million, 2019/20 and 2020/21 budgets have funding gaps of £4.9m and £13.2m respectively without the implementation of the savings programmes currently under review. • The Council is planning to achieve savings through thematic reviews across specific areas including digital change, alternative service delivery models, income, commercialisation and traded services. In relation to Council Tax income, it is reviewing the processes and policies in respect of claims for single person discount and charges for empty homes. Whilst these areas of changes have been identified and agreed, the business cases and programmes to underpin each are currently in development and not finalised. • The actual net revenue expenditure as at 31st March 2018 was £133.850 million, compared to an original budget of £124.322 million. This is an increase of £9.5m. The Council achieved 2017/18 revenue budget mainly from increased funding of £3.59m from improved Better Care Fund, achievement of savings plans around £2.4m and utilising approximately £3.5m of reserves held for discretionary use by the Council. • Total earmarked reserves stand at £13.107 million at 31st March 2018 comprising discretionary reserves for use by the Council of £11.017 million and reserves that are non-discretionary and specified for specific purposes of £2.090 million • Contingency planning will be considered as part of current Budget Challenge work going on in terms of MTFS including 2018/19 savings plans	**Auditor view** • The Council has a track record of managing expenditure within budget. However with increasing funding cuts from the central government and equally increasing service demands such as adult social care and children’s services, the Council is facing significant challenges in balancing service pressures with available resources. This is no different to many local authorities in the country. • Using reserves to fund the budget gap is not a sustainable position over the medium to longer term and the Council needs to continue its work to identify realistic savings plans and monitor the achievement of plans against actual performance on a regular basis. • We understand, by October 2018 the Council will complete its thematic review and identify the savings plans, individual business cases and programmes to underpin each plan. These have to be realistic and clear ownership has to be taken by senior management to implement such plans. • As part of the thematic review, the Council should also consider contingency planning if things do not go to plan, including delivery of the savings plans.

Independence and ethics

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. The firm, its partners, senior managers, managers have complied with the Financial Reporting Council's Ethical Standards and 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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Independence and ethics

Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

Service	£	Threats	Safeguards
Audit related			
Reasonable assurance report in respect of Teachers' Pension Return	4,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,200 in comparison to the total fee for the audit of £102,839 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Total	**4,300**		
Non-audit related			
Chief Finance Officer Insights and Place Analytics subscription	23,000	Self-Interest (because this is a subscription)	This service is provided by a separate team within Grant Thornton UK LLP. There is no exchange of information relating to the audit between the two teams and therefore no impairment of auditor independence. The level of this fee taken on its own is not considered a significant threat to independence as the fee for this work is £23,000 in comparison to the total fee for the audit of £102,839 and in particular relative to Grant Thornton UK LLP's turnover overall. This is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Total	**27,300**		

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by Director of Finance and Customer Services.
None of the services provided are subject to contingent fees.

None of the services provided are subject to contingent fees.

Action plan

We have identified 5 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 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.

	Issue and risk	Recommendations
1	• The Council revalues its Land and Building assets on a five year rolling programme. The Code requires that revaluations shall be made with sufficient regularity to ensure that the carrying amount of the land and building does not differ materially from its current value at the end of the reporting period. The Council needs to consider each year whether there is a material difference between current value and carrying value for those assets not revalued at the balance sheet date. If a material difference exists further revaluations should be undertaken to address this. Where the Council determines that there is no material difference, the justification for this decision should be clearly evidenced. This is a time consuming task and may require valuer's expert knowledge. Our audit work this year identified that this exercise was not completed on a timely basis prior to the commencement of the audit.	• Carry out an annual exercise to ensure that there is no material difference between current value and carrying value of land and buidlings at the year end. Include this assessment, and any supporting documentation, in the working papers presented at the start of the audit. **Management response** • The Council will complete the valuation assessment earlier so that it is available at the commencement of the audit. We are also proposing to commission additional desk-top valuations for high value assets valued at Depreciated Replacement Cost (DRC) in order to strengthen the annual exercise to evidence the Balance Sheet values for assets not scheduled to be valued in year.
2	• The annual valuation exercise includes specific properties identified by the Council which are to be revalued in addition to those due for revaluation as part of the five year cycle. The Council focuses on properties which may have had significant capital works, demolitions or a change of use. There is little evidence that the Council or Valuer consider indicators of impairment which may lead to a fall in value of properties.	• As part of the annual impairment review consider the indicators of impairment which may suggest a fall in the current value of specific land and buildings. Management should keep a record of such reviews and discuss with the valuer and take appropriate actions on a timely basis. **Management response** • The Council does request that the Property Valuer considers whether any properties have been impaired during the year. We will endeavour to strengthen this process by raising the issue of impairment at the council' internal Asset Management Group meetings and by documenting fully any agreed actions in respect of the annual impairment review.

Action plan (continued)

	Issue and risk	Recommendations
3	• During our audit work we identified that the financial statements have disclosed both the Expenditure and Funding Analysis (EFA) and the Segmental Analysis (formally disclosed as amounts reported for resource allocation decisions) disclosure notes. From Code guidance paragraph 3.4.2.91 (page 84) and guidance notes for practitioners I22 and I23 the EFA note replaced the segmental analysis note. Considering the length of this note and the time to prepare such a detail note we discussed this over disclosure with the management.	• We recommend that management regularly review the disclosure requirements in line with CIPFA/LASAAC code of practice on local authority accounting and ensure only the required disclosures are reported in the financial statements as relevant to Blackburn with Darwen BC. We believe this would particularly benefit management when working to tight closedown deadlines and accounts decluttering activities going forward. **Management response** • Management recognise the importance of keeping up to date with the disclosure requirements of the Code.
4	• As part of our Interim Audit we undertook a Walkthrough on Children's services foster care payments. Our work identified the following control areas which we discussed with the management in April 2018 for further strengthening. • The walkthrough item selected identified a small underpayment to the payee; and • On the reconciliation of payments, we identified that the credits on the '*Control Sheet*' and '*Interface*' show as negative values, but for the FostFile and uploading to Civica they are converted to positive values, meaning that the two don't easily agree without the Finance Officer's manual reconciliations	• Finance Manager evidence the checks performed and signs off the Control Sheet/FostFile as checked, before payments are paid out; and • the Finance Officer provides a reconciliation on the FostFile so that it can easily be agreed back to the 'Control sheet' and 'Interface' to minimise under /over payments **Management response** • Over/under payments will unfortunately always occur due to the timing of information passing from Children's Services to Finance. Any discrepancies are then addressed and corrected on the next weekly / monthly payment run. • The recommendations made in this action plan were implemented immediately after being raised by external audit . A reconciliation is provided to the Finance Manager with each FostFile and the control sheet is now physically signed off as authorised rather than this just being done via email
5	• We found some evidence that salary costs were capitalised without a detailed analysis of individual time spent on specific capital projects. It is correct to capitalise salary costs if they can be directly attributed to the acquisition of, creation of or subsequent expenditure on items of property, plant and equipment. However, this should be supported by a breakdown of individual officers' time and costs in order to justify the capitalised costs	• Ensure that there is detailed support for any salary costs that are capitalised. **Management response** • The council will request that capital project lead officers provide detailed evidence to support any capital costs that are capitalised.

Follow up of prior year recommendations

We identified three issues in the audit of Blackburn with Darwen Borough Council's 2016/17 financial statements, which resulted in three recommendations being reported in our 2016/17 Audit findings report appendix A . Out of the 3 recommendations, two were completed at the time of 2016/17 Audit finding report in September and one was outstanding. We are pleased to report that management have implemented the remaining outstanding recommendation during 2017/18. See below for further details

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	• Introduce a process for maintaining and updating a record of assets meeting the definition of a 'surplus asset' in the CIPFA Code of Accounting Practice.	• During the year the Deputy Finance Manager obtained a schedule of surplus properties from the Head of Property & Projects. Regular monitoring of the schedule was carried out via regular attendance at Asset Management Group. Valuation of surplus properties was discussed with the Property Valuer and valuations completed to support the Balance sheet figures for this category of PPE.

Assessment
- ✓ Action completed
- X Not yet addressed

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

There were no adjusted misstatements that would impact the financial performance or position of the Council's financial statements for the year ended 31 March 2018.

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.

Misclassification/Disclosure omission	Detail	Adjusted?
Accounting policies	• Estimation uncertainty (page 81) - Impairment of debtors cross reference to note corrected to Note 22 from Note 24 • Estimation uncertainty (pages 80-82) - Added total gross carrying value of PPE and cross references to various • Heritage assets policy (page 89) expanded to cover acquisition, preservation and management.	**Yes**
Related parties – Note 33	• Comparative information and outstanding balances added. Order of note amended to flow better (pages 71-73)	**Yes**
Reserves – Note 30	• Usable reserves table - bottom line total of "Transfers out 2017/18" - corrected from 29,325 to 29,425. No impact to the balance sheet numbers.	**Yes**
Leases – Note 29	• Council as Lessee: Operating Lease • We noted inconsistencies in the future minimum lease payments (MLP) disclosure between 2016/17 and 2017/18. On investigation we identified disclosure errors in the 2016/17 disclosure. Future MLPs for a number of vehicles were incorrectly calculated and a large operating lease was excluded from the note in 2016/17. The net effect of the errors was that future minimum lease payments were understated by £5,113k (Not later than one year: £214k overstated; One to five years: £708k overstated; Later than 5 years: £6,035k understated).	**Yes**

Audit Adjustments (continued)

Misclassification/Disclosure omission

	Detail	Adjusted?
Financial Instruments – Note 26	• Fair Value (FV) disclosure - expended the basis of the FV calculations by adding a title before the table on page 51 and expanding on the narrative after the table to explain where there are FVs and they are all level 2	**Yes**
Heritage assets – Note 16	• Added clarification there were no additions / disposals / valuation changes in during the year. Also linked some of the wording between the note 16 and the accounting policy note	**Yes**
Capital expenditure and financing – Note 14	• Capital commitments note added in to note 14 as it is a contractual obligation as part of the disclosure requirements	**Yes**
PPE – Note 13	• PPE valuations table (page 41) - Changed to year (2017/18, 2016/17) instead of 31 March date, as valuation certificates dated as at 1 April 2017, although valuations carried out throughout the year • Section added on Surplus assets - Fair value hierarchy (page 41) • Adjusting for depreciation of re-classified assets. Line for "Revaluation increases/(decreases) recognised in the Revaluation Reserve" -Cross cast corrected from 346 to 386 (page 39) • Land and Buildings depreciation charge £(711k) Surplus Asset depreciation charge £711k. A line to be introduced for assets reclassified in the depreciation section. Land and Buildings assets reclassified £711k Surplus Asset assets reclassified £(711k). No impact to bottom line figures in note 13 (page 40) • Note 13 the section on the calculation of potential variance in Balance Sheet carrying values of PPE was expanded to make clear that the assessment took account of local factors	**Yes**
Trading operations – Note 11	• 2016/17 figures added - 2015/16 comparatives had been left in the 2016/17 column by error	**Yes**
Officers remuneration – Note 8	• Over £50k banding note - total of 2016/17 column has been corrected to 154	**Yes**
Narrative Report	• Two paragraphs added re Ofsted report outcome (page 16) • Introduction - Louise's title changed to Director of Finance & Customer Services (changed happened in June 2018) – page 3	**Yes**

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 audit which have not been made within the final set of financial statements. The Audit and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

	Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1	This relates to the valuation of Land at Witton Park High School which is an Academy School. Considering the lease between the Council and the Academy is over 100 years, there is no real existing use value of this land to the Council and therefore should be valued at nominal £1 on the balance sheet rather than £1 million.	Dr Loss on disposal of non current assets £1,000	Cr Land and Buildings £1,000 Cr Movement in Reserves Statement £1,000 Dr Capital Adjustment Account £1,000	• 1,000	Not adjusted as it is immaterial to the results of the Council and its financial position at the year-ended 31 March 2018.
2	Misclassification of Property Plant and Equipment assets categories within note 13 to the Statement of Accounts where it should have been reported under Surplus Assets category rather than under Land and Buildings. This disclosure adjustment is only within note 13.	Nil	Cr Land and Buildings (note 13) £500 Dr Surplus Asses (note 13) £500	• Nil	Not adjusted as it is immaterial to the results of the Council and its financial position at the year-ended 31 March 2018. Also no impact to the balance sheet. Just a classification in note 13, PPE
	Overall impact	**£1,000**	**£Nil**	**£1,000**	

Fees

We confirm below our final fees charged for the audit and provision of non-audit services

Audit Fees	Proposed fee £	Final fee £
Council Audit	102,839	106,839
Grant Certification Certification of Housing Subsidy Return	15,413	TBC
Total audit fees (excluding VAT)	£118,252	£TBC

The final fee for the Council Audit was increased by 4,000 due to the enhanced audit report requirements that is new in 2017/18. This is due to Blackburn with Darwen BC being a Public Interest Entity (PIE). The Council has listed debt of approximately £250,000, listed on the London Stock Exchange. As reported in our Audit Plan in April 2018, an entity with listed debt is a 'PIE', which has enhanced audit reporting requirements under ISA (UK) 700. Summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016 and additional disclosures on PIE entities audit reports were set out in appendix A to our 2017/18 Audit Plan.

We have agreed this extra fee with Director of Finance and Customer Services.

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA) Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Non-Audit Fees

Fees for other services	Fees £
Audit related services: Certification of Teacher's pension return	4,200
Non-Audit related services: Chief Finance Officer Insights and Place Analytics subscription	23,000
Total (excluding VAT)	27,200

Audit opinion (DRAFT ONLY)

Independent auditor's report to the members of Blackburn with Darwen Council

We anticipate to provide the Council with an unmodified audit report

Report on the Audit of the Financial Statements

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Blackburn with Darwen Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Statement and all notes to the financial statements, including the significant accounting policies set out in the Accounting Policies 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 2017/18.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance & Customer Services use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

Audit opinion (DRAFT ONLY)

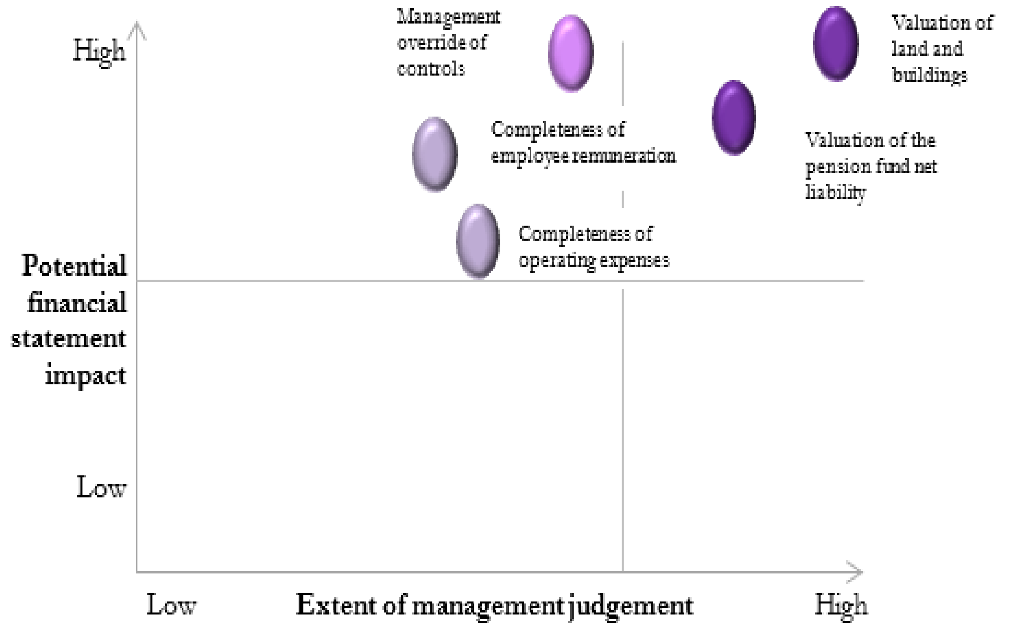
- the Director of Finance & Customer Services. has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £7,988,000, which represents 2% of the Authority's total gross cost of services expenditure;
- Key audit matters were identified as
  - Valuation of land and buildings
  - Valuation of the pension fund net liability
- We performed a full scope audit of the Authority

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Audit opinion (DRAFT ONLY)

Key Audit Matter	How the matter was addressed in the audit
Risk 1 – Valuation of land and buildings The Authority revalues its land and buildings on a rolling basis over a five year period to ensure that carrying value is not materially different from current value at the balance sheet date. This represents a significant estimate by management in the financial statements given the scale of the Authority's land and buildings portfolio and the inherent subjectivity in assessing asset lives and the value of remaining service potential. We therefore identified the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • updating our understanding of the processes put in place by management to ensure that the valuation of land and buildings remains materially accurate and evaluating the design of the associated controls; • evaluating management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluating the competence, capabilities and objectivity of management's expert (the external valuer); • discussing with the valuer the basis on which valuations have been carried out;

	carried out; • challenging the information and assumptions used by the valuer to assess completeness; • evaluating 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; and • evaluating the Authority's consideration of any relevant indicators of asset impairment. The Authority's accounting policy covering the valuation of land and buildings is shown in the Accounting Policies section of the Statement of Accounts on pages 93-95 and related disclosures are included in note 13. **Key observations** We obtained sufficient, appropriate audit evidence to conclude that: • the basis of valuation was appropriate and the key assumptions and processes used by management in determining the estimate were reasonable; and

Audit opinion (DRAFT ONLY)

Key Audit Matter	How the matter was addressed in the audit
	• the valuation of land and buildings disclosed in the financial statements is reasonable.
Risk 2 – Valuation of the pension fund net liability The Authority reports a net pension scheme liability within its Balance Sheet, relating predominantly to its participation in the Local Government Pension Scheme, in accordance with International Accounting Standard (IAS) 19 'Employee Benefits'. Measurement of this pension fund liability represents a significant estimate in the financial statements, given its size and the complex calculations and professional judgements which underpin its calculation. We therefore identified the valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • gaining an understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability was not materially misstated and evaluating the design of the associated controls; • evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • evaluating the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation; and • undertaking procedures to confirm the reasonableness of the actuarial assumptions made. The Authority's accounting policy on the valuation of the pension fund net liability is shown in the Accounting Policies section of the Statement of Accounts on pages 84-86 and related disclosures are included in note 31.

	Key observations We obtained sufficient assurance to conclude that: • the basis of the valuation was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and • the valuation of the Authority's pension fund net liability disclosed in the financial statements is reasonable.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be

Audit opinion (DRAFT ONLY)

changed or influenced. We use materiality in determining the nature, timing and extent of our work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Authority
Financial statements as a whole	£7,988,000, which was 2% of the Authority's total gross cost of services expenditure for 2017/18. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding. Materiality for the current year is at the same percentage level of total gross cost of services expenditure as we determined for the year ended 31 March 2017 as we did not identify any significant changes in the Authority or the environment in which it operates.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality
Specific materiality	£25,000 materiality in relation to disclosure of senior officers' remuneration and exit packages, based on 2% of final reported values, due to public interest in these disclosures. £100,000 materiality in relation to disclosure of related party transactions, based on auditor judgement and taking into account understanding of the Authority and disclosed transactions.
Communication of misstatements to the Audit & Governance Committee	Misstatements of £395,000 and below that threshold, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Audit opinion (DRAFT ONLY)

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Authority's business, its environment and risk profile and in particular included:

- Gaining an understanding of and evaluating the Authority's internal control environment including its relevant IT systems and controls over key financial systems;
- Full scope audit procedures on the Authority's transactions, balances and disclosures. Testing undertaken covered X% of the Authority's income, Y% of its expenditure and Z% of its assets and liabilities.

Other information

The Director of Finance & Customer Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts within the Narrative Report on pages 3 to 17, the Annual Governance Statement on pages 98 to 113 and the Glossary on pages 114 to 119. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Audit opinion (DRAFT ONLY)

Our opinion on other matter required by the Code of Audit Practice is unmodified

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance & Customer Services ꞌ and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 18, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance & Customer Services. The Director of Finance & Customer Services . 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 2017/18, which give a true and fair view, and for such internal control as the Director of Finance & Customer Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance & Customer Services. is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit & Governance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and

Audit opinion (DRAFT ONLY)

are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

We are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). Our audit approach is a risk-based approach and is explained more fully in the 'An overview of the scope of our audit' section of our audit report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Audit Commission on 26 July 2012. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is six years.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Authority and we remain independent of the Authority in conducting our audit.

The following services, in addition to the audit, were provided by the firm to the Authority after 1 April 2017 that have not been disclosed separately in the Statement of Accounts:

- Chief Finance Officer Insights (CFOi) and Place Analytics subscription for 2017/18
- Teachers' Pensions return certification for 2016/17

Our audit opinion is consistent with the additional report to the Audit & Governance Committee.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

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

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

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

Audit opinion (DRAFT ONLY)

we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that 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 2018.

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 be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2018. We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

To be signed

John Farrar
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

4 Hardman Square
Spinningfields
Manchester
M3 3EB

To be dated