

Addendum to the Audit Findings for Blackburn with Darwen Borough Council

Year ended 31 March 2019

11 September 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 addendum provides an update on those areas of our work which remained outstanding on 6 August 2019 and summarises our findings and conclusions on these issues. We have not repeated any messages in this addendum that featured in the main report and therefore it does not cover those areas of our work which were completed prior to the August Audit and Governance Committee meeting.

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 and its 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.

Our work is now 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. In our audit findings report we highlighted that we needed to:

- Draft the final audit report
- Complete final internal reviews of the audit file
- Receive the management representation letter; and
- Review of the final set of financial statements.

We have completed all of our work and internal reviews. A draft of our proposed audit is included at Appendix C of this report. Our proposed audit report includes an unqualified opinion on the Council's financial statements and an unqualified Value for Money Conclusion.

The management representation letter has been updated to reflect our final work. The remainder of this report summarises where additional work has taken place after the Audit and Governance Committee on 6 August 2019, and also includes an update on the fee to be charged for the audit.

Significant findings – audit risks

We set out below an update on the work completed to address the ‘valuation of land and buildings’ risk.

Risks identified in our Audit Plan

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

In our report to the Audit and Governance Committee we noted that we had substantially completed our review of the Property, Plant and Equipment balance. The main outstanding issues when we presented our report in August to the Committee were:

- Completing our challenge of the carrying value of your land and buildings
- Assessment of a second valuer who was used by the Council to revalue agricultural assets. We received the response to our request for information from this valuer in the final week of August
- The review of the ‘other’ PPE movement of £8.3million.

Our testing identified one further error in relation to PPE of £0.451million and this is now included in the revised unadjusted errors schedule at appendix A to this report.

Significant findings - control issues

We set out below an update on the work completed to address outstanding control issues.

Issue

Commentary

Revenue Testing

- Our testing of revenue income highlighted material uncertainties. Due to these uncertainties we had to extend our testing. Our testing has identified:
 - The inclusion of internal recharges, which has been reported elsewhere in our report
 - 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
 - A credit note that has been recorded as income – such items should actually be a credit against expenditure
 - An item of income that was actually related to a capital charge

Auditor view

- The Council agreed to amend the financial statements in relation to the internal recharges issue, with the exception of £3.850 million which has been reported as an unadjusted misstatement
- Evidence was provided for all our sampled items
- The Council explained that the credit note was included as income due to it being found in a specific exercise to identify duplicate payments
- After considering the above we were satisfied that no non-trivial issues remained

Other communication requirements

We set out below an update on those other matters that have changed since the Audit Findings Report was presented to the Audit and Governance Committee on 6 August.

Issue	Commentary
Written representations	<ul style="list-style-type: none"> An updated management letter of representation has been requested from the Council to be signed by the Chair of the Audit and Governance Committee and Director of Finance and Customer Services.

Other responsibilities under the Code

We set out below an update, further to the Audit Findings Report presented to the Audit and Governance Committee on 6 August 2019, of findings relating to our other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	<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>Our work concluded that the Council does not exceed the specified group reporting threshold and no further work is required on the WGA consolidation pack with the Council's audited financial statements.</p>
Certification of the closure of the audit	<p>Given that no further work is required on the Council's WGA consolidation pack, we intend to certify the closure of the 2018/19 audit of Blackburn with Darwen Borough Council in the audit opinion.</p>

Audit Adjustments

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 (CIES) £'000	Statement of Financial Position £' 000	Impact on usable reserves £'000	Reason for not adjusting
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. 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.	Dr: Past Service Cost 5,855	Cr: Net Pension liability (4,387) Cr: Remeasurement of the net defined pension liability (1,468)	0	The item is below the Council's materiality threshold and therefore the Council does not deem it necessary to adjust for this item.
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	Dr: Income (3,850) Cr: Expenditure (3,850)	0	0	Not material and also due to the complexities of identifying how it would be adjusted for in the CIES.
3 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	Cr: Expenditure (400)	Dr: Provisions 400	(400)	The item is below the Council's materiality threshold and therefore the Council does not deem it necessary to adjust for this item.
4 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.		Dr: PPE Additions 604 Cr: Capital Creditors (604)	0	The item is below the Council's materiality threshold and therefore the Council does not deem it necessary to adjust for this item.
5 A revaluation was incorrectly posted to one component in the asset register, however it should be split with a second component resulting in £451k being included twice.		Dr: Revaluation Reserve 451 Cr Property, Plant and Equipment (451)		The item is below the Council's materiality threshold and therefore the Council does not deem it necessary to adjust for this item.
Overall impact	£5,455	(£5,455)	(£400)	

Fees

We confirm below our final fees charged for the audit, which have been updated since our Audit Findings Report presented to the Audit and Governance Committee on 6 August 2019.

Audit Fees

	Proposed fee	Final fee	2017/18 fee
Council Audit	£83,186	£92,186	£106,839
Total audit fees (excluding VAT)	£83,186	£92,186	£106,839

The proposed fee, as set out in the audit plan, included an additional £4,000 due to the Council being a 'Public Interest Entity'. The additional £9,000 relates to the additional work we have had to complete, as set out below:

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£3,000
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across local government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£3,000
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this.	£3,000
Total		£9,000

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

Report on the Audit of the Financial Statements

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Blackburn with Darwen Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the Notes to the Financial Statements, the Notes to the Collection Fund Statement and the 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 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

Overview of our audit approach

Financial statements audit

- Overall materiality: £7,182,000, which represents 1.8% of the Authority's gross expenditure;
- Key audit matters were identified as:
 - Valuation of land and buildings
 - Valuation of the pension fund net liability
- We tested, on a sample basis, the Authority's material income and expenditure streams and assets and liabilities, covering 99% of income, 99% of expenditure, 99% of assets and 99% of liabilities.

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

- We identified one significant risk in respect of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources in respect of financial sustainability (see Report on other legal and regulatory requirements section).

Key audit matters

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

Key audit matter

Risk 1 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 2019 was £240.4 million; and the sensitivity of this estimate to changes in key assumptions.

Management need to ensure the carrying value in the Authority financial statements for assets not formally revalued during the year is not materially different from the current value at the financial statements date, where a rolling programme is used.

We therefore identified the 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.

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How the matter was addressed in the audit

Our audit work included, but was not restricted to:

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

The Authority's accounting policy on the valuation of land and buildings is shown in the Accounting Policies section titled 'Property, Plant and Equipment on pages 96 to 100 of the Statement of Accounts within the financial statements and related disclosures are included in note 13.

Key observations

From the work performed we identified a revaluation which was applied to the wrong school on the asset register. This error resulted in land and buildings being overstated by £5 million. The Authority amended the financial statements on audit to correct this overstatement.

Subject to amendment noted above, we obtained sufficient audit evidence to conclude:

- the basis of the valuation of land and buildings was appropriate, and the assumptions and processes used by management in determining the estimate were reasonable; and
- the valuation of the land and buildings disclosed in the financial statements is reasonable.

Risk 2 Valuation of the 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 £264.7 million as at 31 March 2019; and
- the sensitivity of the estimate to changes in key assumptions.

A recent legal ruling around age discrimination (McCloud - Court of Appeal) has implications for the local government pension scheme resulting in a potential increase in pension fund liabilities. The Authority asked its actuary to estimate the value of this ruling on its pension liability. The actuary quantified the impact and the Council decided not to amend, as it was not material to the financial statement. We therefore identified the valuation of the pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

How the matter was addressed in the audit

Our audit work included, but was not restricted to:

- updating 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 evaluating the design of the associated controls;
- evaluating the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assessing the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assessing the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- critically evaluating 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; and
- assessing the updated actuary report in relation to potential adjustments as a result of McCloud and used our own internal and external auditor experts to assess the reasonableness and validity of the assumptions used.

The Authority's accounting policy on the valuation of the pension fund net liability is shown in the Employee Benefits section of the (pages 87 to 89) of the Accounting Policies section to the financial statements and related disclosures are included in note 31.

Key observations

The pension fund net liability included in the balance sheet does not include any allowance for pension fund liabilities related to the McCloud legal judgement. The Authority's actuary has estimated the gross value of these potential liabilities to be £5.9 million. We have reported this as an unadjusted error that management have chosen not to amend for.

Subject to the above, we obtained sufficient audit evidence to conclude:

- the basis of the valuation included in the balance sheet was appropriate and the assumptions and processes used by management in determining the estimate were reasonable; and
- the valuation of the pension fund net liability recognised in the financial statements is reasonable.

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Our application of materiality

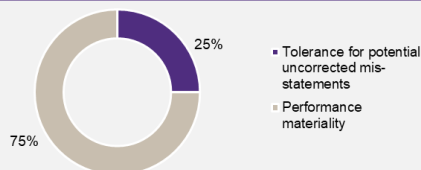
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Authority
Financial Statements as a whole	£7,182,000 which is 1.8% of the Authority's gross expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Authority has expended its revenue and other funding. We determined a lower percentage materiality for the current year compared to that used in the prior year to reflect our current assessment of risk for the audit.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality
Specific materiality	We determined a lower level of specific materiality for certain areas such as senior employee remuneration and related party transactions.
Communication of misstatements to the Audit and Governance Committee	£359,000 and misstatements below that threshold will, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Authority



An overview of the scope of our audit

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

- Gaining an understanding of and evaluating the Authority's internal control environment, including its financial and IT systems and controls;
- Obtaining supporting evidence, on a sample basis, for all of the Authority's material income streams covering 99% of the Authority's income;
- Obtaining supporting evidence, on a sample basis, for 99% of the Authority's expenditure; and
- Obtaining supporting evidence, on a sample basis, for 99% of the Authority's assets including property plant and equipment and 99% of the Authority's liabilities.

There were no key changes in scope from the prior year.

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

The objectives of our audit are to identify and assess the risks of material misstatement of the financial statements due to fraud or error; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud or error; and to respond appropriately to those risks. 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).

In identifying and assessing risks of material misstatement in respect of fraud, including irregularities and non-compliance with laws and regulations, our procedures included the following:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Authority and sector in which it operates. We determined that the following laws and regulations were most significant:
 - the Accounts and Audit Regulations 2015
 - the Local Government Finance Act 2012
 - the Local Government Act 2003.
- We understood how the Authority is complying with those legal and regulatory frameworks by making enquiries to the Authority's monitoring officer. We corroborated our enquiries through our review of minutes and papers provided to the Audit and Governance Committee and the full Council.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

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Report on the Audit of the Financial Statements

- identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence by management over the financial reporting process;
 - challenging assumptions and judgments made by management in its significant accounting estimates, for example in relation to the valuation of land and buildings and the pension liability;
 - identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- We did not identify any key audit matters relating to irregularities, including fraud.

Other information

The Director of Finance & Customer Services is responsible for the other information. The other information comprises the information included in the Statement of Accounts, 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 of the Authority 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 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls. We have nothing to report in this regard.

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

Matters on which we are required to report by exception

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

- we 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 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 & Customer Services and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 20, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance & Customer Services. The Director of Finance & Customer Services is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance & Customer Services determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance & Customer Services is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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.

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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.

Other matters which we are required to address

We were reappointed by Public Sector Audit Appointments Limited in December 2017 to audit the financial statements for the year ending 31 March 2019 and subsequent financial periods. The period of total uninterrupted engagement is seven years, covering the years ending 31 March 2013 to 31 March 2019. The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Authority and we remain independent of the Authority in conducting our audit.

We have provided the following services in addition to the audit, to the Authority since 1 April 2018 that have not been disclosed separately in the Statement of Accounts:

- Agreed-upon procedures in relation to the Housing Benefit Subsidy Claim and the Teachers' Pensions return for 2018/19
- CFO Insights subscription and Place Analytics license both providing data and insight to officers. It is the responsibility of those officers who use the services to undertake informed interpretation of the information provided.

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

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Significant risks

Under the Code of Audit Practice, we are required to report on how our work addressed the significant risks we identified in forming our conclusion on the adequacy of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. Significant risks are those risks that in our view

had the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. The table below sets out the significant risks we have identified. These significant risks were addressed in the context of our conclusion on the Authority's arrangements as a whole, and in forming our conclusion thereon, and we do not provide a separate opinion on these risks.

Significant risk	How the matter was addressed in the audit
<p>Financial Sustainability</p> <p>The Authority has a good track record of setting appropriate levels of savings in order to achieve a sustainable financial position. However, there is increasing pressure on budgets due to growing demands around services and rising financial constraints.</p> <p>The Authority's revenue monitoring report identified budget pressures of £3.6 million, up to 31 December 2018, in February 2019. Of these pressures, £1.2million related to the Children and Young People directorate and a further £1million to Environmental Services. The report highlighted that reserves may need to be used to cover some of the cost pressures reported if additional savings could not be identified.</p> <p>The risk for the Authority is that they need to continue to ensure budgets are both achievable and are based on reasonable assumptions about the use of its reserves.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • Evaluating how the Authority monitors its financial position through regular meetings with senior management and reviewing key documents; and • Assessing progress in the identification and delivery of the Authority's plans to address funding gaps. <p>Key findings</p> <p>The Authority prepares quarterly budget monitoring reports that are presented to the Executive Board.</p> <p>The Authority's overspend of £2.8million against its budget for 2018/19 was primarily due to overspends in the Children and Young People and Environmental Services directorates. The Authority was able to cover this overspend through the achievement of savings elsewhere, for example £1.1million of savings in interest and debt repayment costs, and the release of £0.5million of provisions no longer required.</p> <p>The Authority's General Fund reserves, which includes Earmarked Reserves, were £32.9 million as at 31 March 2019.</p> <p>The Authority has set a balanced budget for 2019/20 and has updated its Medium-Term Financial Strategy to assess potential funding gaps up to and including 2021/22.</p>

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Report on the Audit of the 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 on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects, the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements – Certificate

We certify that we have completed the audit of the financial statements of Blackburn with Darwen Borough Council in accordance with the requirements of the 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.

To be signed

John Farrar, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Manchester

Date to be added on signing



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