

Blackburn with Darwen Council Audit Progress Report

Year ending 31 March 2022

September 2023



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Introduction

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This paper provides the Audit and Governance Committee with an update on the progress in delivering our responsibilities as your external auditors.

Members of the Audit and Governance Committee can find useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

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

Progress at September 2023

Financial Statements Audit 2020/21

We presented our Audit Findings Report on the 11 July to the Audit and Governance Committee summarising the key issues from our audit of your 2020/21 financial statements. On the 13 July we issued our auditors report on your 2020/21 financial statements where we provided an unmodified auditors report.

Financial Statements Audit 2021/22

In September 2022 we issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2021/22 financial statements.

Following the delay in completion of the 2020/21 audit, our audit of the financial statements for 2021/22 was delayed and commenced in early 2023. Completion of the 2021/22 audit has also been delayed, primarily due to issues identified in the valuation of land and buildings and the publication of the 31 March 2022 triennial valuation for the Local Government Pension Scheme in March 2023.

To assist us with the audit of your land and building valuations we have engaged an auditor's valuation expert (Montagu Evans) to support the local audit team. We have raised a number of challenges to management and the valuer arising from the work undertaken by Montagu Evans and are currently working through the responses received.

During our audit the latest triennial valuation for the Lancashire Pension scheme was published. This valuation, which is at 31 March 2022, provides updated information for the pension fund's IAS 26 disclosures, particularly in respect of membership data and demographic assumptions.

Having considered Section 3.8 of the CIPFA Code and IAS 10 - Events After the Reporting Period we are of the view that the triennial valuation provides information that better reflects

conditions that existed as at 31 March 2022. To allow us to make an informed assessment of whether adjustments to draft accounts might necessary we requested that management obtain a revised report from their actuary, detailing what impact this updated information had on its IAS 19 disclosures at 31 March 2022.

Additional audit work has been required including obtaining assurance in respect of updated membership data, considering the reasonableness of revised assumptions and estimates and checking the accuracy of management's adjustments to the financial statements. These issues have taken time to resolve.

The revised actuarial IAS 19 report for the Council showed that the impact was material and so management have adjusted the financial statements accordingly. As a result, the total value of the pension fund's promised retirement benefits for the purpose of IAS 19 is expected to decrease by £14.5m.

We continue to work with management to progress other areas of the audit that remain outstanding, follow up review points and queries and seek further audit evidence to complete areas of testing.

We anticipate being in a position to issue our 2021/22 Audit Findings Report and subsequently our audit report and opinion on the Council's financial statements in the autumn.

Value for Money (VfM)

We have engaged a VfM audit specialist to undertake work to assess the Council's arrangements to secure value for money in the use of its resources, in line with the requirements of the National Audit Office Code of Audit Practice (CoAP). The CoAP requires us to assess the Council's arrangements across three the three theme areas of "financial sustainability", "governance" and "improving economy, efficiency and effectiveness".

We anticipate issuing our Auditors Annual Report by the end of 2023.

Progress at September 2023 (cont.)

Financial Statements Audit 2022/23

We have started our planning work covering the 2022/23 audit year. We have audit resources scheduled to commence work on the audit of your final accounts in the autumn and our audit work will run alongside any outstanding 2021/22 audit.

Audit Fees

The proposed audit fees for 2021/22 were set out in our Audit Plan. As highlighted above a number of matters have arisen during the audit that were not anticipated in setting the initial fee, leading to additional work being required. We have therefore proposed a number of additional fee variations that are set out in the detailed analysis on page 6.

Fee variations are subject to formal approval by PSAA.

Audit fees – detailed analysis

The table below provides a detailed breakdown of anticipated fees for the 2021/22 audit including the fee proposed in the Audit Plan and the variations resulting from additional issues arising since the Audit Plan was prepared. The proposed fees have been discussed with management and are subject to PSAA approval.

	2021/22	2020/21
2021/22 Scale fee published by PSAA	£86,186	£79,186
Enhanced audit procedures for Pensions		£3,750
Enhanced audit procedures for Property, Plant and Equipment		£3,750
Raising the bar/ regulatory factors/new standards and developments		£3,125
Recurring scale fee and variations	£86,186	£89,811
Additional work on Value for Money (VfM) under the new NAO Code	£20,000	£26,000
Increased audit requirements of revised ISA's (ISA 540)	£6,000	£13,000
Additional work on Infrastructure Assets	£2,500	£6,250
Engaging the work of an auditors expert (interim fee only)	£8,750	£0
Increased FRC challenge, additional performance & documentation of procedures	£5,000	£0
Additional fee variations arising from issues identified during the audit		
Response to the LGPS triennial valuation and impact on net pension liability	£7,000	£0
Additional work to support review of land and buildings valuation	£18,000	£15,000
Additional work relating to checking of revised accounts re: impact of 20/21 amendments	£6,000	£0
Additional work associated with Collection Fund adjustments	£750	£0
Additional audit work associated with heritage assets, shopping centre lease, public correspondence,	£0	£15,500
Total 2021-22 audit fee proposed (excluding VAT)	£160,186	£165,561



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