Audit Findings for Blackburn with Darwen Borough Council

Year ended 31 March 2022

13 March 2024

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and Audit & Governance Committee.

Name : John Farrar
For Grant Thornton UK LLP
Date : 13 March 2024

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Blackburn with Darwen Borough Council and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report is materially 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/remotely during December 22-February 24. Our findings are summarised on pages 5 to 20. Management has made a small number of amendments to the financial statements. These impact the Balance Sheet and Comprehensive Income and Expenditure Statement. There are also three unadjusted misstatements which management chose not to amend. The amendments and unadjusted misstatements are summarised in Appendix C.

We have raised 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.

Our work is substantially complete, subject to the following outstanding matter;

- receipt of management representation letter
- finalising our review of the adjustments to the accounts in respect of property, plant and equipment .

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated audit report opinion will be unqualified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

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

We have completed our VFM work and our detailed commentary is set out in a separate Auditor's Annual Report. We are satisfied that the Council have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties

Significant Matters

We have encountered several difficulties in undertaking the audit of the council's financial statements, some delays were as a result of working practices arising from the Covid pandemic, as well as the national issue around infrastructure accounting. Additionally, difficulties were also identified with regards to assets valued based on depreciation replacement cost. Further detail is provided on pages 9 and 11.

We did not encounter any significant difficulties or identify any significant matters relating to other aspects of our audit.

2. Financial Statements

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 and the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, 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, including its IT systems and controls;
- An evaluation of materiality considering the Council's gross revenue expenditure; 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 and we anticipate issuing an unqualified audit opinion on the financial statements, as detailed in Appendix E.

Acknowledgements

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

2. Financial Statements

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.

We have revised the performance materiality due to the actual gross expenditure changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

We detail in the table our determination of materiality for Blackburn with Darwen Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	7,576,000	Financial performance, focussing on expenditure.
Performance materiality	5,303,000	Quality of working papers in prior year and client's response to audit processes.
Trivial matters	379,000	The amount below which matters would be considered trivial to the reader of the accounts.
Materiality for senior officer remuneration	20,000	Materiality has been reduced for remuneration disclosures due to the sensitive nature and public interest.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

<table>
<tr><th>Risks identified in our Audit Plan</th><th>Commentary</th></tr>
<tr><td>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.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, this was one of the most significant assessed risks of material misstatement.</td><td>We have:
- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness.
In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included:
• Post year-end journals
• Material journals across the year
• Year-end journals
• Journals posted by senior management
• Off ledger adjustments
• Self authorised journals
Application of these routines and supplementary procedures identified a total sample of 44 journals to test. A sample of journals was selected based on consideration of specific risk-based criteria. Testing has not identified any instances of management override and that journal entries are consistent with expectations.
As part of our review we did identified internal control deficiencies relating to:
• self-authorisation of recode journals;
• an instance of a journal approved by an officer not on the list of approved personnel; and
• journals being authorised by someone less senior than the poster.
In all these instances we are satisfied that the journals in question were appropriate and reasonable. A small number of recommendations have been made on page 27.
We did not identify any changes in accounting policies or estimation processes and review of key estimates has not identified any matters to bring to your attention.
Our audit work has not identified any evidence of management over-ride of controls.</td></tr>
</table>

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
ISA240 revenue and expenditure recognition risk 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. In the public sector, whilst it is not a presumed significant risk, in line with the requirements of Practice Note (PN) 10: Audit of financial statements of public sector bodies in the United Kingdom, we also consider the risk of whether expenditure may be misstated due to the improper recognition of expenditure. This risk is rebuttable if the auditor concludes that there is no risk of material misstatement due to fraud relating to expenditure recognition.	Revenue As detailed in our Audit Plan, we do not consider this to be a significant risk for the Council. ISA (UK) 240 includes a rebuttable presumed risk that revenue recognition 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. Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Blackburn with Darwen, mean that all forms of fraud are seen as unacceptable. Expenditure Our Audit Plan highlighted that we consider that we are able to rebut the significant risk in relation to expenditure as we concluded that there is no risk of material misstatement due to fraud relating to expenditure recognition. Our work has not identified any matters that would lead to a change in our risk assessment.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£230.6m) in the Council's 2020/21 financial statements, and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets), at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met; • engaged an auditor's expert to challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these are not materially different to current value at year end. **Findings** We engaged the use of an auditor's expert (Montagu Evans) to support the audit team regarding the valuations prepared by the council. Our auditor expert raised some concerns regarding the valuation methodology used by the council's valuers specifically in relation to Depreciated Replacement Cost (DRC) (specialised) assets. As aresult the Council undertook an exercise to get all DRC assets revalued by an external valuer. This resulted in an initial assessment that the carrying value of all DRC assets as at 31/3/22 was understated by £19.2m. Upon further challenge from ourselves and the auditors expert, it was agreed that the external valuer had included certain costs which were not in accordance with the CIPFA Code of Practice on Local Authority Accounting 2021/22. As a result of this further challenge the carrying value of the DRC assets were reduced by £8.6m, leaving an overall net increase in DRC asset carrying amounts at 31/3/22 at £10.6.m. An audit adjustment has been made to the accounts, as outlined on page 30, to reflect this increase. We have made several recommendations on page 26 in respect of the Council's valuation of its Property, Plant and Equipment assets.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved £243.2m (31/3/22) in the Council's balance sheet and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management experts (actuaries) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuations; • assessed the accuracy and completeness of the information provided by the Council to the actuaries; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial reports; and • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report. • obtained assurances from the auditor of the Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. The Council is a scheduled/admitted body to Lancashire County Pension Fund. The latest triennial valuation for Lancashire County Pension Fund has recently been published, after the Council had prepared its draft financial statements. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions. As a result, we requested that management obtain a revised report from their actuary, detailing what impact this updated information had on its net pension liability disclosures as at 31st March 2022. This revised report showed that the impact was material and so management have adjusted the financial statements accordingly. As a result, the Council's pension fund liability has decreased by £14.491m. Our work has not identified any issues in respect of this adjustment. Additional audit work has been required in respect of this issue, resulting in an increase to the audit fee (see Appendix D). This included 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. Our work concluded that all assumptions are in line with expectations, and we have not identified any issues with the estimation process. We are satisfied that the pension liability agrees to the revised actuarial report.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £231.2m	The Council request their internal valuer to revalue other land and building on a 5-year cycle, using depreciated replacement cost (DRC) for specialised assets such as schools, libraries, galleries and leisure centres. The remainder of operational other land and buildings are required to be revalued at existing use value (EUV). In 2021/22 the Council revalued £75.9m of other land and buildings. Management have also considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31/3/22. The total year end valuation of land and buildings was £231.2m, a net increase of £0.6m from 2020/21 (£230.6m).	The Council's accounting policy on valuation of land and buildings is included in Note 13 to the financial statements. The values provided by the valuer have been used to inform the measurement of property assets at valuation in the financial statements. In understanding how management has calculated the valuations we have: • assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate; • ensured the underlying information and sensitivities used to determine the estimatewere considered to be complete and accurate; • confirmed the valuer has prepared their valuations in accordance with the RICS Valuation– Global Standards using the information that was available to them at the valuation date in deriving their estimates; • reviewed the level of disclosure in the financial statements to confirm it is appropriate; and • engaged an auditor's expert to challenge the information and assumptions provided by the valuer. Our audit of the Council's valuations highlighted a number of issues, the key ones being: • management did not prepare a formal assessment for assets not revalued in 2021/22; • the valuers report doesn't clearly highlight the total value of assets valued; • unusual rounding adjustments had been applied by the valuer; • specific valuer judgements were not always fully documented; • our auditor expert raised a number of concerns whether the councils' valuer fully understood the principles of DRC valuations; and • the level of detail contained within the asset register was not always at a detailed level that easily allowed individual assets to be tested for existence. As highlighted on page 9 as a result of the observations and concerns raised the Council engaged a separate external valuer to revalue all DRC assets. This resulted in the value of DRC land and building assets as at 31/3/22 increasing by £10.6m, with an audit adjustment being made, as outlined on page 30.	

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £243.2m	The Council's net pension liability at 31 March 2022 is £243.2m (PY £325.2m) comprising the Local Government Pension Fund and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £81.9m net actuarial gain during 2021/22.	We have: • updated our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work; and • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert).	● Light purple

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.80%	2.70% - 2.80%	●
Pension increase rate	3.30%	3.00% - 3.50%	●
Salary growth	4.80%	4.25% - 5.00%	●
Life expectancy – Males currently aged 45 / 65	Male Pensioner 21.4 years Male non pensioner 22.6 years	Male Pensioner 20.7 - 23.3 years Male non pensioner 22.2 - 24.8 years	●
Life expectancy – Females currently aged 45 / 65	Female Pensioner 23.7 years Female non pensioner 25.5 years	Female Pensioner 23.8 - 25.5 years Female non pensioner 25.7 - 27.5 years	●

Assessment

- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments
Net pension liability – £243.2m	The Council's net pension liability at 31 March 2022 is £243.2m (PY £325.2m) comprising the Local Government Pension Fund and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £81.9m net actuarial gain during 2021/22.	The Council is a member of the Lancashire County Pension Fund. The latest triennial valuation for Lancashire County Pension Fund has recently been published, after the statements were prepared. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions. As a result, we requested that management obtain a revised report from their actuary, detailing what impact this updated information had on its net pension liability disclosures as at 31st March 2022. This revised report showed that the impact was material and so management have adjusted the financial statements accordingly. As a result, the Council's pension fund liability has decreased by £14.491m. Further detail of the amendment is shown on page 30.

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Covid-19 Grants Income Recognition and Presentation – During 2021/22 due to the Covid-19 pandemic there was been a significant increase in the level of Covid related grant funding with associated complexity and management judgement required. This has comprised a mix of discretionary and non-discretionary schemes.	Management take into account three main considerations in accounting for grants: • whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. • whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income. • whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be significant judgements over the accounting treatment. Different conclusions may be reached by authorities depending on how they have applied any discretion in administering the schemes - are these judgements reasonable and sufficiently disclosed to meet the requirements of IAS 1:125.	We have tested a sample of grants received to confirm the following: • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all; • assessed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant is recognised as a receipt in advance or income; • assessed the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES; • reviewed the adequacy of disclosure of judgement in the financial statements. Within Note 7 we identified that a number of grants had been incorrectly classified as Covid-related grants rather than other government grants. Additionally, the note included fees and charges, which were wrongly included as contributions. This also impacts on Note 2, which analyses income between fees and charges and grants and contributions. The Council has amended the notes for this; neither of these incorrect classifications impact on the Council's reported revenue outturn position. Page 36-37 provides further details. Our audit testing has not identified any further issues.	● Light purple

Assessment

- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentiallymaterially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptionswe consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision (MRP) Local authorities are required to charge 'Minimum Revenue Provision' to their revenue account in each financial year because of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003. The regulations give local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'. In calculating a prudent provision, local authorities are required to have regard to statutory guidance issued by the government from time to time, the current guidance was issued in 2018 and was applicable from 1 April 2019. All capital expenditure must be financed either from capital receipts, capital grants or other capital contributions or eventually from revenue income. The broad aim of MRP is to require local authorities to put aside revenue over time to cover their 'Capital Financing Requirement' (CFR). In doing so, local authorities should align the period over which they charge MRP to one that is commensurate with the period over which their capital expenditure provides benefits. Government guidance includes four options for making prudent provision, but this does not rule out a local authority from using an alternative method, should it decide that is more appropriate. A local authority can change the method(s) that it uses to calculate MRP at any time and where it changes the method(s) that it uses it should explain why the change will better allow it to make prudent provision.	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year end MRP charge was £6,271k, a net increase/decrease of £529k from 2020/21.	As part of our work on MRP we have: • assessed whether the MRP has been calculated in line with the statutory guidance • reviewed whether the Council's policy on MRP complies with statutory guidance. • assessed the reasonableness of the increase/decrease in MRP charge We have reviewed the MRP and are satisfied that it is fairly stated and calculated in line with relevant regulations.	● Light purple

Assessment

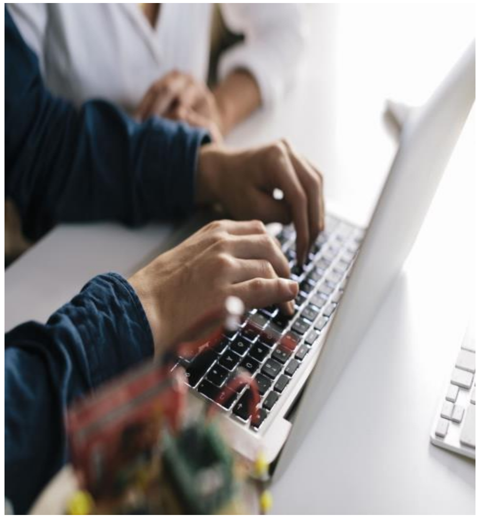
- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - 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
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 other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the bank and investment bodies as well as long term debtors. This permission has now been granted and requests sent. There were delays in obtaining the necessary confirmations from some schools but these have now been obtained. All other relevant confirmations have been received.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

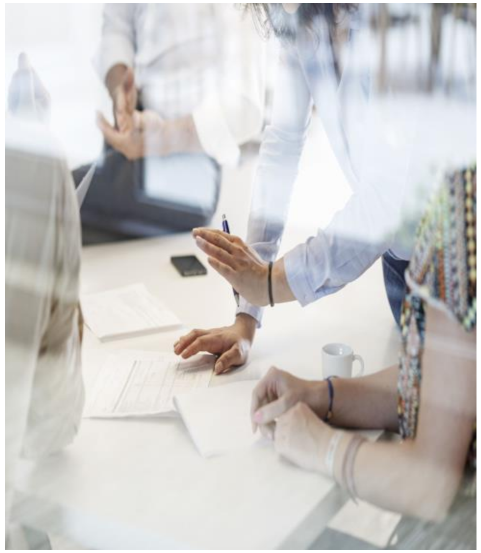
Our responsibility

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).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Inconsistencies have been identified but have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to appendix E.
Matters on which we report by exception	We are required to report on several matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that detailed work is not required as the Council does not exceed the £2bn threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2021/22 audit in our audit opinion.

3. Value for Money arrangements

Approach to Value for Money work for 2021/22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money, they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

3. VFM - our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in a separate Auditors Annual Report. We are satisfied that the Council have made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We have made one key recommendations around the need for the Council to improve the procedures for valuing its land and building assets to ensure that the valuations are undertaken in compliance with recognised RICS guidance and align with the CIPFA Accounting Code, alongside an effective quality review process to ensure draft financial statements are in accordance with accounting standards, free from material error in order to allow for timely publication of audited financial statements.

We have also identified a small number of improvement recommendations, which management has accepted and will implement.

4. 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 Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

5. Independence and ethics

Audit and 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, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim (2021/22)	15,400	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 £15,400 in comparison to the total fee for the audit of £215,306 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Teachers Pension Return (2021/22)	7,500	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 £7,500 in comparison to the total fee for the audit of £215,206 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of Financial Statements

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	Our audit of the Council's Property, Plant and Equipment assets highlighted a number of issues related to its in year revalued assets. The key issues being: • management did not prepare a formal assessment for assets not revalued in 2021/22 financial year; • unusual rounding adjustments had been applied by the valuer; • specific valuer judgements were not always fully documented in the valuer's valuation calculations; • our auditor expert raised concerns whether the councils' valuers fully understood the principles of DRC valuations based on the review of the assumptions and methodology information provided by the council's valuers; and • the level of detail contained within the asset register was not always at a detailed level that allowed infrastructure assets to be tested for existence. We have considered the Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 Statutory Instrument, which does not require a prior period adjustment for historic opening balance issues for infrastructure assets, and this alongside our other audit procedures undertaken during the year on in year infrastructure movements, has led us to conclude the likelihood of material mis-statement is remote as infrastructure assets are deemed to be relatively low risk in terms of existence, as the nature of the expenditure is likely to be roads, bridges etc means that these cannot be misappropriated. • A number of these issues have been re-occurring themes over the past few years, which has resulted in additional audit work, additional audit fees and the need to engage a valuation expert.	There is a need to review the process which the Council undertakes to obtain its valuations, to ensure that valuations and associated assumptions used are fully documented, supported by audit evidence and in line with RICS guidance. Review the future level of asset information contained within the Council's fixed asset register to ensure testing of individual assets, including infrastructure assets can be undertaken for existence. **Management response** The Council has engaged an External Valuer to provide valuations for land and buildings under a contract that includes a requirement that any such valuations comply with recognised RICS guidance and CIPFA Accounting Code of Practice. The Council's Property Team will remain the Client for the delivery of this Service, providing the quality review process as required.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

A. Action plan – Audit of Financial Statements

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Our work on journals identified internal control deficiencies relating to: • self-authorisation of recode journals; • an instance of a journal approved by an officer not on the list of approved personnel; and • journals being authorised by someone less senior than the poster.	Review existing journal procedures to bring them in line with recommended practice namely: • posting and authorisation of journals to be performed by separate members of staff and by staff at an appropriate level; • only authorised staff to approve journals. **Management response** The Council will undertake a review of existing journal procedures to ensure that journals are appropriately reviewed and authorised only by personnel with the appropriate authority.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of Blackburn with Darwen Council's 2020/21 financial statements, which resulted in 7 recommendations being reported in our 2020/21 Audit Findings report.

Issue and risk previously communicated	Update on actions taken to address the issue
Testing of the Council's Property, Plant and Equipment assets in the prior year highlighted a number of issues related to its in year revalued assets. The key issues being: • The valuer's report should have stated the overall value of assets revalued in the year. • Latest BCIS rates at the date of valuation should be used rather than using historical rates and uplifting for inflation. • Unusual rounding adjustments should not be made on future valuations. • Assumptions have been made regarding leased assets at a peppercorn rate which were incorrect, the future use of these assets should be confirmed at year end to arrive at correct valuation approach. • Where asset specific valuer judgements are made, these should be better documented in the valuation calculations with a clear audit trail supporting the valuation.	A number of the issues raised last year are still relevant for the 2021/22 audit. Whilst we acknowledge that our 20.21 audit findings report was finalised in July 23, we would still expect these issues to be communicated to the valuer for consideration. Further recommendations have been made this year on page 26.
Our work on journals in the prior year identified an issue where a member of the accountancy staff was able to authorise their own journals. As soon as this was identified by the Council, prompt action was taken to reverse the journal and for it to be re-approved. Restricted access rights were immediately put in place and checks performed to ensure there were no other cases. Our testing confirmed that for the journal in question it was appropriate and not unusual.	This recommendation was implemented, however, in 2021/22 we have identified that recode journals are being self-authorised, and a recommendation has been made, see page 27.

B. Follow up of prior year recommendations (Continued)

Issue and risk previously communicated	Update on actions taken to address the issue
Our review of the MRP charge in the prior year highlighted that the Council had changed the basis of its calculation for 2020/21 and for forthcoming years. Under the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 councils are required to make a prudent provision each year for financing their capital investment	Management have taken action to ensure a prudent provision is made. Specifically, the annuity rate used has been amended in the calculation of the MRP charge for capital expenditure financed by debt arising up to 2007/08 and for all new Government-supported borrowing arising since 2007/08.
As part of the prior year work reviewing the Council's cash and cash equivalents balance we requested confirmations from Lloyds Banks of the balances. Difficulties were encountered in obtaining confirmations for a number of schools as the bank did not recognise the signatures contained on the school mandates granting us access to this information.	No issues identified during 2021/22 in relation to requested confirmations.
Our review of bank reconciliations for a sample of the Council's schools identified some historic balances which had been brought forward which the Council has agreed to write off. Historic balances should not be routinely carried forward but investigated and considered for possible write off.	The Council performed a review of the school bank reconciliations and have investigated a number of the accounts with higher value variances and corrected these where possible.
There is a lack of detailed information contained within the Council's fixed asset register in respect of infrastructure assets.	Following the review of accounting for infrastructure assets undertaken by the CIPFA Task and Finish Group, the Council has reviewed the information held on infrastructure assets in the asset register and included assets under appropriate subcategories. Due to the complexity and volume of capital works undertaken on infrastructure assets the Council believes it is not practical to include such assets in the asset register at a road by road level.
The Council's accounting policy is to revalue its property plant and equipment assets over a 5 year cycle. Our audit work identified that Turton Tower (£416,000) had not been valued within this timeframe. The Council planned to have the asset valued in 2021/22.	Turton Tower has been revalued in 2021/22.
The Council has chosen to make a prior period adjustment of £0.073m between Heritage Assets and Property, Plant and Equipment. The Council has chosen to correct an immaterial prior period error by restating the previously reported results rather than by correcting it in the current period, as this is not required and is unnecessary under IAS 8.	No similar issues are identified in 2021/22.

C. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Valuation of DRC land and build assets The carrying value of DRC land and buildings assets has increased as a results of challenge from our external valuation expert.	Net Cost of Services +6,751 (Surplus)/deficit on revaluation of non-current assets -17,306	Property Plant and Equipment +10,555 Unusable Reserves +10,555	+10,555
Reclassification of assets from Assets under Construction (AuC) to Intangible assets A number of IT software/system assets have been reclassified as intangible assets instead of Assets under Construction, in compliance with the CIPFA code.	Nil	Assets Under Construction -1,347 Intangible assets +1,347	Nil
Infrastructure asset incorrectly categorised as Vehicles, plant & equipment As part of our testing we identified 1 asset that had been incorrectly classified as VPE rather than an infrastructure asset.	Nil	Infrastructure assets +529 Vehicles, Plant & equipment -529	Nil
Pension liability decrease due to the rerun of the revised actuary report The latest full actuarial valuation was completed post year end. This valuation, which is at 31 March 2022, provides updated information on the net pension liability. Management obtained a revised report from their actuary, detailing the impact this updated information had on its net pension liability disclosures as at 31st March 2022. The revised report showed that the Council's pension fund liability had decreased by £14.491m	Re-measurement of the net defined benefit pension liability + 14,491 Total comprehensive income and expenditure +14,491	Other Long Term Liabilities -14,491 Pensions Reserve -14,491	-14,491

C. 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 (Continued)

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Accounting the Shopping Centre Mall Finance Lease The Council grants a lease to use the Shopping Centre Mall. Audit work identified that the lease had been incorrectly accounted for. The Council had recognised the value of the debtor and deferred capital receipt equal to the present value of the forecasted rental amounts to be received under the lease agreement. Upon detailed review the rental payments should be classified as contingent rentals as they are dependent on factors other than the passage of time, and as such should not be included in the calculation of the finance lease debtor as they do not make up minimum lease payments. The contingent rentals should be recognised in the Comprehensive Income and Expenditure Statement in the year they are received. In accordance with IAS 17 the minimum lease payments for the lease are nil, and as such the net investment and therefore the finance lease debtor are also nil. The Council has made prior period adjustments to amend the value of the finance lease debtor and corresponding deferred capital receipt to reflect this. This issue was highlighted as part of 2020/21 final accounts audit, however, as the 2021/22 statements had been prepared ahead of the 2020/21 opinion being issued, it had not been corrected in the 2021/22 statements.	Finance & Governance net expenditure -1,447 Finance and investment income +1,445 (Same adjustment made as a prior period adjustment as at 31/3/22 and 1/4/20)	Long term debtor - 26,271 Unusable Reserves - 26,271 (26,273 treated as prior period adjustment as at 31/3/21) (26,275 treated as prior period adjustment as at 1/4/20)	nil

C. Audit Adjustments

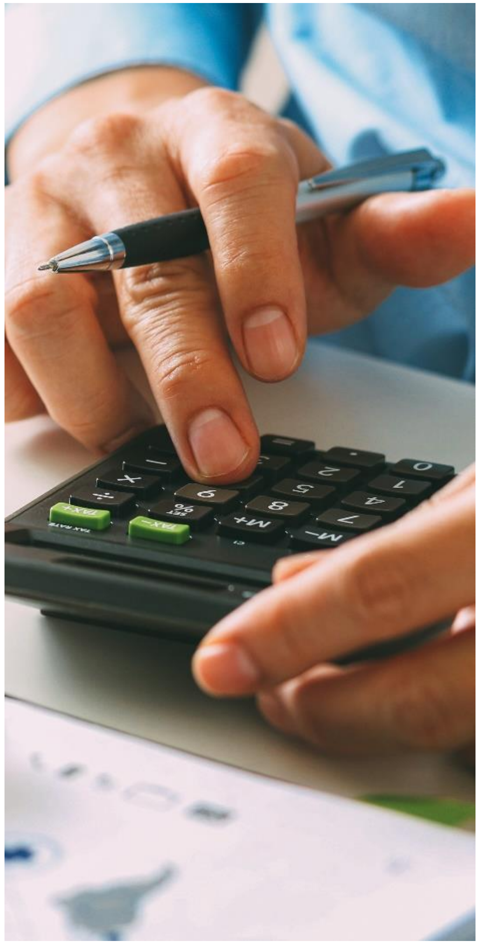
We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements (Continued)

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Error identified in principal/agency classification in relation to Covid grants			
A number of grants had been incorrectly treated as creditors, due to errors made regarding the agency/principal classification. Therefore 1,421k of grants had been incorrectly included within short term creditors rather than included within the Comprehensive Income and Expenditure Statement.	Other Services expenditure +781 Grant Income +2,202	Short term creditors -1,421	-1,421

C. Audit Adjustments

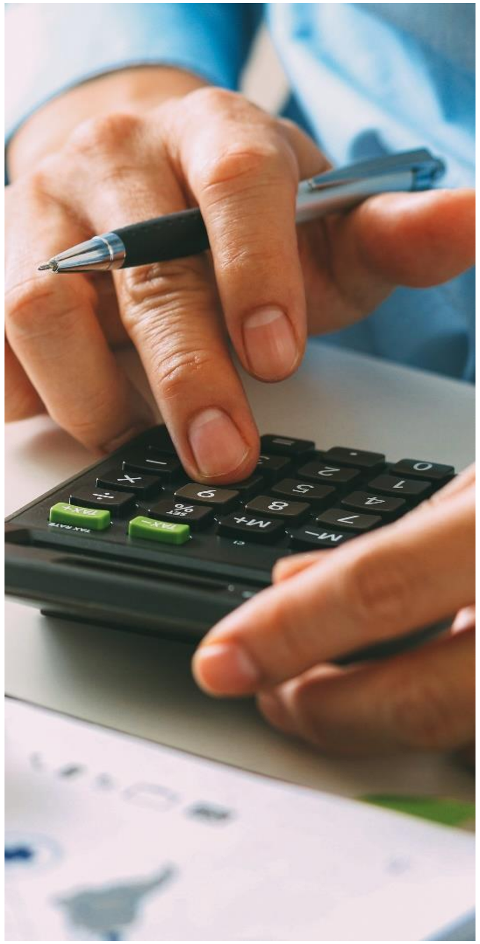


Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 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	Statement of Financial Position £' 000	Reason for not adjusting
Pensions – actuarial IAS 19 asset valuations			
The Pension Fund's auditor's has highlighted that the Lancashire Pension Fund investments were understated in total by £33.7m. This is principally a function of the timing of the production of financial. Per the Fund's accounting policies, year end values for hard to value assets frequently contain 31 December values adjusted for cash which are then assessed by the auditor to ensure that the carrying value per the financial statements is not materially different from the fair value as at the audit date. We have calculated the potential impact of this on the Council, which is estimated to be £2.934m based on the Council's share in the net assets of the Pension Fund of 8.15% (based on 31 March 2022 valuation). The overall impact would be on the actuarial gain/loss on the pension asset/liability going through the Comprehensive Income and Expenditure Statement and a compensating adjustment in the Statement of Financial Position.	+2,934	Non Current Liabilities +2,934	Not material
Valuation of Land and Building Assets			
As a result of our review of the valuation of land and building assets, we identified a small number of issues which the Council chose not to amend for. The net impact of these would have been an increase in the year end land and building valuation by £770,000.	Nil	Property Plant & Equipment +770 Revaluation reserve +770	Not Material

C. Audit Adjustments



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Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Reclassification of assets from Assets under Construction to Intangible assets A number of IT software/system assets have been reclassified as intangible assets instead of Assets under Construction, in compliance with the CIPFA code.	Nil	Assets Under Construction -470 Intangible assets +470	Nil	Not Material

D. Fees

We confirm below our final fees charged for the audit. The fees have been discussed with management and are subject to PSAA approval.

	2021/22
2021/22 Scale fee published by PSAA	£79,186
Enhanced audit procedures for Pensions	£3,000
Enhanced audit procedures for Property, Plant and Equipment	£3,000
Raising the bar/ regulatory factors/new standards and developments	£4,000
Recurring scale fee and variations	**£89,186**
Additional work on Value for Money (VfM) under the new NAO Code	£26,000
Increased audit requirements of revised ISA's	£17,000
Additional work on Infrastructure Assets	£4,000
Engaging the work of an auditor's expert	£10,500
Reduction for on-site working	£(5,000)
Additional fee variations arising from issues identified during the audit	
Additional input required from auditor's valuation expert	£9,120
Response to the LGPS triennial valuation and impact on net pension liability	£6,000
Additional work to support review of land and buildings valuation	£35,000
Additional work relating infrastructure existence work	£4,000
Additional work relating to post balance sheet events assurance and elongated audit timetable	£6,000
Additional work relating to checking of revised accounts re: impact of 20/21 amendments	£11,000
Additional work associated with grant income testing	£2,500
Total 2021-22 audit fee proposed (excluding VAT)	**£215,306**

D. Fees

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

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Certification of Housing Benefit Subsidy Return (2021/22)	£15,400	£15,400
Audit Related Services – Certification of Teachers Pension Return (2021/22)	£7,500	£7,500
2021/22 Total non-audit fees (excluding VAT)	**£22,900**	**£22,900**

E. Audit opinion

Our audit opinion is included below.

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Blackburn with Darwen Borough Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, and notes to the financial statements, including a summary of significant accounting policies. 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; 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, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. 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, 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.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the

E. Audit opinion

reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements, and our auditor's report thereon. 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 obtained in the audit 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 the 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 in April 2020 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 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. 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.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the

E. Audit opinion

course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 19, 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. 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance 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 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

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 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.

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.

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:

the identification, evaluation and compliance with laws and regulations;

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reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements' section of this report.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, other than the financial statements, and our auditor's report thereon. 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 obtained in the audit 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 the 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 in April 2020 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 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. 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.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the

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course of, or at the conclusion of the audit; or;

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities set out on page 19, 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. 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance 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 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance Committee is Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

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 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.

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.

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant ,which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United

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Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.

• We enquired of senior officers and the Audit and Governance Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;

- the detection and response to the risks of fraud; and

- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

• We enquired of senior officers, internal audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

• We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journals, management estimates and transactions outside the course of business.

• Our audit procedures involved:

evaluation of the design effectiveness of controls that the Director of Finance has in place to prevent and detect fraud.

- journal entry testing, with a focus on manual journals posted during the year with high risk characteristics.

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings and defined benefit pensions liability valuations.

- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

• These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

• The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings and defined benefit pensions liability valuations.

• Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

- knowledge of the local government sector

- understanding of the legal and regulatory requirements specific to the Authority including:

- the provisions of the applicable legislation

- guidance issued by CIPFA, LASAAC and SOLACE

- the applicable statutory provisions.

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- In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except on XX March 2024 we identified a significant weakness in the Authority's arrangements for governance. Our audit of the Authority's financial statements for the year ended 31 March 2022 identified several issues with how the Authority valued its land and buildings. This resulted in:

- lengthy delays to the audit while these issues were resolved, and
- material amendments being made to the Authority's financial statements.

We recommended that the Authority:

- improve its procedures for valuing its land and buildings to ensure compliance with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, and
- put effective quality review processes in place to ensure draft financial statements are in accordance with accounting requirements and free from material error in order to allow for timely publication of audited financial statements.

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;

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- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Blackburn with Darwen Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 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.

Name John Farrar, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

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