



Our ref:
Your ref:

Councillor Margaret Brindle
Chair of the Audit and Standards Committee
Burnley Borough Council
(via email)

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Dear Cllr Brindle

As you will be aware Grant Thornton's final year as auditor's of the Council was 2022/23. We issued our Audit Findings Report to the Audit and Standards Committee on 14 December 2023.

We have now reviewed the final fees for the audit and there is an additional fee due of £4,000 in respect of the additional work required on the pension surplus on IFRIC14. You will recall from our report which went to the 14 December committee, that where there is a pension surplus the Council has to make an assessment of how much of the surplus can be recognised in the accounts. This results in significant additional work by the auditor as explained below.

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Therefore in order to assess this the Council were required to obtain additional information from their actuary and then this information was used by the Council and their advisers to calculate a pension asset ceiling. As auditors we had to assess the validity and reasonableness of the information provided, review its accuracy against (for example) pension contribution information, service cost, secondary contributions, discount rate, salary increase etc. We reviewed the Council calculation of the 'asset ceiling' and assessed their proposed related accounting treatment. We then needed to complete our own calculation of the asset ceiling and assess the Council's calculation in line with this. We also had to review and assess the related disclosures of the pension surplus and explanations of the assessment made and report accordingly.

Any additional fee needs to be reported to those charged with governance which in the Council's case is the Audit and Standards Committee and also needs to be approved by PSAA. I'd be grateful if you would include this letter in the papers for the next committee meeting.

Yours sincerely

Georgia Jones

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Director