

# The Audit Findings for Blackburn with Darwen Borough Council

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Year ended 31 March 2019

6 August 2019



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

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# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Blackburn with Darwen Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

<b>Financial Statements</b>	<p>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:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and</li><li>• 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.</li></ul> <p>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.</p> <p>The majority of our audit work was completed on site during June and July. Our findings are summarised on pages in the remainder of this report. We have identified several adjustments to the financial statements, though usable reserves have not been amended. Audit adjustments are detailed in Appendix C.</p>	<p>We have also 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.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"><li>- Finalisation of the audit file</li><li>- Drafting the final audit report</li><li>- Final internal reviews of the audit file</li><li>- Receipt of management representation letter; and</li><li>- Review of the final set of financial statements.</li></ul> <p>Once we have finalised our review of the final set of financial statements we will confirm 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.</p> <p>Our anticipated audit report opinion will be unmodified</p>
<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Blackburn with Darwen Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"><li>• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li><li>• To certify the closure of the audit.</li></ul>	<p>We have not exercised any of our additional statutory powers or duties</p> <p>We have completed the majority of work under the Code but are unable to issue our completion certificate until we complete Whole of Government accounts review. The work is due to be completed to meet the deadline of 13 September.</p>

## Acknowledgements

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

# Summary

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with 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;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you at the Audit and Governance Committee meeting in April 2019. However we have had to complete more work than originally expected on your pension liability, due to the McCloud case. Further details are included on page 7 of this report

## Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Governance Committee meeting on 6 August 2019. These outstanding items include:

- Finalisation of the audit file
- Drafting the final audit report
- Final internal reviews of the audit file
- Receipt of management representation letter; and
- Review of the final set of financial statements.

Once we have finalised our review of the final set of financial statements we will confirm 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 approach to materiality

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

Materiality has remained at the same level as reported in our Audit Plan presented to the Audit and Governance Committee in April 2019.

	Council Amount (£000)	Qualitative factors considered
Materiality for the financial statements	7,182	• Risk based materiality
Performance materiality	5,387	• Quality of previous years' accounts
Trivial matters	359	• Based on materiality

We also design our procedures to detect errors at a lower level for senior officer remuneration and related parties.

# Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1 Improper revenue recognition</b></p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p><b>Auditor commentary</b></p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Blackburn with Darwen Borough Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore we do not consider this to be a significant risk for Blackburn with Darwen Borough Council. As we do not consider this to be a significant risk for the Authority, we have not undertaken any specific work in this area other than our normal audit procedures.</p>
<p><b>2 Management override of controls</b></p> <p>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 Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p><b>Auditor commentary</b></p> <p>We have:</p> <ul style="list-style-type: none"> <li>• evaluated the design effectiveness of management controls over journals</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence</li> <li>• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.</li> </ul> <p>No issues have been identified in relation to the management override of controls.</p>

# Significant findings – audit risks

## Risks identified in our Audit Plan

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### Valuation of land and buildings

The Authority 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, for example the net book value of land and buildings as at 31 March 2018 was £227.3m; and
- the sensitivity of this estimate to changes in key assumptions.

Additionally, management will need to ensure the carrying value in the Authority 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.

## Commentary

### Auditor commentary

We have:

- evaluated and challenged management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested revaluations made during the year to see if they had been input correctly into the Authority's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Issues identified include:

- An adjustment to the accounts was required due to a revaluation being posted to the wrong school on the asset register. The error resulted in PPE being overstated by approximately £5m

We have substantially completed our review of the PPE, subject to our audit work going through the final review procedures.

# Significant findings – audit risks

## Risks identified in our Audit Plan

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### Valuation of pension fund net liability

The Authority'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, with the pension scheme liability estimated at £249.2m as at 31 March 2018; and
- the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk.

## Commentary

### Auditor commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and
- obtained assurances from the auditor of Lancashire County Council 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.

### McCloud Ruling

The Court of Appeal ruled that there was age discrimination in pension schemes for judges and firefighter where there were transitional protections given to scheme members. Where transitional provisions are unlawful then those members who are found to have been discriminated against need to be offered appropriate remedies to ensure they are placed in an equivalent position to the protected members. The legal ruling, around age discrimination, has implications for other public service schemes where they have implemented transitional arrangements on changing benefits, including the Local Government Pension Scheme.

Our view is that the McCloud judgement gives rise to a past service cost and liability within the scope of IAS 19 as the ruling creates a new obligation. The view is consistent with the NAO and other audit firms. As such additional review has been completed by the Council, with the Pension Fund and Actuary, to identify the impact on the pension liability. Our additional work on this issue includes reviewing the output from this additional review and the proposed disclosure within the Statement of Accounts.

# Significant findings - other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>1 <b>Incorrect inclusion of recharges in the Comprehensive Income and Expenditure Statement (CIES)</b></p>	<ul style="list-style-type: none"> <li>• Our audit testing identified that the Council's CIES incorrectly included income and expenditure from internal recharges</li> <li>• The Code states that, as the service segments in the Comprehensive Income and Expenditure Statement are not intended to cover the reporting requirements for IFRS 8, then transactions between segments are not permitted in the service analysis section of the Statement.</li> <li>• The single entity financial statements are also defined as including the income, expenditure, assets, liabilities, reserves and cash flows of the local authority maintained schools. This effectively means that controlled schools do not require group accounts to be prepared, but should be consolidated in the Council single entity statements.</li> <li>• After further review by the Council's finance team it was identified that there were significant internal recharges included within the CIES. The Council agreed to:               <ul style="list-style-type: none"> <li>• Remove £12million of recharges between services</li> <li>• Remove a further £7million of recharges relating to services provided to schools</li> <li>• Leave £3million recharges within the CIES as substantial work will be required to correct these items due to the nature of the recharges. It will be an unadjusted mis-statement within the CIES</li> <li>• Re-state prior year accounts to remove the recharges from 2017-18 comparatives</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Our view is consistent with the Code, which is recharges should not be included in the CIES.</li> <li>• We therefore recommended amendment of the financial statements to remove the recharges</li> </ul>



# Significant findings - control issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

	<b>Issue</b>	<b>Commentary</b>	
<b>1</b>	<b>Journal Controls</b>	<ul style="list-style-type: none"> <li>• Within our work we need to consider the generic risk of management override of controls. As highlighted on page 5 of this report, we found no evidence of such override</li> <li>• We noted that the s151 Officer input a small number of journals during the year.</li> </ul>	<p><b>Auditor view</b></p> <ul style="list-style-type: none"> <li>• The Council should consider removing senior officers ability to post journals to strengthen the control environment.</li> </ul>
<b>2</b>	<b>Revenue Testing</b>	<ul style="list-style-type: none"> <li>• Our testing of revenue income highlighted material uncertainties. Due to these uncertainties we had to extend our testing. Our testing has identified:             <ul style="list-style-type: none"> <li>• The inclusion of internal recharges, which has been reported elsewhere in our report</li> <li>• One item from the original sample where no evidence has been provided and a further 3 from the additional testing where we are still awaiting information from the Council</li> <li>• A credit note that has been recorded as income – such items should actually be a credit against expenditure</li> <li>• An item of income that was actually related to a capital charge</li> </ul> </li> </ul>	<p><b>Auditor view</b></p> <ul style="list-style-type: none"> <li>• We are considering the impact of the errors to conclude on whether further testing is required. We do not anticipate any impact on the audit report.</li> </ul>

# Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments
<b>Land and Buildings</b>	<p>The carrying value of land and buildings totalled £240m, part of the total of £418m of Property, Plant and Equipment on the Balance Sheet.</p> <p>Land and Buildings are initially measured at cost, comprising the purchase price, and any costs attributable to bringing the asset to the condition necessary for it to be capable of operating in the manner intended by the Council.</p> <p>Once operational the land and buildings are carried in the Balance Sheet at current value, determined as the amount that would be paid for the asset in its existing use.</p> <p>In respect of specialised assets, if there is an absence of market based evidence of value, depreciated replacement cost is used as an estimate of current value.</p> <p>Valuations are provided by RICS-qualified valuers, on the basis recommended by CIPFA, and accord with the Statement of Asset Valuation Principles and Guidance Notes issued by the RICS. Land and buildings are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years.</p> <p>Increases in valuations are credited to the Revaluation Reserve unless they reverse previous losses charged to the Comprehensive Income and Expenditure Statement, in which case the gain shall be credited to that account. A fall in value will be charged firstly against any balance held in the Revaluation Reserve. If this is insufficient or non-existent, the charge is made to the relevant service line in the Comprehensive Income and Expenditure Statement.</p>	<ul style="list-style-type: none"> <li>• The expert used by management is appropriately qualified and skilled</li> <li>• We found no issues in relation to the completeness of the information held by the Council and used to ensure the valuations are appropriately made</li> <li>• We have not identified any changes to the methodology</li> <li>• We requested a small number of amendments, with the details recorded later in the report</li> <li>• Our work is substantially completed, but is subject to final internal review.</li> </ul>

# Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments																		
<b>Net pension liability – £265m</b>	<p>The Council's net pension liability at 31 March 2019 is £265m (PY £249m) comprising the Lancashire County Pension Fund 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 2016.</p> <p>A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p>																		
<ul style="list-style-type: none"> <li>The management expert was appropriately qualified and skilled</li> <li>We have confirmed the appropriateness of key assumptions</li> <li>We used PwC as auditors expert to assess actuary and assumptions made by actuary</li> </ul>	<table border="1"> <thead> <tr> <th data-bbox="781 398 1268 472">Assumption</th> <th data-bbox="1268 398 1473 472">Actuary Value</th> <th data-bbox="1473 398 1738 472">PwC Assessment of Mercers</th> </tr> </thead> <tbody> <tr> <td data-bbox="781 472 1268 519">Discount rate</td> <td data-bbox="1268 472 1473 519">2.6%</td> <td data-bbox="1473 472 1738 519">Within range</td> </tr> <tr> <td data-bbox="781 519 1268 598">Pension increase rate</td> <td data-bbox="1268 519 1473 598">2.2%</td> <td data-bbox="1473 519 1738 598">Assumptions reasonable</td> </tr> <tr> <td data-bbox="781 598 1268 676">Salary growth</td> <td data-bbox="1268 598 1473 676">3.7%</td> <td data-bbox="1473 598 1738 676">Within expected range</td> </tr> <tr> <td data-bbox="781 676 1268 755">Life expectancy – Males currently aged 45 / 65</td> <td data-bbox="1268 676 1473 755">22.8 years</td> <td data-bbox="1473 676 1738 755">Assumptions reasonable</td> </tr> <tr> <td data-bbox="781 755 1268 823">Life expectancy – Females currently aged 45 / 65</td> <td data-bbox="1268 755 1473 823">25.5 years</td> <td data-bbox="1473 755 1738 823">Assumptions reasonable</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC Assessment of Mercers	Discount rate	2.6%	Within range	Pension increase rate	2.2%	Assumptions reasonable	Salary growth	3.7%	Within expected range	Life expectancy – Males currently aged 45 / 65	22.8 years	Assumptions reasonable	Life expectancy – Females currently aged 45 / 65	25.5 years	Assumptions reasonable
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Life expectancy – Females currently aged 45 / 65	25.5 years	Assumptions reasonable																	
<ul style="list-style-type: none"> <li>No issues currently identified on the accuracy and completeness of the information</li> <li>Valuation method consistent</li> <li>No issues identified in the Council's share of pension scheme assets.</li> <li>Estimate as expected, and further review has taken place due to the McCloud issue</li> <li>Updated liability calculations and disclosure have been considered for McCloud issues</li> </ul>																			

## Assessment

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

# Going concern

## Our responsibility

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

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## Going concern commentary

### Management's assessment process

The Council prepared a detailed assessment of the appropriateness of management's use of the going concern assumption. The assessment covered:

- Medium to long-term planning
- Implications of government policy and legislation
- Forecasts and budgets
- Working capital and cashflow
- Reserves
- Provision and contingent liabilities

### Auditor commentary

- Our review of the assessment prepared by management concluded that the use of the going concern assumption is appropriate
- We considered the Council's medium term financial strategy and treasury management strategy to consider the appropriateness of the going concern assumption
- We are satisfied that the assessment reviewed the appropriate available evidence
- The review provided in May 2019 referred to older documents for example the Corporate Plan for 2016-2019, whereas we would expect the assessment to be forward looking

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### Concluding comments

### Auditor commentary

- We concur with management's assessment that the use of the going concern basis is appropriate.

# Other communication requirements

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

Issue	Commentary
① <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
② <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>Our review of the related parties note found one item had been missed and one of the disclosures required disaggregating.</li> <li>Once the amendments were made we are satisfied that there are no additional issues to report</li> </ul>
③ <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
④ <b>Written representations</b>	<ul style="list-style-type: none"> <li>A letter of representation has been requested from the Council which is included in the Audit and Governance Committee Papers</li> </ul>
⑤ <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>We requested confirmation of the Council's bank balances, investments and loans. One item remains outstanding, though we have considered other evidence. We also wrote to the Pension Fund Auditor and the District Valuer. Appropriate responses were received, though further work and challenge was required for both.</li> </ul>
⑥ <b>Disclosures</b>	<ul style="list-style-type: none"> <li>We requested a number of amendments to be made to the disclosure notes. Further details are in 7 below.</li> </ul>
⑦ <b>Audit evidence and explanations/significant difficulties</b>	<ul style="list-style-type: none"> <li>Information and explanations requested from management have been provided. Evidence is currently awaited in relation to a small number of sampled items of revenue as referred to on p9.</li> </ul>

# Other responsibilities under the Code

Issue	Commentary
<p>1 <b>Other information</b></p>	<ul style="list-style-type: none"> <li>• We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</li> <li>• The narrative report did lack some of the content that is set out in the Code, including:             <ul style="list-style-type: none"> <li>• the Narrative Report does not focus on those elements that are material to an understanding of the performance of the authority – for example relatively minor performance issues were given prominence whilst key service areas, such as social care and educational attainment, were only briefly mentioned</li> <li>• no clear use of performance indicators linked to corporate objectives allowing any comparison with previous years</li> <li>• no organisation structure was included in the report or clear statement on the services provided by the Council. A requirement of the report is for it to include sufficient information to provide an understanding of the organisation of the authority and its services.</li> </ul> </li> <li>• The response to our queries with the Council in relation to the narrative report was that some review would take place to see if additional information could be include, but no overall re-write would take place.</li> </ul>
<p>2 <b>Matters on which we report by exception</b></p>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters</p>
<p>3 <b>Specified procedures for Whole of Government Accounts</b></p>	<p>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.</p> <p>As the Council exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. The work is not complete and we plan to complete by the specified deadline of 13 September 2019.</p>
<p>4 <b>Certification of the closure of the audit</b></p>	<p>We are unable to certify the closure of the 2018/19 audit of Blackburn with Darwen Council in the audit opinion until completion of the WGA work.</p>

# Value for Money

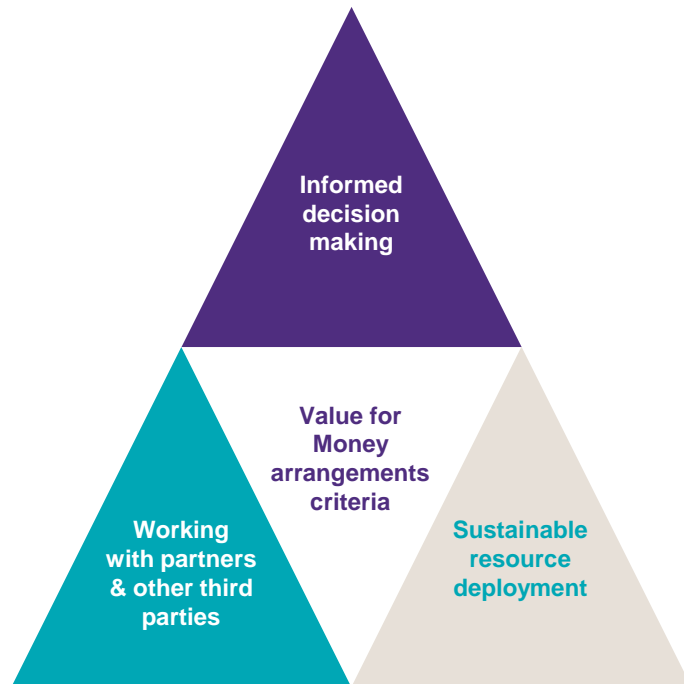
## Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



## Risk assessment

We carried out an initial risk assessment in February 2019 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 5 April 2019.

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

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment.

# Value for Money

## **Our work**

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

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

- Delivery of the revenue budget during 2018-19
- How the capital programme was being progressed during the year
- The assumptions that support the medium term financial strategy

We have set out more detail on the risks we identified, the results of the work we performed on the following page.

## **Overall conclusion**

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## **Recommendations for improvement**

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

## **Significant difficulties in undertaking our work**

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

## **Significant matters discussed with management**

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



## Key findings

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

Significant risk	Work Completed and Findings	Conclusion
<p>1 Blackburn with Darwen, in line with other authorities, continues to operate under significant financial pressures. The Council has currently identified two directorates with projected overspends, and cost pressures within three others.</p>	<p>We monitored the Council's financial position through regular meetings with senior management and review of key documents including:</p> <ul style="list-style-type: none"> <li>the Medium Term Financial Strategy</li> <li>budget monitoring reports.</li> </ul> <p>We considered how the Authority manages budget delivery and also the key assumptions made to financial plans to meet the challenges ahead. Our VfM linked through to our audit of your financial statements, particularly around going concern. We also assessed progress in the identification and delivery of plans to address the funding gaps into 2019/20 and beyond.</p> <p>The Outturn report for 2018-19 highlighted that the net portfolio controllable budgets, covering the key Council services, had an overspend of £2.8million. The main areas of overspend were:</p> <ul style="list-style-type: none"> <li>£1.4million in relation to 'Children, young people and education'</li> <li>£0.9million for Environmental Services</li> <li>£0.5million on Leisure services</li> </ul> <p>Overspends in Children Services are common across many councils due to the difficulties in managing demand. In relation to Environmental Services, the achievability of income targets were the main reason behind the overspend, linked to car parks coming into operation later than expected. Other cost pressures exist in the service due to increasing costs in waste disposal services.</p> <p>The impact on the general fund balance from such overspends were offset by a number of positive variations, the largest being:</p> <ul style="list-style-type: none"> <li>Net savings in respect of interest and debt repayment costs of £1.126million</li> <li>Unused provisions written back in to revenue of £0.473million</li> <li>Carbon Reduction Commitment saving of £0.242million</li> </ul> <p>Similarly to other councils, Blackburn with Darwen does not deliver all of its approved capital programme during the year. Understandably the main focus when reviewing financial performance is usually linked to the delivery of the revenue budget. However the delivery of capital programme is important as:</p> <ul style="list-style-type: none"> <li>The delivery of the programme can be linked to the achievement of future revenue savings</li> <li>Schemes are often very clearly linked to the delivery of the Council's corporate strategy</li> <li>Delivery of capital projects can help to deliver real transformational change</li> </ul>	<p>Whilst challenges remain, we are satisfied that the Council has appropriate arrangements in place in relation to financial management.</p>

## Key findings

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

Significant risk	Work Completed and Findings	Conclusion
<p>1 Blackburn with Darwen, in line with other authorities, continues to operate under significant financial pressures. The Council has currently identified two directorates with projected overspends, and cost pressures within three others.</p>	<p>The programme approved by the Executive Board in February 2019 totalled £28.7million, with only £20.4million delivered. The main areas of non-delivery were in Children's services and Regeneration. The Council's s151 Officer has recognised that the issue of non-delivery of the programme needs to be addressed and has introduced a number of improvements in 2019-20 to the arrangements to improve monitoring and delivery.</p> <p>The MTFS for 2019/20 identified a budget gap of £4.9 million and was based on financial and demand information available to the Council in January/February 2018. During the year pressures emerged that were not built into these figures, particularly in relation to social care. To address pressures the Council used its reserves but, as some of these additional costs are of a recurring nature, further support will be required.</p> <p>The Council's current MTFS covers the period up to 2021/22, which is two additional years. Usually the Council would look to extend the strategy over 3 future years however due to funding uncertainties it was decided that it would not be appropriate to extend through to 2022/23.</p> <p>We noted the following issues:</p> <ul style="list-style-type: none"> <li>• The MTFS highlights an estimated deficit of £6.6m by the end of 2021/22</li> <li>• The Council has developed other scenarios which highlight the deficit may be significantly higher dependent on settlement issues.</li> </ul> <p>From the MTFS it is unclear how the Council will close the gap, however it has a track record of delivering savings and will continue to develop its plans as funding settlements become clearer.</p>	<p>Whilst challenges remain, we are satisfied that the Council has appropriate arrangements in place in relation to financial management.</p>

# Independence & non-audit services

## Auditor independence

- Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.
- 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 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.
- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 and PSAA's Terms of Appointment which set out supplementary guidance on ethical requirements for auditors of local public bodies.

## Other services provided by Grant Thornton





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

Service	£	Threats	Safeguards
<b>Non-audit related</b>			
Certification of Housing Benefit	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 £83,186 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.
CFO Insights Subscription	10,000	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 £10,000 in comparison to the total fee for the audit of £83,186 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. CFO Insights does not provide any advice; the tool provides only information and insight that help to inform decision-making by officers. It is the responsibility of your officers who use this service to undertake informed interpretation of the information provided.
Place Analytics License	14,000	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 £14,000 in comparison to the total fee for the audit of £83,186 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. The license does not provide any advice; it is an online software service offering providing key data relating to the financial performance of a local authority. It is the responsibility of your officers who use this service to undertake informed interpretation of the information provided.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Governance Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit. None of the services provided are subject to contingent fees.

# Action plan

We have identified the following recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2019/20 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1	<p> The Council's financial statements included approximately £23million of internal recharges within the CIES.</p> <p>Given the inclusion of recharges there is a risk of material misstatement if the removal does not occur in future years.</p>	<ul style="list-style-type: none"> <li>The Council should ensure the accounting system allows for easy removal of all recharges in future year</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Agreed</li> </ul>
2	<p> The Council's s151 Officer input a number of journals in 2018-19. Our review of these journals confirmed that these related to reclassifications within the ledger, and there was no evidence of management override of control.</p> <p>However, senior officers' ability to process journal entries increases the risk of management override of controls.</p>	<ul style="list-style-type: none"> <li>The Council should consider restricting the access levels in the main accounting system to prevent senior management from inputting journals.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Agreed</li> </ul>
3	<p> The Council's narrative report presented to audit did not fully comply with the Code, particularly in relation to performance issues.</p> <p>The narrative report is covered within our audit opinion and any non-compliance results in the risk of a modification of the opinion.</p>	<ul style="list-style-type: none"> <li>The narrative report should be considered as a whole Council commentary, with involvement of finance, performance and service teams.</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Agreed</li> </ul>
4	<p> The Council's MTFS highlighted that there continues to be risks in relation to its financial position. By the end of the 2021/22 there is gap of £6.6million, though other scenarios have been considered which suggest the gap may be higher.</p>	<ul style="list-style-type: none"> <li>The Council needs to continue to focus on efficiencies and transformation to achieve significant savings</li> </ul> <p><b>Management response</b></p> <ul style="list-style-type: none"> <li>Agreed</li> </ul>

**Priority**  
 High  
 Medium  
 Low

# Follow up of prior year recommendations

We identified the following issues in the audit of Blackburn with Darwen Council's 2017/18 financial statements, which resulted in five recommendations being reported in our 2017/18 Audit Findings report.

	Assessment	Recommendation	Update on actions taken to address the issue
1	✓	Carry out an annual exercise to ensure that there is no material difference between current value and carrying value of land and buildings at the year end. Include this assessment, and any supporting documentation, in the working papers presented at the start of the audit.	The Council has completed an exercise to consider the difference between the current value and carrying value of land and buildings.
2	✓	As part of the annual impairment review consider the indicators of impairment which may suggest a fall in the current value of specific land and buildings. Management should keep a record of such reviews and discuss with the valuer and take appropriate actions on a timely basis.	The Council requests that the Property Valuer considers whether any properties have been impaired during the year. The issue of impairment is discussed at the Council's Internal Asset Management Group meetings and agreed actions are documented.
3	✓	We recommend that management regularly review the disclosure requirements in line with CIPFA/LASAAC code of practice on local authority accounting and ensure only the required disclosures are reported in the financial statements as relevant to Blackburn with Darwen BC. We believe this would particularly benefit management when working to tight closedown deadlines and accounts decluttering activities going forward.	The Council looks to adhere to the Code. Some update was made to the Statement of Accounts due to some Code requirements not being met.
4	✓	Finance Manager evidence the checks performed and signs off the Control Sheet/FostFile as checked, before payments are paid out.  The Finance Officer provides a reconciliation on the FostFile so that it can easily be agreed back to the 'Control sheet' and 'Interface' to minimise under /over payments.	The recommendations made in this action plan were implemented immediately after being raised by external audit. A reconciliation is provided to the Finance Manager with each FostFile and the control sheet is now physically signed off as authorised rather than this just being done via email
5	✓	Ensure that there is detailed support for any salary costs that are capitalised.	Capital project lead officers are required to provide detailed evidence to support any salary costs that are capitalised.

#### Assessment

- ✓ Action completed
- ✗ Not yet addressed

# Audit Adjustments

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

## Impact of adjusted misstatements

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 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on usable reserves £'000
1 A number of internal recharges were included within gross income and expenditure as part of our sample testing. A large portion of this has been resolved by the Council and will be adjusted for in both the current and prior year financial statements, and a remainder will be reported as an unadjusted misstatement (due to the complexities of identifying how it would be adjusted for in the CIES and EFA).	Dr Income: 18,566 Cr: Expenditure: (18,566)	0	0
2 A number of the downwards revaluations to surplus assets were posted to the surplus/deficit on provision of services, whereas they should have been posted to the revaluation reserve	Cr: Surplus/deficit on provision of services: (4,594)	Dr: Revaluation reserve: 4,594	0
3 The Council has built a new Autism Unit on the former Crosshill site, adjacent to Newfield School. The cost of the new asset, £5,589k was originally attributed to Newfield School in error. Subsequently, the finance team requested a revaluation of the completed Autism Unit, and this indicated a £4,800k upward valuation of the previously vacant site. The draft financial statements therefore included additions of £5,589k as well as an upward revaluation of £4,800k, whereas they should have reflected additions of £5,589k followed by a reduction on valuation of £789k to £4,800k.	Dr: surplus/deficit on provision of services: 789	Dr: Revaluation Reserve 4,800 Cr: Property Plant and Equipment: (5,589)	0
4 The Cash balance was separated between the positive bank balance and the overdraft. The Code requires the overdraft to be netted off the cash figure within the Balance Sheet		Dr: Bank Overdraft: 616 Cr: Cash and cash equivalents: 616	0

# Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Detail	Auditor recommendations	Adjusted?
<b>CIES amendment in relation to recharges</b>	A disclosure note should be included to reflect why the prior year figures within the CIES were restated.	A note should be included to explain why comparative figures required amendment	✓
<b>Note 1: Expenditure and Funding Analysis</b>	The EFA required amendment due to the recharges issues highlighted elsewhere in this report.	Adjustment of the EFA is required.	✓
<b>Note 2: Expenditure and Income Analysed by Nature</b>	The note required amendment due to the recharges issues highlighted elsewhere in this report.	Adjustment of note 2 is required	✓
<b>Note 7: Grant Income and Contributions Credited to Cost of Services</b>	The value of pupil premium grant within the note was overstated by £1million, with a corresponding understatement of other government grants within the note.	Adjustment of note 7 is required	✓
<b>Note 7: Dedicated School Grant</b>	The Dedicated Schools Grant disclosure note required updating to reflect the CIPFA disclosure requirements. The 'In year adjustments' line in the note was overstated by £1million whilst the 'Academy figure recouped for 2018/19' entry was understated by the same amount.	Adjustment of the note is required	✓
<b>Note 7: Grant Income and Contributions</b>	Income from the agreement between the Council and the Mall was incorrectly shown in the note as a contribution.	Adjustment of note 7 is required.	✓
<b>Note 8: Senior Officer Remuneration</b>	The Senior Officers' Remuneration table for 2018/19 within Note 8 included an incorrect entry of £4k for benefits in kind for the Director of HR, Legal and Corporate Services.  Within the Officers' Remuneration note the remuneration banding table should be updated to show 56 (rather than 57) in the 50,000 to 54,999 line and to show 4 (rather than 3) in the 70,000 to 74,999 line.	Whilst a small amount, adjustment is required due to the sensitivities of the note.	✓
<b>Note 13: Property, Plant and Equipment</b>	Disclosures within the note did not reflect that the Council used two valuers this year <ul style="list-style-type: none"> <li>A team from Capita Plc which was brought in-house as of 1/1/19</li> <li>John Atherton who was used to value specialist agricultural assets</li> </ul> Within the property, plant and equipment revaluations note in Note 13 the £17k of infrastructure revalued in 2014/15 should be amended to 0.	The PPE note required updating to reflect the Council's use of two valuers	✓

# Audit Adjustments

## Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure	Detail	Auditor recommendations	Adjusted?
<b>Note 22: Short term debtors</b>	The presentation of short-term debtors within the financial statements did not reflect the updated CIPFA guidance for 2018/19.	Amendment of the note is required	✓
<b>Note 23: Cash and cash equivalents</b>	The Code requires the bank balance to be shown as one net figure rather than separating positive balances and overdraft. The accounts incorrectly showed the figures separately.	Amendment of the note is required	✓
<b>Note 24: Short term creditors</b>	The presentation of short-term creditors within the financial statements did not reflect the updated CIPFA guidance for 2018/19.	Amendment of the note is required	✓
<b>Note 26: Financial Instruments</b>	<p>The financial instruments disclosures should be updated for the following:</p> <ul style="list-style-type: none"> <li>the impact of the changes brought by IFRS 9</li> <li>inclusion of the investment in Barnfield Blackburn Ltd of £500k in long term investments</li> <li>correction of trade receivables and trade payables values</li> <li>correction of amounts within table for ageing of debts past their due date</li> </ul>	Amendment of the note is required	✓
<b>Note 30: Reserves</b>	It is unclear what the purpose of each earmarked reserve recorded within Note 30	The disclosure note should be amended to include a brief description of the purpose of each earmarked reserve.	✓
<b>Note 33: Related Parties</b>	<p>The related parties disclosure note incorrectly excluded transactions in the year of £1.7m with Home Care For You Ltd.</p> <p>The related parties disclosure note required amendment to disaggregate the £1,541,253 with entities controlled or significantly influenced by the Council by organisation.</p>	Amendment to the accounts are required to ensure all related parties are shown to the required detail.	✓
<b>Note 35: Trust Funds</b>	The two amounts disclosed within the Trust Funds note were recorded against the incorrect lines.	The Trust Fund note should be corrected.	✓
<b>Narrative Report</b>	The Narrative Report did not fully adhere to the requirements of the Code.	Additional disclosures should be made, particularly in relation to the Council's performance.	✓



# Unadjusted misstatements

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 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	Impact on total usable reserves £'000	Reason for not adjusting
<p>1 The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements or changing benefits have been implemented.</p> <p>The Council received an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate also takes into account updated assumptions in relation to the return on assets (c£1m). The net impact is a possible increase in pension liabilities of £4.4m.</p>	<p>Dr: Net Expenditure 4,387</p> <p>Cr: General Fund (via MIRS): 4,387</p>	<p>Cr: Net Pension liability 4,387</p> <p>Dr: Pension Reserve: 4,387</p>	0	The item is below the Council's materiality threshold and therefore the Council do not deem it necessary to adjust for this item.
<p>2 It was identified that a number of internal recharges have been included within gross income and gross expenditure as part of our work on income and expenditure. A large portion of this has been resolved by the Council and will be adjusted for in both the current and prior year financial statements, and a remainder will be reported as an unadjusted misstatement</p>	<p>Dr: Income: 3,403</p> <p>Cr: Expenditure 3,403</p>	0	0	Not material and also due to the complexities of identifying how it would be adjusted for in the CIES and EFA
<p>3 An item of capital expenditure for £604k relating to 2018/19 was recorded in 2019/20 incorrectly. This has been confirmed with the Council and we have confirmed that there are no other such items.</p>	0	<p>Dr: PPE additions: 604</p> <p>Cr: Capital Creditors: 604</p>	0	The item is below our materiality threshold and therefore the Council do not deem it necessary to adjust for this item.
<p>4 There is currently a provision in place for closed landfill sites for £400k. Upon further discussion with the Council it was confirmed that this does not meet the definition of a provision under IAS 37 and should instead be accounted for as an earmarked reserve</p>	Credit: Expenditure: (400)	Debit: Provisions: 400	(400)	The item is below our materiality threshold and therefore the Council do not deem it necessary to adjust for this item.

# Prior year unadjusted misstatements

## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2017/18 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1 Valuation of Land at Witton Park High School, which is an Academy School. Considering the lease between the Council and the Academy is over 100 years, there is no real existing use value of this land to the Council and therefore should be valued at nominal £1 on the balance sheet rather than £1million.	Dr: Loss on disposal of non current assets: £1,000	Cr: Land and Buildings: £1,000 Cr: Movement in Reserves Statement: £1,000 Dr: Capital Adjustment Account: £1,000	1,000	Not adjusted in 2017/18 as it was deemed immaterial to the results of the Council and financial position at the year-ended 31 March 2018.  Amendment has been made in 2018/19 Financial Statements
2 Misclassification of Property, Plant and Equipment assets categories within note 13 to the Statement of Accounts where it should have been reported under Surplus Assets category rather than under Land and Buildings	Nil	Cr: Land and Buildings (in note 13): £500 Dr: Surplus Assets (note 13): £500	Nil	Not adjusted in 2017/18 as it was deemed immaterial to the results of the Council and financial position at the year-ended 31 March 2018.  Amendment has been made in 2018/19 Financial Statements
<b>Overall impact</b>	<b>£1,000</b>	<b>(£1,000)</b>	<b>£1,000</b>	

# Fees

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

## Audit Fees

	Proposed fee	Final fee
Council Audit	£83,186	£86,186
<b>Total audit fees (excluding VAT)</b>	<b>£83,186</b>	<b>£86,186</b>

- The proposed fee, as set out in the audit plan, included an additional £4,000 due to the Council being a Public Interest Entity. Due to the McCloud issue explained in the report, we are proposing to charge a further £3,000 due to the additional audit work required.

## Non-Audit Fees

Service	£	Threats	Safeguards
Certification of Housing Benefit	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 £83,186 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.
Teachers Pensions Return	4,200	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £4,200 in comparison to the total fee for the audit of £83,186 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.
CFO Insights Subscription	10,000	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 £10,000 in comparison to the total fee for the audit of £83,186 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. CFO Insights does not provide any advice; the tool provides only information and insight that help to inform decision-making by officers. It is the responsibility of your officers who use this service to undertake informed interpretation of the information provided.
Place Analytics License	14,000	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 £14,000 in comparison to the total fee for the audit of £83,186 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. The license does not provide any advice; it is an online software service offering providing key data relating to the financial performance of a local authority. It is the responsibility of the Council to undertake informed interpretation of the information provided.



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