

AUDIT AND STANDARDS COMMITTEE

Thursday, 19th July, 2018
6.30 pm





AUDIT AND STANDARDS COMMITTEE

BURNLEY TOWN HALL

Thursday, 19th July, 2018 at 6.30 pm

Members are reminded that if they have detailed questions on individual reports, they are advised to contact the report authors in advance of the meeting.

Members of the public may ask a question, make a statement, or present a petition relating to any agenda item or any matter falling within the remit of the committee.

Notice in writing of the subject matter must be given to the Head of Governance, Law & Regulation by 5.00pm on the day before the meeting. Forms can be obtained for this purpose from the reception desk at Burnley Town Hall or the Contact Centre, Parker Lane, Burnley. Forms are also available on the Council's website www.burnley.gov.uk/meetings.

AGENDA

14) *replacement audit findings item 8 appendix 2*

5 - 24

MEMBERSHIP OF COMMITTEE

Councillors

Councillor Paul Campbell (Chair)
Councillor Joanne Greenwood (Vice-Chair)
Councillor Tom Commis
Councillor Dale Ferrier
Councillor Anne Kelly

Councillor Neil Mottershead
Councillor Ann Royle
Councillor Andrew Tatchell
Councillor Mark Townsend

Co-opted Members

Colin Crowther, Burnley College
Louise Gaskell, East Lancashire Chamber of Commerce
Councillor Kathryn Haworth, Habergham Eaves Parish Council
Councillor Gill Smith, Cliviger Parish Council

External Auditor

Marianne Dixon, Grant Thornton - External Auditor
Mark Heap, Grant Thornton

Published: Wednesday, 11 July 2018

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Audit Findings

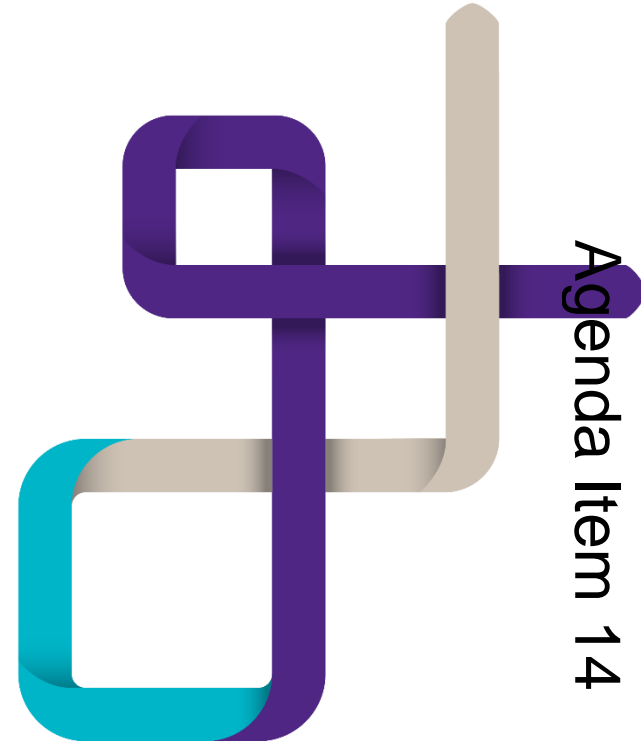
Year ending 31 March 2018

DRAFT

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. This draft has been created from the template dated DD MMM YYYY

Burnley Borough Council
19 July 2018

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

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Headlines

This table summarises the key issues arising from the statutory audit of Burnley Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2018 for those charged with governance.

<p>Financial Statements</p>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council's financial statements give a true and fair view of the Council's financial position and of the Council's expenditure and income 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. <p>We are also required to report whether other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>We received the draft financial statements on the 17th May, a number a weeks in advance of the statutory deadline. Good comprehensive working papers were also available in advance of the start of our audit visit on the 1 June 2018. This demonstrates the Council's commitment to good quality, timely financial statements.</p> <p>Finance staff responded promptly and knowledgeably to our questions and queries during the audit.</p> <p>Our audit work was completed on site during June. Our findings are summarised on pages 4 to 11. We have not identified any adjustments affecting the Council's reported outturn position which recorded net income of £6,338k.</p> <p>We recommended one classification adjustment to the Comprehensive Income and Expenditure Statement and a small number of adjustments to improve the presentation of the accounts. Audit adjustments are detailed in Appendix A.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit and Standards Committee meeting on 19 July 2018, as detailed in Appendix C.</p> <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with our knowledge of your organisation and with the financial statements we have audited.</p>
<p>Value for Money arrangements</p>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion') 	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Burnley Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 12 to 13.</p>
<p>Statutory duties</p>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and certify the closure of the audit 	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

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Summary

Overview of the scope of our audit

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 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be presented to the Audit and Standards Committee on 19th July 2018.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 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 19 July 2018, as detailed in Appendix C. These outstanding items include:

- review of final approved Annual Governance Statement;
- our final internal review procedures;
- review of the final set of financial statements;
- obtaining the signed management representation letter; and
- updating our post balance sheet events review, to the date of signing the opinion.

Acknowledgements

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

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 calculations remains the same as reported in our audit plan.

We detail in the table below our assessment of materiality for Burnley Borough Council.

	Amount (£)
Materiality for the financial statements	1,286,000
Performance materiality	964,000
Trivial matters	64,300

Going concern

Our responsibility

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

Going concern commentary

Management's assessment process

Management have a range of procedures in place to provide assurance that the Council remains a going concern including:

- regular review of cash flow ;
- regular review and reporting of financial performance against budget;
- regular review and update of the Medium Term Financial strategy; and
- appropriate review, scrutiny and reporting of earmarked reserves and General Fund Balance.

Auditor commentary

- Management have undertaken a thorough review of the risks facing the Council including reduction in government funding and pressures on budgets.
- Plans to address the risks are considered realistic and deliverable.
- Overall management processes are considered to be sufficiently robust to demonstrate a well informed view of going concern.

Work performed

Detail audit work performed on management's assessment.

Auditor commentary

- We have not identified any events or conditions existing that may cast significant doubt on the Council's ability to remain as a going concern.

Concluding comments

Auditor commentary

We are satisfied that the financial statements have been appropriately prepared on a going concern basis.

Significant audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Under ISA 240 (UK) there is a 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.

Auditor commentary

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.

Findings

Our audit work has not identified any issues in respect of revenue recognition.

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2

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 identified management override of controls as a risk requiring special audit consideration.

Auditor commentary

In accordance with our audit plan we have completed the following work:

- gained an understanding of the accounting estimates, judgements applied, and decisions made by management and considered their reasonableness;
- obtained a full listing of journal entries, identified and tested unusual and significant journals for appropriateness; and
- evaluated the rationale for any change in accounting policies or significant unusual transactions.

Findings

Our audit work has not identified any evidence of management override of controls

Significant audit risks

Risks identified in our Audit Plan

3

Valuation of property, plant and equipment

The Council revalues its land and buildings to ensure that the carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.

We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration

The assets are revalued according to the 5 year rolling programme following the full valuation of all land and buildings at 31/3 2015.

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Valuation of pension fund net liability

The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.

We identified the valuation of the pension fund net liability as a risk requiring special audit consideration

Commentary

Auditor commentary

We have carried out the following work in relation to this risk:

- reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- considered the competence, expertise and objectivity of any management experts used.
- reviewed the basis on which the valuation is carried out and challenged the key assumptions.
- reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding.
- tested revaluations made during the year to ensure they are input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and considered how management has satisfied themselves that these are not materially different to current value.

Findings

Our audit work has not identified any significant issues in relation to the risk identified .

Auditor commentary

We have carried out the following work in relation to this risk:

- identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and were sufficient to mitigate the risk of material misstatement.
- evaluated the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation.
- obtained assurance from the auditor of the Pension Fund on the controls in place over accuracy of information provided to the actuary.
- gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made, including the use of an audit expert.
- reviewed the consistency of the pension fund net liability disclosures in notes to the financial statements with the actuarial report from your actuary.

Findings

Our audit work has not identified any significant issues in relation to the risk identified

Reasonably possible audit risks

Risks identified in our Audit Plan

Commentary

5

Operating expenses

Non-pay expenses on other goods and services represents a significant percentage (77%) of the Council's operating expenses. Management use judgement to estimate accruals and un-invoiced costs.

We identified completeness of non- pay expenses as a risk requiring particular audit attention

Auditor commentary

We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of non-pay expenditure for appropriateness;
- updated our understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls;
- performed substantive testing of a sample of non-pay expenses to confirm accuracy, valid spend, correct classification and recognition in correct financial period;
- tested April non-pay expenditure to ensure it is charged to the correct year;
- re-performed year-end reconciliations and investigate significant adjustments.

Findings

Our audit work has not identified any significant issues in relation to the completeness of non-pay operating expenses.

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Employee remuneration

Payroll expenditure also represents a significant percentage (17%) of the Council's operating expenses

As the payroll expenditure comes from a number of individual transactions and interfaces with sub-systems there is a risk that payroll expenditure in the accounts could be understated.

We therefore identified completeness of payroll expenses as a risk requiring particular audit attention

Auditor commentary




We have undertaken the following work in relation to this risk:

- evaluated the Council's accounting policy for recognition of payroll expenditure for appropriateness;
- updated our understanding of the Council's system for accounting for payroll expenditure and evaluated the design of the associated controls;
- tested a sample of employee expenses to staff records, pay rates and classification in the general ledger
- reconciled total payroll costs from the payroll subsystem to the general ledger
- performed a monthly trend analysis to identify any months with unusually high or low pay levels

Findings


Our audit work has not identified any significant issues in relation to the completeness of payroll expenses.

Accounting policies

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> Revenue from the provision of goods and services is recognised when the amount of revenue can be measured reliably and it is probable the revenue will be received by the Council. Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Council's share of accrued income for the year. Government grants are recognised only when there is reasonable assurance that the Council will comply with conditions attached to the payments, and the grants or contributions will be received. 	<ul style="list-style-type: none"> The Council's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code). The main elements of the Council's revenues are predictable and there is minimal judgement required from the Council. The accounting policy for revenue recognition is appropriately disclosed. 	 GREEN
Judgements and estimates	<p>Key estimates and judgements include</p> <ul style="list-style-type: none"> Useful lives of Property Plant and Equipment (PPE) Net Pensions Liability Business Rate appeals Debt impairment 	<ul style="list-style-type: none"> The Council's accounting policies for key estimates and judgements are appropriate and consistent with the CIPFA Code. The Council's policies and judgements are reasonable and appropriately disclosed. Note 2 sets out critical judgements in applying accounting policies and Note 4 sets out assumptions made about future and other major sources of estimation uncertainty. The Council has appropriately relied on the work of experts for material estimates of asset revaluations, business rate appeal provisions and pension fund revaluations. Our testing indicates that the material estimates included in the financial statements have been calculated based on reasonable judgements and assumptions from experts. 	 GREEN
Other critical policies		<p>We have reviewed the Council's policies against the requirements of the CIPFA Code of Practice. The Council's accounting policies are appropriate and consistent with previous years.</p>	 GREEN

Assessment

 Marginal accounting policy which could potentially be open to challenge by regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Other communication requirements

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

Issue	Commentary
① Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or related party transactions which have not been disclosed.
③ Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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.
④ Written representations	<ul style="list-style-type: none"> A standard letter of representation has been requested from the Council.
⑤ Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to the Council's Bank for bank balance, and to several other institutions for investment confirmation. This permission was granted and the requests were sent. We have received positive confirmations for all requests.
⑥ Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
⑦ Significant difficulties	<ul style="list-style-type: none"> No significant difficulties were encountered during the completion of our work.

Other responsibilities under the Code

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

Issue	Commentary
1 Other information	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified.</p>
2 Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters.</p>
3 Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> In the case of Burnley Borough Council no work is required as the Council does not exceed the NAO's threshold specified for Income, Expenditure, Assets or Liabilities.
4 Certification of the closure of the audit	<p>We intend to certify the closure of the 2017/18 audit of Burnley Borough Council in the audit opinion, as detailed in Appendix C.</p>

Value for Money

Background to our VFM approach

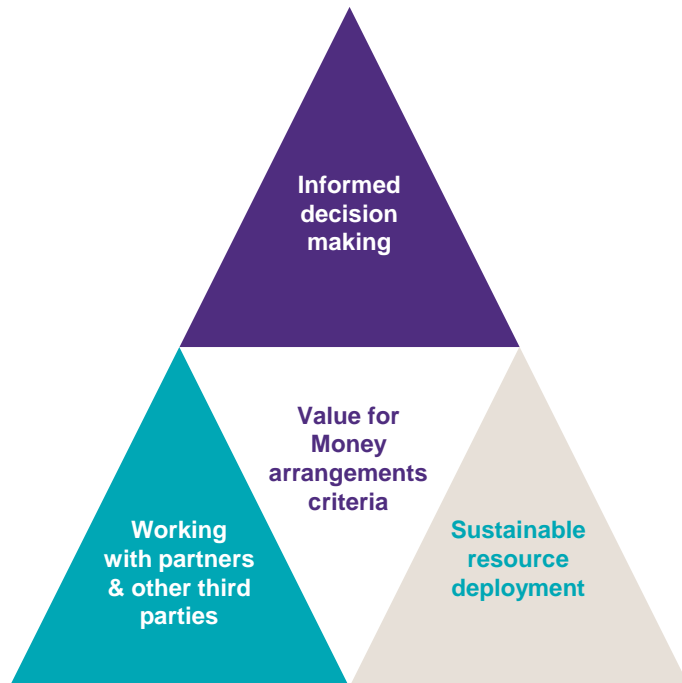
The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

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

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Risk assessment

We carried out an initial risk assessment in January 2018 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated 23 February 2018.

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

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Our work

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

We have focused our work on the significant risk that we identified in the Council's arrangements. Our main considerations in arriving at our conclusion, are set out on page 13.

Overall conclusion

Based on the work we performed to address the significant risk, we concluded that:

- the Council had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.

The text of our report, which confirms this can be found at Appendix C.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

We set out below our key findings against the one significant risk we identified through our initial risk assessment. No further risks were identified through our review.

Significant risk	Findings	Conclusion
<p data-bbox="37 258 64 287">1</p> <p data-bbox="105 248 375 272">Financial sustainability</p> <p data-bbox="105 294 524 489">Whilst the Council has been successful in recent years in reducing its net expenditure, the Council still needs to find savings of around £5m over the 4 year period 2018/19 - 2021/22, which is equivalent to around 33% of the Council's net budget</p> <p data-bbox="105 511 524 591">This risk relates to the Council's arrangements for sustainable resource deployment.</p> <p data-bbox="105 612 524 665">To address this risk to our vfm conclusion we will:</p> <ul data-bbox="105 686 524 1336" style="list-style-type: none"> <li data-bbox="105 686 524 911">review the latest medium term financial strategy (MTFS) to confirm that it reflects an accurate assessment of the Council's financial position and consideration of the progress made by officers in developing plans to address the financial gap <li data-bbox="105 932 524 1083">review the Council's organisational development strategy and ensure that strategic prioritisation and service transformation are recognised within the strategic plan <li data-bbox="105 1105 524 1243">review evidence that the Council has taken sufficient steps to ensure it has a realistic expectation that the savings required can be achieved. <li data-bbox="105 1265 524 1336">review the outturn position for 2017/18. 	<p data-bbox="536 248 1670 386">The Council's set a balanced budget for 2018/19 in February 2018, determining a net revenue budget of £15,090k. The budget appropriately recognised increases in spending pressure such as pay and activity growth pressures, as well as a realistic estimate of revenue increases from business rates and Council Tax. Further budget savings of £179k were identified as being required and allocated across operational budgets.</p> <p data-bbox="536 408 1670 546">The Council also updated the MTFS for the period 2019/20 to 2021/22 incorporating key assumptions such as loss of New Homes Grant, ongoing pay growth, and retaining Council Tax increases at 1.99%. The cumulative budget gap over the 3 year period has been identified as £3.2 million or 21% of the Net Revenue Budget for 2018/19. To date the Council has approved around £355k of savings to be made over the first 2 years of the MTFS, with work ongoing to address the cumulative gap.</p> <p data-bbox="536 568 1670 635">The Medium Term Financial Strategy (MTFS) clearly sets out the assumptions that have been made about future levels of income and expenditure, identifying any risks attached to them and demonstrating an accurate assessment of the Council's financial position.</p> <p data-bbox="536 656 1670 709">The Council approved its Capital Budget for 2018/19 in February 2018 as £10,141k, however this has now been revised to £11,451k following the re-profiling of slippage from the 2017/18 capital programme.</p> <p data-bbox="536 731 1670 811">The Council is continuing to work with its strategic partner Liberata to obtain efficiencies and improvements through the service transformation of Revenues and Benefits. The performance of these services has remained high throughout the transitional phase. Developments introduced in 2017/18 include:</p> <ul data-bbox="536 832 1670 951" style="list-style-type: none"> <li data-bbox="536 832 1670 871">increased service automation for citizens through the development and imminent launch of 'Citizens Access' with support for vulnerable customers; <li data-bbox="536 892 1670 931">improving 'self service' functionality for both citizens and businesses; <li data-bbox="536 952 1670 991">working towards more effective customer contact, reducing the need for unnecessary repeat contacts. <p data-bbox="536 1015 1670 1082">Developments are generally on track to deliver the savings and benefit anticipated from the strategic partnership which is a key part of the Council's organisational development plan. The Council continues to focus on a more 'commercial' way of delivering services with its strategic partner as part of its strategic plan.</p> <p data-bbox="536 1103 1670 1170">The Council has again delivered its planned outturn position for 2017/18 with a budget surplus of £92k against its Net Revenue Budget of £14,596k, with a reduction of £1,254k in Earmarked Reserves to retain a General Fund Balance of £1,379K consistent with previous years.</p> <p data-bbox="536 1192 1670 1259">The Council has a strong track record of understanding its financial position and being able to make tough decision in terms of actions needed to deliver outturns and achieve a sustainable financial position in the medium term.</p>	<p data-bbox="1705 248 1850 272">Auditor view</p> <ul data-bbox="1705 294 1974 458" style="list-style-type: none"> <li data-bbox="1705 294 1974 458">We have concluded that the Council has effective arrangements in place for sustainable resource deployment.

Independence and ethics

Independence and ethics

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

Non-audit services

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

Service	£	Threats	Safeguards
Audit related			
Limited Assurance report on RGF Grant final return –Aerospace project.	2,950	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,950 in comparison to the total fee for the audit of £57,299 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.
Non-audit related			
None	nil		

The amounts detailed are fees agreed to-date for audit related services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit (audit related) work to your auditors.

Audit Adjustments

Adjusted and unadjusted misstatements

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. There were no adjusted or unadjusted misstatements identified as a result of our procedures.

Misclassification and disclosure changes

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

Misclassification / Disclosure changes	Detail	Auditor recommendations	Adjusted?
Misclassification – CIES Income and Expenditure from Investment Properties	<ul style="list-style-type: none"> Income and expenditure from Investment Properties had been recognised within Income / Expenditure in the Cost of Services (Governance Law, Property and Regulation), rather than within Financing and Investments (Income and Expenditure relating to Investment Properties). 	<ul style="list-style-type: none"> Reclassify Investment Properties Income and Expenditure from Cost of Services to Financing and Investments (investment properties line). 	✓
Disclosure – Note 23(b) Remuneration bandings >50k	<ul style="list-style-type: none"> The banding of £155,000k - £159,999k included the accrual of an exit payment to an individual who had not yet left the Council or received the exit payment. This exit payment should therefore not be included in calculating the individuals remuneration, in which case the individual's remuneration would be <£50k. 	<ul style="list-style-type: none"> Remove banding £155,000 to £159,999 from the table (since no other individuals recorded). 	✓

Fees

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

Audit Fees

	Proposed fee	Final fee
Council Audit	50,567	50,567
Grant Certification	6,732	TBA
Total audit fees (excluding VAT)	£57,299	£TBA

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Other Fees

Fees for other services	Fees £'000
Audit related services:	2,950
• RGF Grant – Aerospace	
Non-audit services	NIL
Total	£2,950

Audit opinion

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

We have audited the financial statements of Burnley Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statements the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, notes to the financial statements and Accounting Policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Financial Officer (section 151 Officer)'s use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Financial Officer (section 151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Financial Officer (Section 151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts set out on pages 17-90, the Narrative Report, and the Annual Governance Statement other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, the Narrative Report and the Annual Governance Statement. 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 have reported a matter 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 have made 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 have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

Responsibilities of the Authority, the Chief Financial Officer (Section 151 Officer) and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 12, 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 Chief Financial Officer (Section 151 Officer). The Chief Financial Officer (Section 151 Officer) 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 2017/18, which give a true and fair view, and for such internal control as the Chief Financial Officer 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 Chief Financial Officer (Section 151 Officer) 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 the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit and Standards Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that *the Authority* put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

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

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Heap

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

4, Hardman Square, Spinningfields, Manchester M3 3EB

July 2018

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