This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.
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The Audit Findings for Burnley Borough Council

Year ended 31 March 2023

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Georgia Jones

Georgia Jones
For Grant Thornton UK LLP
Date: September 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Burnley Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council 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.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was completed during July-September. Our findings are summarised on pages 2 to 18. There are no significant adjustments to the financial statements that affect the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have raised recommendations for management as a result of our audit work. These are set out in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix D.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix G] or material changes to the financial statements, subject to the following outstanding matters;

- finalisation of queries in relation to some areas of sample testing
- Complete of work on the pension figures
- testing of Module 2 and Module 5 of Housing benefit subsidy system
- completion of final quality checking procedures
- receipt of management representation letter; and
- review of the final set of financial statements

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

Our anticipated financial statements audit report opinion will be unqualified.

Our work on the Council's value for money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix H to this report. We expect to issue our Auditor's Annual Report by December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of financial sustainability. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report (Section 3).
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report in December 2023.
Significant matters	We did not encounter any significant difficulties or identify any significant matters arising during our audit.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us to provide timely audit evidence and in responding efficiently to any audit queries raised. This has enabled the audit to keep on track and the issue of a timely audit opinion.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

Burnley Council has a well-managed Treasury Management system and adheres to a prudent policy on borrowings. The Treasury Management Strategy 2022/23 reported a current under borrowed position whereby the capital borrowing requirement is not fully funded by loan debt.

2. Financial Statements

Overview of the scope of our audit

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

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 28 September 2023, as detailed in Appendix G. These outstanding items include:

- finalisation of queries in relation to some areas of sample testing
- Complete of work on the pension figures
- testing of Module 2 and Module 5 of Housing benefit subsidy system
- completion of final quality checking procedures
- receipt of management representation letter; and
- review of the final set of financial statements

2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan issued in May 2023.

We set out in this table our determination of materiality for Burnley Borough Council.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,282,040	This equates to 2% of your gross operating expenditure for the 2021/22 year (1.9% of your gross operating expenditure for 2022/23) and is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Council has expended its revenue and other funding.
Performance materiality	897,428	The performance materiality has been set at 70% of financial statement materiality. This reflects a standard benchmark based on risk assessed knowledge of potential for errors arising.
Trivial matters	64,100	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate. It is a standard benchmark set at 5% of materiality.

2. Financial Statements: Significant risks

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

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

Risks identified in our Audit Plan	Commentary

Management override of controls
Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.
 	
The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.
 	
We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.
	We:
	• evaluated the design effectiveness of management controls over journals;
	• analysed the journals listing and determined the criteria for selecting high risk unusual journals, including:
	  • Journals created by senior management
	  • Journals which impact the financial outturn
	  • Year-end adjustment journals
	• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
	• gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness regarding corroborative evidence; and
	• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.
	
	From testing carried out in which we have reviewed the journals along with supporting documents, there has been no evidence of inappropriate management override of controls.
	
	Our commentary on key accounting estimates is set out on pages 11 to 14. We found accounting policies to be appropriate.

Improper revenue and expenditure recognition
Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.
This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.
	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:
	  • there is little incentive to manipulate revenue recognition;
	  • opportunities to manipulate revenue recognition are very limited; and
	  • the culture and ethical frameworks of local authorities, including Burnley Borough Council, mean that all forms of fraud are seen as unacceptable.
	
	Therefore, we do not consider this to be a significant risk for Burnley Borough Council. (continued)

2. Financial Statements: Significant risks (contd.)

Improper revenue and expenditure recognition (cont.)

In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period).

We have also considered the risk of improper expenditure recognition and given the Council's expenditure streams are not considered unusual we do not consider this to be a significant risk of material misstatement at this time.

Based on our testing performed in different sections of income and expenditure we have not identified any issue that could materially impact the financial statements and result in a misstatement. We have performed work on the below mentioned income and expenditure line items from the financial statements:

- Fees and Charges Income
- Grant Income
- Other expenditure
- Housing benefit expenditure
- Employee benefit expenditure

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings (including surplus assets and investment properties) The Council revalue its land and buildings, on a rolling five yearly basis and annually for investment properties. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£65.179m of land and buildings, and £8.713m of investment properties in the 2022/23 accounts) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. Surplus Assets: All surplus assets should be valued and reported at fair value under relevant accounting principles. This valuation of £6.374m in the 2022/23 accounts, represents a significant estimate by management in the financial statements due to the size of the numbers involved compared to Council's materiality and the sensitivity of this estimate to changes in key assumptions We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • discussed with the valuer 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, the Council's valuer's report and the assumptions that underpin the valuation; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • 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. As part of our overall audit work, we tested 11 asset valuations for land and buildings and 11 investment properties, including individually large assets or those with unusual movements. In completing our work, we examined the accounting entries, data and assumptions used, relevant asset indices and considered those assets not revalued. Our audit work has not identified any significant issues in respect of valuation of land and buildings (see page 12 for further commentary on estimates used by management).

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability The Council's pension fund net liability for 2022/23, as reflected in its balance sheet as the net defined benefit pension liability, represents a significant estimate in the core financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£17.8m asset in the Council's 2022/23 balance sheet) and the sensitivity of the estimate to changes in key assumptions. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement	We: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (the 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 Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council 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; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of the Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our audit work is ongoing in respect of valuation of the pension fund liability. At the time of writing we are awaiting the letter of assurance from the Pension Fund auditor. In 22/23 the pension fund is now overall in a net asset position. We are reviewing the Council's accounting treatment of this surplus position together will the information provided by the actuary,

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations (including surplus assets) – £71.5m net book value	The Council request their internal valuer to revalue other land and building (opening value £68.1m net book value) on a five year cycle, using depreciated replacement cost (DRC) for specialised assets such as libraries, galleries and leisure centres. The remainder of operational other land and building are required to be revalued at existing use value (EUV). Surplus assets comprising of an opening value of £8.4m are required to be revalued annually at fair value, estimated as highest and best use from a market participant's perspective. In 2022/23 the Council revalued £31.4m (48%) of other land and buildings and revalued 100% of surplus assets. Management have considered the year end value of non-valued properties in 2022/23. While not performing detailed calculations, Management rely on the internal valuers knowledge to assert that there is no material movement between the year end value of non-valued properties and their last revaluation. Similarly for assets revalued in year, management asserts that there is no potential material valuation movement arising between 1 April 2022 and the balance sheet date.	The Council's accounting policy on valuation of land and buildings is included in the Accounting Policies note which starts on page 90 of the financial statements. We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. The underlying information and sensitivities used to determine the estimate was considered to be complete and accurate. The valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. We have uplifted assets not revalued in the period using information on Local Government asset values movements 22/23 provided by Montagu Evans (appointed by the NAO) and accepted management's assessment that there has been no material changes to the valuation of land and buildings not revalued in year. We consider the level of disclosure in the financial statements to be appropriate. We selected a sample of 11 Other Land and Buildings valuations to test for appropriate use of valuation assumptions and input data. This work is substantially complete and we have not identified any significant issues. We raised the issue in 2021/22 that management should complete their own assessment of potential movement in asset values for those assets not revalued in the year (continued)	Land and Building valuations (including surplus assets) – £71.5m net book value

Assessment

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

2. Financial Statements: key judgements and estimates (contd.)

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations (including surplus assets) – £71.5m net book value	The Council request their internal valuer to revalue other land and building (opening value £68.1m net book value) on a five year cycle, using depreciated replacement cost (DRC) for specialised assets such as libraries, galleries and leisure centres. The remainder of operational other land and building are required to be revalued at existing use value (EUV). Surplus assets comprising of an opening value of £8.4m are required to be revalued annually at fair value, estimated as highest and best use from a market participant's perspective. In 2022/23 the Council revalued £31.4m (48%) of other land and buildings and revalued 100% of surplus assets. Management have considered the year end value of non-valued properties in 2022/23. While not performing detailed calculations, Management rely on the internal valuers knowledge to assert that there is no material movement between the year end value of non-valued properties and their last revaluation. Similarly for assets revalued in year, management asserts that there is no potential material valuation movement arising between 1 April 2022 and the balance sheet date.	Based on our follow up on our last year's recommendation the management have commented that they have not made any amendments to their revaluation strategy this year. As in previous years the valuer reviews the full list of assets not revalued and based on their detail knowledge of the assets they look to identify any assets which may have been impaired. We have completed our own assessment of assets not revalued in the year. We are satisfied that they are not materially misstated. However we re-asset that management should complete their own detailed assessment of asset not revalued to assure themselves that there is no material difference in the carrying value to current value. Therefore this recommendation has been repeated this year. See the Action Plan in Appendix A.	**Land and Building valuations (including surplus assets) – £71.5m net book value**

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £8.7m	The Council has a number of assets that it has determined to be investment properties. Investment properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between market participants at the measurement date) so these assets are valued every year with a revaluation date of 31 March 2023. The Council's internal valuer completes the valuation of these properties. The year end valuation of the Council's investment property was £8.7m.	• We have no concerns over the competence, capabilities and objectivity of the internal valuation expert used by the Council. • The valuer has agreed clear terms of reference for this work with the Council in advance of the work being performed, including within which were the assumptions that were going to be applied to this work • There have been no changes to the valuation method this year • This work has not raised any issues with the 2022/23 valuations. We have assessed the likelihood of a material difference between the Councils valuation of investment properties against regional market trends . We did not identify a material difference and are satisfied Investment Property is not materially mis-stated. We selected a sample of 11 investment property valuations to test for appropriate use of valuation assumptions and input data. We have not identified any issues.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension asset – £17.8m</td>
<td>The Council's net pension liability at 31 March 2023 is £17.8m asset (2021/22 £43.7m liability) comprising the Lancashire Pension Fund local government and unfunded defined benefit pension scheme obligations. The Council uses Mercer 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 2023. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund asset/ liability, small changes in assumptions can result in significant valuation movements. There has been a £61.5m net actuarial gain during 2022/23.</td>
<td>In understanding how management has calculated the estimate of the net pension liability we have:

assessed the use of a management's expert actuary;
assessed the actuary's calculation approach
used PwC as auditors expert to assess actuary and assumptions made by the actuary (see table below).

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.8%</td><td>4.7-4.9%</td><td></td></tr>
<tr><td>Pension increase rate</td><td>2.8%</td><td>2.70% p.a. for all employers</td><td></td></tr>
<tr><td>Salary growth</td><td>4.2%</td><td>1.25% - 1.50% p.a. above CPI.</td><td></td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>22.8
21.5 yrs</td><td>22.4-24.3
21-22.6 yrs</td><td></td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>25.6
23.8 yrs</td><td>25.3-26.6
23.5-24.7 yrs</td><td></td></tr>
</table>

examined the completeness and accuracy of the underlying information used to determine the estimate
undertook a reasonableness test of the Council's share of LGPS pension assets
assessed the reasonableness of the change in estimate
assessed the adequacy of the disclosure of the estimate in the financial statements
confirmed there have been no changes to the valuation methodology since the previous year, other than the updating of key assumptions above.

This work is currently in progress.</td>
<td>We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition £44.6m (2021/22 £43.5m) The Council has received grant funding during 2022/23 to support households with the rising costs of living. These discretionary and non discretionary grants programmes are more complex with management judgement required.	Management take into account three main considerations in accounting for grants: • whether the authority is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. • whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income • whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be significant judgements over the accounting treatment. Different conclusions may be reached by authorities depending on how they have applied any discretion in administering the schemes.	• We have substantively tested a sample of grants across categories; and reviewed management's assessment as to whether the Council is acting as the principal or agent • For the sample selected we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • We have also assessed for the sample of grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. • We have assessed the adequacy of disclosure of grants received and judgement used by management. We are finalising our work in this area btu have not identified any significant issues to date.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Civica Financials	Detailed ITGC assessment (design and operating effectiveness	●	●	●	●	Management override of controls	Examination of compensating controls for user access. (see recommendation in Appendix B).
Northgate iWorld	Detailed ITGC assessment (design and operating effectiveness	●	●	●	●	none	n/a

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is included in the Audit and Standard Committee papers.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bank and investment counterparties. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements, other than those mentioned in Appendix D - disclosure misstatements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided. Our findings are subject to the satisfactory completion of our work and the matters set out on page 3.

2. Financial Statements: other communication requirements

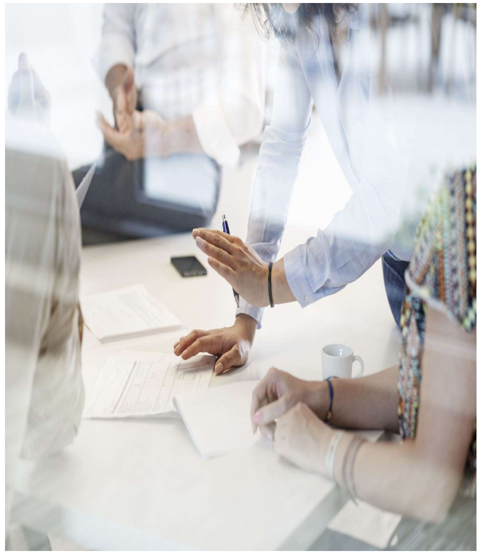
Our responsibility

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

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

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect as reported at Appendix G.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money. We have nothing to report on these matters, although the Value for Money work is underway and due to be completed by December 2023.
Specified procedures for Whole of Government Accounts	Guidance on specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions have not yet been issued. Previously this work has not been required as the Council has not exceeded the NAO's thresholds and we expect that to be the case this year.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2022/23 audit of Burnley Borough Council in the audit report, due to incomplete VFM work.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix H to this report. We expect to issue our Auditor's Annual Report by December 2023. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risk set out in the table below. Our work on this risk is underway and an update is set out below.

Risk of significant weakness	Work performed to date
Financial sustainability The Council continues to face significant financial pressures with significant increases in relation to energy, fuel, food and other service provision. The Council's Medium Term financial strategy 2024/25 to 2027/28 (updated February 2023) indicates a potential £2.1m cumulative budget gap over the 4 year period, based on estimated future Government funding. The Council acknowledges that it is essential that it continues to not only reduce costs and deliver required savings but also seize any opportunities for leveraging wider strategic benefits.	We are currently reviewing the arrangements in place to manage the Council's financial sustainability. This work is underway and will be reported in our Auditors Annual Report.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

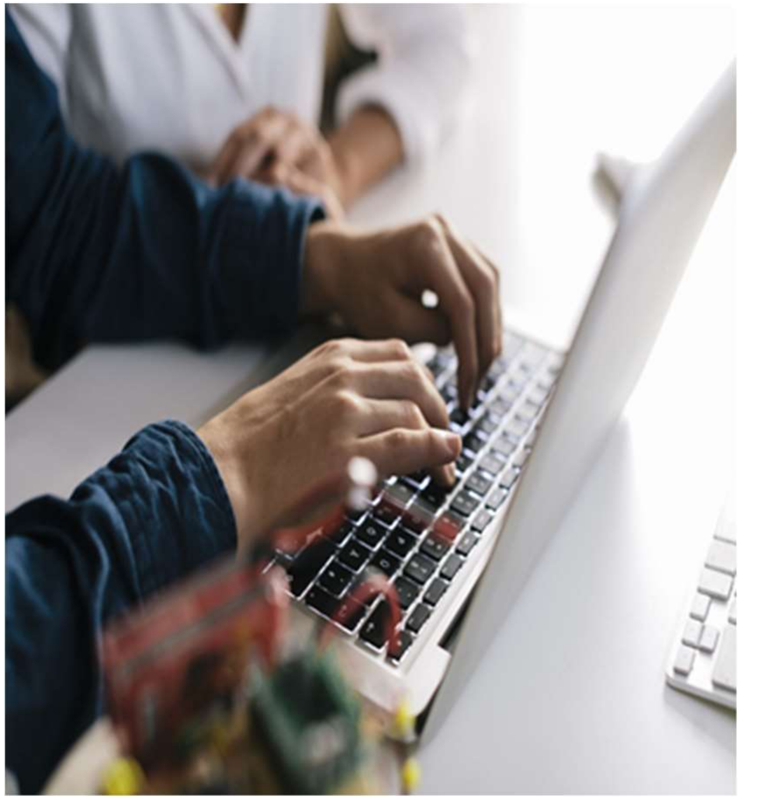
We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.



4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. No audit related services were identified.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of housing benefits subsidy claim	39.5k	Self-Interest (because this was a recurring fee) Self review (because GT provides audit services)	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 £39,503 in comparison to the total fee for the audit of £64,788 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. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff that would exceed the threshold set in the Ethical Standard.

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	Valuation of Heritage Assets The Council's external valuer, Bonhams, carried out a partial valuation of the major exhibits at 31 March 2023. This resulted in a £2m increase in the total valuation, mainly oil paintings, to an overall value of £37.4m. We understand a full valuation was not done due to capacity issues with the valuers.	We recommend the Council engage a further valuation for those Heritage assets not covered by the 2023 programme. Management response Due to capacity issues with our external valuer, Bonhams, a full valuation of the Councils heritage assets was not completed for the 2022/23 financial year. Instead, a partial revaluation of the major exhibits was carried out with a valuation date of 31 March 2023. The Council's external valuer is currently in the process of undertaking a desktop valuation of those assets not covered by the 2023 programme. This will conclude the valuation of the Council's heritage assets. The Council was unable to perform a desk top exercise to value those assets not valued as at 31 March 2023 due to a lack of local indicators that could be used to provide a reliable estimate the asset value
Medium	Depreciation policy We sample tested the depreciation applied to 12 assets not measured under the revaluation method (vehicles, plant and equipment, assets under construction and community assets). We identified 1 asset with a life of 15 years which is outside the Council's policy of 3-10 years useful economic life (UEL) used to calculate the depreciation charge. The Council examined the range of UEL's applied to the asset base and identified a total of 7 assets with depreciation of £64,762 that had a UEL outside the policy range. This total value is trivial however we recommend the Council carries out a regular check on the UEL's of its assets to ensure these are in line with the depreciation policy for each category of asset. We understand the depreciation policy is due to be amended to reflect this change in UEL for 2022-23.	We recommend the Council carries out a regular check on the UEL's of its assets to ensure these are in line with the depreciation policy for each category of asset. Management response The Council has reviewed and updated the Depreciation Policy to reflect the UEL of assets. The updated policy is included within the Audited 2022/23 Statement of Accounts. An annual review of the UEL of assets will be undertaken to ensure that they are in line with the Council's Depreciation Policy.

Controls

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

B. Action Plan – Audit of Financial Statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	Assets not revalued in the year We raised a recommendation in our last audits of 2020/21 and 2021/22 that management complete their own assessment of the value of those assets not covered as part of the rolling revaluation programme to ensure these are fairly stated. 48% (or £37.7m out of £65.2m other land and buildings) of assets were not revalued as at 31/3/23. The Council advised that the Property Team carry out a detailed review of assets every year and are closely involved in the day-to-day management of the assets. This reduces the risk of any impaired asset not being recognised within asset valuations. However there remains a risk that the value of assets may have moved materially since the last valuation if the market is subject to increased fluctuation.	We repeat our recommendation from 2021/22 that management complete their own detailed assessment to confirm the value of assets not covered within the revaluation programme are fairly stated. Management response The Council values its investment and surplus properties on an annual basis. For the remainder of its land and buildings it has a 5-year rolling programme of asset valuation. This complies with CiPFA's Code of Practice. Where assets are included within the 5-year rolling programme, the Council's valuer undertakes a desktop exercise to review every asset that is not included within that year's valuation. If any issues are found, then the valuer undertakes a full valuation of that asset. Similarly, if any issues are identified in assets that have been valued that year, other assets in that class of assets will be valued. The Council's valuer will investigate the benefit of and consider the use of indices as part of the desktop exercise in future years.

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Burnley Council's 2021/22 financial statements, which resulted in 3 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations in the table below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
partially	Valuation of Heritage Assets We recommended the Council values its heritage assets at sufficient intervals, no longer than 10 years, for future financial periods in line with good practice. The valuation in the 2021/22 financial statements was from 2011.	The Council's external valuer, Bonhams, carried out a partial valuation of the major exhibits at 31 March 2023. This resulted in a £2m increase in the total valuation, mainly oil paintings, to an overall value of £37.4m. We understand a full valuation was not done due to capacity issues with the valuers. We recommend the Council engage a further valuation for those assets not covered by the 2023 programme.
✓	Assets not revalued in the year We raised a recommendation in 2020/21 and 2021/22 that management complete their own assessment of the value of those assets not covered as part of the rolling revaluation programme to ensure these are fairly stated. 57% (or £30m out of £52m) of assets were not revalued as at 31/3/22. The Council advised that the Property Team carry out a detailed review of assets every year and are closely involved in the day-to-day management of the assets. This reduces the risk of any impaired asset not being recognised within asset valuations. However there remains a risk that the value of assets may have moved materially since the last valuation if the market is subject to increased fluctuation.	During 2022/23 the Council revalued 48% (or £37.7m out of £65.2m other land and buildings). We have followed up on the recommendation made last year and as per management response received there has been no change in the policy and the management has not made any assessment for the assets not revalued in current year.
✓	National Domestic Rates Appeals The Council did not include a provision for potential future NDR appeals due to limited new appeals submitted against the current 2017 valuation list. We recommended the Council make an assessment for the 2022/23 financial statements of the value of unlodged appeals following the 2023 valuation. The NDR provision should include an appropriate value for these claims.	We have followed up on the recommendation made last year and as per management response the appeals provision does not include an allowance for un-lodged appeals. In addition, the 2022/23 NNDR3 return only allows for making provision for appeals against the 2010 and 2017 rating list. It doesn't allow for any forward provision against the 2023 rating list, this can only be done from 2023/24.

Assessment

✓ Action completed

X Not yet addressed

D. 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 2023. We have not identified any required adjustments to date.

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 and misclassification changes	Details	Adjusted?
Note 31 Financial Instruments	The Council has amended details within the note to exclude a £2m investment included in error. The Council's maximum exposure to credit risk is revised to £16.1m (previously £18.1m) in notes 31a and table 31c.	✓
Note 28 Leases	The Council has amended details within the note to correct the analysis of the table for future minimum lease payments for 31/3/2023. The table now shows these as £67,561k (previously stated as £67,786k).	✓
Note 25 Audit fees	The Council has amended the disclosure for audit fees for a late notification of additional fee for Housing Benefits. Total fees are now £105k which agrees to the Audit Plan as set out in further detail on page 29.	✓
Presentational Issues	Various minor presentational issues	✓

E. Fees and non-audit services

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

Audit fees	Proposed fee £	Final fee £
Scale fee	46,438	46,438
Value for Money audit – new NAO requirements	9,000	9,000
ISA 540	2,100	2,100
Additional journals testing	3,000	3,000
Enhanced audit procedures for Payroll – Change of circumstances	500	500
Enhanced audit procedures for Collection Fund- reliefs testing	750	750
Increased audit requirements of revised ISAs 315/ 240	3,000	3,000
Total audit fees (excluding VAT)	£64,788	£64,788

The fees agree to the financial statements (note 24)

Non-audit fees for other services	Proposed fee £	Final fee £
Audit Related Services Housing Benefit Claim	39,503	tbc
Total non-audit fees (excluding VAT)	39,503	tbc

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the Council, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Burnley Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Burnley Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the notes to the core financial statements and the notes to the collection fund statement. 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 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

In our evaluation of the Head of Finance and Property's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

Our responsibilities and the responsibilities of the Head of Finance and Property with respect to going concern are described in the relevant sections of this report.

G. Audit opinion

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. The Head of Finance and Property is responsible for the other information. 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.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, 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 and the Head of Finance and Property

As explained more fully in the Statement of Responsibilities [set out on page 17], 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 Head of Finance and Property. The Head of Finance and Property 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance and Property 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 Head of Finance and Property 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 they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

G. Audit opinion

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. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23. The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012).

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to [include relevant details for your audit, e.g. health and safety, employee matters, and data protection].

We enquired of senior officers and the Audit and Standards Committee, concerning the Authority’s policies and procedures relating to:

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

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

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

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

We assessed the susceptibility of the Authority’s financial statements to material misstatement, including how fraud might occur, by evaluating management’s incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and improper recognition of revenue and expenditure. We determined that the principal risks were in relation to

- management override of control, in particular journals, management estimates and transactions outside the course of business

- closing journals posted during the preparation of the financial statements.

• Our audit procedures involved:

- evaluation of the design effectiveness of controls that the Head of Finance and Property has in place to prevent and detect fraud;

- journal entry testing, with a focus on the material year end transactions and manual journals posted during the year with high risk charateristics

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and the defined benefit pension fund net liability valuation

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

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

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and the defined pension fund net liability valuation We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

G. Audit opinion

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

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

• knowledge of the local government sector

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

- the provisions of the applicable legislation

- guidance issued by CIPFA/LASAAC and SOLACE

- the applicable statutory provisions.

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

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

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

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.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

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.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

• Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and

• Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

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

G. Audit opinion

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

We cannot formally conclude the audit and issue an audit certificate for Burnley Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

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

• the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

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 44 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.

Signature:

Georgia Jones, Key Audit Partner

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

Liverpool

Date:

H. Audit letter in respect of delayed VFM work

Councillor Margaret Brindle

Chair of Audit and Standards Committee

September 2023

Dear Councillor Brindle

Delayed Value for Money reporting

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible can be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than December 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Georgia Jones

Director

Grant Thornton

grantthornton.co.uk