

The Audit Findings for Burnley Borough Council

Year ended 31 March 2019

17 July 2019



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

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1. Headlines

This table summarises the key findings and other matters 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 2019 for those charged with governance.

Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> • 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. <p>We are also required to report whether other information published together with the audited financial statements (including the Narrative Report and Annual Governance Statement), 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 29th May 2019 in advance of the statutory deadline and comprehensive working papers were available from the start of our audit on 30th May 2019.</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 and July. Our findings are summarised on pages 4 to 12.</p> <p>We have identified 2 adjustments to the financial statements that have resulted in a £2.7m adjustment to the Council's Comprehensive Income and Expenditure Statement.</p> <p>One of these adjustments is a change in the estimation of the LG Pension Scheme liabilities following the recent 'McCloud judgement'. Officers have updated the draft financial statements based on a revised actuarial estimate which incorporates an estimate of the additional liabilities and a revision of the return on investments.</p> <p>Audit adjustments are detailed in Appendix B, together with a small number of disclosure changes. We have also raised a recommendation for management as a result of our audit work in Appendix A..</p> <p>Our work is substantially complete, however there are a number of outstanding matters that require to be completed before we can issue our audit report and these are set out on the next page.</p> <p>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.</p> <p>Subject to the outstanding matters being satisfactorily resolved, our anticipated audit report opinion will be unqualified.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that 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 D. Our findings are summarised on pages 15-17.</p>
Statutory duties	<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 • To 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 our work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion</p>

Acknowledgements

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

2. Summary

Overview of the scope of our audit

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

We have not had to alter or change our audit plan, as communicated to you on 16 January 2019

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 Risk Committee meeting on 17 July 2019, as detailed in Appendix D. These outstanding items include:

- review of the revised actuarial report on IAS 19 Pension Fund liabilities following 'McCloud judgement', the Council's scrutiny of the actuarial estimates and the appropriate amendment to the financial statements
- receipt of IAS 19 assurance from Lancashire County Pension Fund Auditor
- housing benefits testing - opinion testing
- final review procedures
- receipt of management representation letter (appendix E);
- review of the final signed Annual Governance Statement and
- review of the final set of 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.

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

Materiality calculations remain the same as reported in our audit plan.

	Council Amount (£)
Materiality for the financial statements	1,208,000
Performance materiality	846,000
Trivial matters	60,000
Materiality for disclosure of senior managers pay	6,000

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

1

ISA240 revenue recognition risk

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.

We previously considered the risk factors set out in ISA240 and the nature of the revenue streams at the Authority. We have determined that the risk of fraud arising from revenue recognition can be rebutted because :

- there is little incentive to manipulate revenue recognition
- the culture and ethical frameworks of local authorities, including Burnley Borough Council, mean that all forms of fraud are seen as unacceptable
- income streams are primarily derived from grants or formula based income from central government and tax payers; and
- opportunities to manipulate revenue recognition are therefore very limited.

We therefore do not consider this to be a significant risk

We have however:

- evaluated the Council's accounting policy for recognition of revenues for appropriateness;
- performed substantive testing on material revenue streams; and
- reviewed unusual significant transactions.

We have not identified any issues during the course of our audit that would cause us to reconsider the previous rebuttal of the risk of improper recognition of revenue.

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. 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 undertook the following procedures in relation to this risk::

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determine the criteria for selecting high risk or unusual journals
- Tested high risk / unusual journals recorded for appropriateness and corroboration
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>3 Valuation of land and buildings</p> <p>The Authority revalued its land and buildings on a rolling programme basis over a five year period. This valuation represents a significant estimate by management in the financial statements due to the size of the valuation estimated and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used</p> <p>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, and a key audit matter for the audit.</p>	<p>We have:</p> <ul style="list-style-type: none">• evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work• evaluate the competence, capabilities and objectivity of the valuation expert• written to the valuer to confirm the basis on which the valuation was carried out• challenged the information and assumptions used by the valuer to assess the completeness of source data and consistency with our understanding,• tested revaluations made during the year to see if they have been input correctly into the Authority's asset register• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. <p>We identified the need for a Prior Period Adjustment to reflect the omission of a revaluation in 2017/18, where the Council had originally recognised this in 2018/19. This has now been amended my management and is included in the schedule of adjustments included at appendix B.</p> <p>Our audit work identified has not identified any issues in respect of valuation of land and buildings at 31 March 2019, however our testing did identify the need for a Prior Period Adjustment to reflect the omission of a revaluation in 2017/18.</p> <p>We have set out our view of the assumptions used in the valuation of land and buildings under the judgements and estimates section at page 10.</p>

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

4

Valuation of the pension fund net liability

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the estimated valuation in the Authority's balance sheet and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Authority's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

In response to this risk we have:

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


On 12 July the Actuary issued a revised estimate of the pension funds assets and liabilities, recognising the additional liabilities arising from the McCloud judgement. The Council has revised the financial statements to reflect the revised estimation provided by the Actuary on 12 July 2019.

We have not yet reviewed the revised actuarial estimate and this remains part of the outstanding matters set out on page 4.





Subject to the satisfactory completion of the outstanding matters our audit work has not identified any issues in respect of valuation of the pension fund net liability at 31 March 2019

We have set out our view of the assumption used in the valuation of land and buildings at page 8.


Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings (including Surplus Assets) – NBV £41.9m	<p>The Council request their internal valuer to revalue other land and building (opening value £37.8m) on a 5 year cycle, using depreciated replacement cost (DRC) for specialised assets such as libraries, galleries leisure centres. The remainder of operational other land and building are required to be revalued at existing use in value (EUV).</p> <p>Surplus assets comprising of an opening value of £8.8m are required to be revalued annually at fair value, estimated as highest and best use from a market participants perspective.</p> <p>In 2018/19 the Council revalued £20.8m (60% NBV) of other land and buildings and revalued 100% of surplus assets.</p> <p>Management have considered the year end value of non-valued properties in 2018/19 using the comparative changes in assets revalued during 2018/19 to determine whether there may have been a potential material change in the total value of these properties. Managements assessment of assets not revalued has identified no material change to the properties value.</p> <p>The total year end valuation of Other land and buildings was £44.8m, a net decrease of £2m from 2017/18 (£46.8m).</p>	<ul style="list-style-type: none"> 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. We have reviewed the assumptions applied by the Valuer to the valuation performed, and have confirmed they are reasonable and appropriate given the nature of the assets held by the Council. There have been no changes to the valuation methods this year. We have reviewed and are satisfied with the completeness and accuracy of the information provided to the valuer to determine the estimate We have reviewed the work done by management on those assets not revalued during 2018/19 to confirm that the value held within the financial statements is not materially different to their carrying value. We have also assessed the assertion from the valuer that for those assets revalued during the year, there has not been any material movement between the valuation date and the 31 March 2019 and are satisfied with this assumption. We are satisfied with the disclosure of the estimate within the financial statements. 	





Assessment

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

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Investment properties – £11.5m	<p>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 1 April 2018.</p> <p>The Council's internal valuer completes the valuation of these properties. The year end valuation of the Council's investment property was £11.5m, a net decrease of £0.3m from 2017/18.</p>	<ul style="list-style-type: none"> 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. We have considered the potential movements in the valuations at the valuation date of 1 April 2018 and the 31 March 2019. This work has not raised any issues with the 2018/19 valuations. Disclosure of the estimate in the financial statements is considered adequate. 	

Assessment

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



Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment																												
<p>Net pension liability – £58.7m</p> <p>The Council continues to use Mercers to provide actuarial valuations of the Council's assets and liabilities recognised as a result of participation in the Local Government Pension Scheme.</p> <p>The Council's net pension liability at 31 March 2019 is £57,587k (PY £55,263k) comprising the Lancashire County Pension Fund Local Government and unfunded defined benefit pension scheme obligations.</p> <p>A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.</p> <p>There has been a £279k net actuarial gain during 2018/19.</p>	<ul style="list-style-type: none">We have no concerns over the competency, capability and objectivity of the actuary used by the Council.We have used the work of PWC, as auditor's expert to asset the methodology and assumptions made by the actuary. See below for consideration of the key assumptions used by the actuary. <table><tr><th>Assumption</th><th>Actuary Value</th><th>Actuary expected range</th><th>Auditors Assessment</th></tr><tr><td>Discount rate</td><td>2.4%</td><td>2.4%-2.5%</td><td>●</td></tr><tr><td>CPI</td><td>2.3%</td><td>2.2%-2.3%</td><td>●</td></tr><tr><td>Pension increase rate</td><td>2.4%</td><td>2.2%-2.5%</td><td>●</td></tr><tr><td>Salary growth</td><td>3.8%</td><td>3.10% – 4.35%</td><td>●</td></tr><tr><td>Life expectancy at 65 – Males<ul style="list-style-type: none">aged 45/65</td><td>25.1/22.8</td><td>24.8 - 26.3 / 22.2 -23.7</td><td>●</td></tr><tr><td>Life expectancy at 65 – Females<ul style="list-style-type: none">aged 45/65</td><td>28.2/25.5</td><td>27.9 -29 / 25 – 26.4</td><td>●</td></tr></table> <ul style="list-style-type: none">No issues were noted with the completeness and accuracy of the underlying information used to determine the estimateThere have been no changes to the valuation method since the previous year, however the estimate has now bee revised to include liabilities arising from the McCloud judgement.We are satisfied with the reasonableness of the Council's share of LPS pension assets, and that this is in line with expectations. <p>We have not yet reviewed the amended IAS 19 estimates provided by the Actuary in their amended report and this remains part of the outstanding matters set out on page 4.</p>	Assumption	Actuary Value	Actuary expected range	Auditors Assessment	Discount rate	2.4%	2.4%-2.5%	●	CPI	2.3%	2.2%-2.3%	●	Pension increase rate	2.4%	2.2%-2.5%	●	Salary growth	3.8%	3.10% – 4.35%	●	Life expectancy at 65 – Males <ul style="list-style-type: none">aged 45/65	25.1/22.8	24.8 - 26.3 / 22.2 -23.7	●	Life expectancy at 65 – Females <ul style="list-style-type: none">aged 45/65	28.2/25.5	27.9 -29 / 25 – 26.4	●	<div>●</div>
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Assessment

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

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for Non Domestic Rate Appeals (£3m)	<p>The Council is liable for successful appeals against business rates charged to business in 2018/19 and earlier financial years in their proportionate share. A provision has therefore been made for the best estimate of the amount that businesses have been overcharged up to 31 March 2019. The estimate has been calculated using the latest Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date.</p> <p>The provision has increased by £0.366m in 2018/19.</p>	<ul style="list-style-type: none"> • We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. • We have considered the approach taken by the Council to determine the provision, and it is in line with that used by other bodies in the sector. • Disclosure of the estimate in the financial statements is considered adequate. • There have been no changes to the calculation method this year 	
Debt impairment (£4m)	<p>The Council reviews significant debtor balances to determine an allowance for doubtful debts. At 31 March 2019 the Council determined an impairment allowance for doubtful debts of £4m.</p> <p>The provision has increased by £0.1m in 2018/19.</p>	<ul style="list-style-type: none"> • We are satisfied with the approach taken by the Council to determine the provision • There have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. 	

Assessment

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

Significant findings - 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 and Treasury Management;
- 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

- We have reviewed the medium term financial strategy and considered the reasonableness of the assumptions on which it is based.
- We noted your total general fund balance (including earmarked reserves) has been retained around its planned level at £8.6m which is around 54% of your net revenue budget for 2019/120.
- Our work has 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

- We have identified no events or conditions in the course of the audit that we consider may cast significant doubt on your ability to continue as a going concern.
- We are satisfied with the appropriateness of management's going concern assessment process. As such we plan to issue an unmodified audit report in respect of going concern.

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 significant 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 letter of representation has been requested from the Council which is included at Appendix E
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	Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management was provided.

Other responsibilities under the Code

	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 Narrative Report and Annual Governance Statement), 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. We plan to issue an unmodified opinion in this respect – as per Appendix D</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"> For Burnley BC no further work is required as the Council does not exceed the threshold for WGA group procedures.
4	Certification of the closure of the audit	<p>Subject to the satisfactory conclusion of the matters identified on page 3 and 4, we intend to certify the closure of the 2018/19 audit of Burnley Borough Council in the audit opinion, as detailed in Appendix D.</p>

3. Value for Money

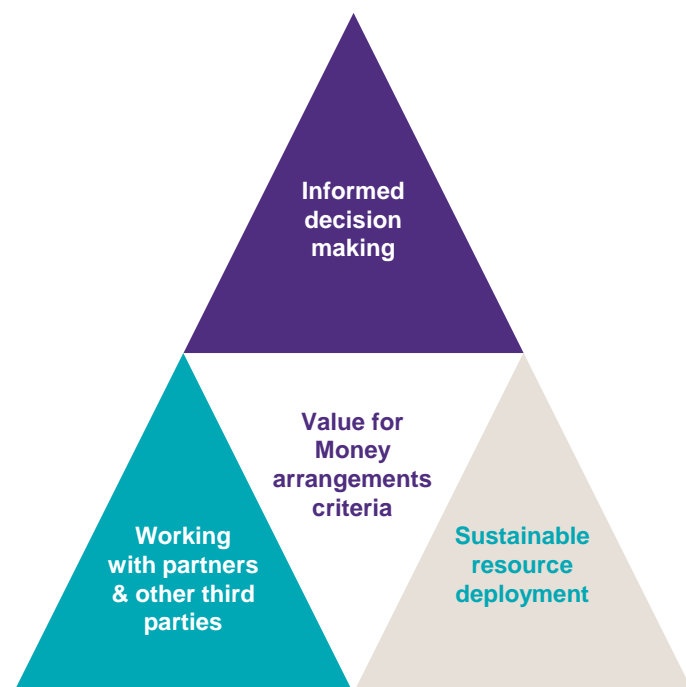
Background to our VFM approach

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

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

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

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



Risk assessment

We carried out an initial risk assessment in January 2019 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 17 January 2019.

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

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. 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 risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- Financial resilience – reviewing the Council's financial outturn and Medium Term Financial Strategy
- Major Capital scheme developments – reviewing the Council's arrangements for ensuring key decisions made are supported by appropriate information and understanding of risks.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on the following pages.

Overall conclusion

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

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

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment

	Significant risk	Findings	Conclusion
1	Financial sustainability - Medium term financial position As with most authorities, Burnley Borough Council continues to operate under significant financial pressures. The Medium Term Financial Strategy (MTFS) highlight the requirement to make £3.23 million of savings over the 3 year period to 2021/22. This is comparable with over 21% of the Council's Revenue Budget. Savings amounting to just over £1.23 million have been approved to date, however almost £2m of savings have yet to be identified and approved. We will continue to monitor the Authority's financial position through regular meetings with senior management and consider how the Authority manages its budget. We will continue to assess progress in the identification and delivery of the future savings required as identified in the current iteration of the MTFS.	<u>Revenue Outturn 2018/19</u> Consistent with previous years the Council has delivered its planned outturn for 2018/19 with a balanced position against its net budget of £15,090k, delivering savings of £1.862k and a net transfer to earmarked reserves of £468k. Individual budgets delivered broadly on target and the strategic partnership with Liberata continues to offer considerable stability to the £3,610k budget for the provision of revenues, benefits and other support services. The Council maintained its General Fund Balance at £1,379k, which has been the level the Council has set for several years. <u>2019/20 Budget and Medium Term Financial Strategy</u> In February 2019 the Council approved a balanced budget for 2019/20 as a net budget of £15,815k. As in previous years the budget was set with prudent assumptions, with allowances included for inflation, pay increases and a range of other growth factors which are likely to occur over the course of the year, together with realistic assumptions on the levels of income from fees and charges in the current economic climate. Savings of £1m were originally identified as being required and have now been identified. The Council's MTFS has been extended and now covers the four financial periods 2020/21 to 2023/24. The MTFS recognises the ongoing pressures from core spending reductions and considers scenarios ranging from 0% to 4% reduction in core spending power and resulting in a potential cumulative financial gap of between £2m and £4.5m over the 4 year period. The MTFS recognises the significant risks arising from key pressures such as inflationary expenditure costs, volatility in business rates and limits on Council Tax increases, together with the further risks arising from new risks arising from the necessary borrowing for major capital projects (potentially up to £32m) . Mitigating actions have been identified where possible and most importantly around the conditions required for construction to commence on major capital schemes. It will be crucial for these pre conditions to be scrutinised and challenged prior to any commitments to construction taking place. It is clear that a robust plan has been prepared for 2019/20 and the MTFS remains realistic in terms of current understanding on central government plans, however uncertainty remains around the Local Government Spending Review, which has now been deferred for another year and will not take effect until the 2021-22 financial year. Both Officers and Members need to make sure that effective financial management continues to be at the heart of all decisions to ensure that the Council is best placed to deal with the challenges ahead.	We have concluded that the Council has effective arrangements in place for sustainable resource deployment.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment

	Significant risk	Findings	Conclusion
2	Major capital scheme developments	<p>The Council has approved proposals and financial business cases for significant capital schemes to be carried out over the next 2 years.</p> <p>These schemes are in support of the Council's 'Place and Prosperity' objective as part of the Town Centre and Canalside masterplan.</p> <p>Such schemes carry significant inherent risks and require robust governance arrangements in place to ensure that appropriately informed decisions are made and risks are carefully managed.</p> <p>We will review the governance arrangements the Council has in place to support appropriately informed decision making and to monitor and manage risks associated with such schemes.</p> <p>In December 2018 the Council gave approval to the proposals for two significant capital schemes:</p> <ul style="list-style-type: none"> • Sandygate Square student accommodation scheme • Pioneer Place town centre development scheme. <p>Prior to presentation to members for approval, officers obtained in cooperation with the University of Central Lancashire (UCLAN) detailed market assessments for 'Sandygate' based on student numbers and, accommodation availability supported by appropriate external advisers. Building costs and design advice were also obtained for the Councils Joint Venture partner.</p> <p>Briefings and presentations have been made to members setting out the significant impact on the Council in terms of borrowing requirements and occupancy levels.</p> <p>For the Town centre development of Pioneer Place, the Council had previously sought appropriate external advisers to scrutinise the development plans of the Council's approved developer partner. The Cinema and Supermarket developments that form the key elements of the scheme are subject to the risk of obtaining sufficient level of tenancy. The agreement between the Council and the developer sets out the level of pre lets required before construction commences.</p> <p>At this early development stage, the Council has appropriately sought external advice and has reviewed and reported the risks associated with the development of the capital schemes. Members have received training briefings and support in understanding the risks involved prior to making key decisions in approving scheme proposals and business cases.</p> <p>It will be essential that the development of schemes is closely monitored by officers with appropriated contract management skills and scrutiny from members, particularly prior to significant commitments to capital expenditure being made (see previous page on financial resilience risks)</p>	<p>We are satisfied that the Council has effective arrangements in place for informed decision making.</p>

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

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

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

Details of fees charged are detailed in Appendix C

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 Council. The following non-audit services were identified.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Subsidy Grant	9,750	Self-Interest (because this is a recurring fee)	The level of this fee (even if it were to become recurring) taken on its own is not considered a significant threat to independence as the fee for this work is £9,750 in comparison to the total fee for the audit of £38,937 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level
Certification of RGF (Weavers Triangle) return (completed January 2019)	£2,950	Self-Interest (because this has been 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 £38,937 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	0		

Action plan

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

Assessment	Issue and risk	Recommendations
1	<div>●</div> <ul style="list-style-type: none">Our testing identified a fully depreciated asset recorded in the asset register (CCTV asset) and reflected in the financial statements opening balances and historical depreciation, that had in fact been disposed of in previous years.	<ul style="list-style-type: none">The Asset register should be subjected to a detailed review to confirm all fully depreciated assets have been removed on disposal. <p>Management response</p> <ul style="list-style-type: none">The Asset Register will be subject to detailed review for 2019/20 and consideration is being given to obtained a new asset register.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Audit Adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
1 Change in Pension Liability estimate			
• Pensions Liability Adjustment for estimated liabilities arising from 'McCloud Judgement'	Corporate Budgets + £620k	- £276	+£620
• Revised IAS 19 – updated return on Assets	Remeasurement of Net Defined Benefit Liability -£344k		- £344
2 Prior year adjustment			
Recognition that the omitted downward revaluation of Vision Park asset, (upon bringing into use) should have been recognised in 2017/18 rather than 2018/19 as it is a material figure.	Finance and Property Services -£2,604 Surplus on Revaluation of PPE - £424	No impact on 2018/19 closing balance (opening Balance only reduced by £3,028k)	- £3,028
Overall impact	£2,752	-£276	-£2,752

Misclassification and disclosure changes

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

Disclosure	Detail	Auditor recommendations	Adjusted?
Misclassification - Balance Sheet, Cash Flow and Notes 12a & 14	<ul style="list-style-type: none"> A 6 months deposit of £1m had been incorrectly classified as Cash and Cash Equivalents (also in prior year) 	<ul style="list-style-type: none"> Reclassify £1m of Cash and Cash Equivalents balances at 31/3/19 to ST Investments and similarly reclassify £2m of prior year balances at 31/3/18 (and highlight *restated) 	✓
Misclassification - Collection Fund Statement (Client identified)	<ul style="list-style-type: none"> Adjustment to comparative figures: for <ul style="list-style-type: none"> Business Rates receivable + £1.87m Increase/Decrease in Provision for Appeals +£1.87m. <p>To 'gross up' the figure for reliefs/appeals granted in the year, in line with CIPFA Code requirements</p>	<ul style="list-style-type: none"> Amend for client identified error 	✓
Disclosure – Note 9	<ul style="list-style-type: none"> A CCTV asset which had been out of operation for a number of years remained on the Asset Register at £900k Cost, albeit fully depreciated. 	<ul style="list-style-type: none"> Whilst there is no overall impact on Net Book Value, Note 9 overstates both Cost and Accumulated depreciation by £900k. Officers have agreed to review the Asset Register for 2019/20 to remove any fully depreciated assets that are no longer in use. 	X
Various	<ul style="list-style-type: none"> Various narrative and typographical amendments 	<ul style="list-style-type: none"> Amend for clarity and understanding 	Underway

Fees

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

Audit Fees	Proposed fee (£)	Final fee(£)
Council Audit	£38,937	£TBC
Total audit fees (excluding VAT)	£38,937	£TBC

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

The final fee has yet to be determined based on the level of work required to address the McCloud issue and additional queries to the Pension Fund actuary

Non Audit Fees

Fees for other services	Fees (£)
Audit related services:	£9,750*
• Housing Benefit Return	
• RGF claim - final return (Weavers Triangle)	£2,950
Non-audit services	
None	Nil
	£12,700*

* Estimated based on current understanding of HBCOUNT work required for 2018/19

Audit opinion (DRAFT)

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 2019 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, 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 2018/19.

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

- the 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, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of 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 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.

Audit opinion

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, 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (Section 151 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 there is an intention by government that the services provided by the Authority will no longer be provided. The Audit and Standards Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

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 2019.

Responsibilities of the Authority

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

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

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

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

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

Report on other legal and regulatory requirements - Certificate

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

Use of our report

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

[Signature]

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

Manchester

July 2019

Management Letter of Representation

****Prepare on client letterhead****

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester
M3 3EB
17 July 2019
Dear Sirs

Burnley Borough Council - Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Burnley Borough Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.
- vi. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure

- vii. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

- ix. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- x. We have communicated to you all deficiencies in internal control of which management is aware.
- xi. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xiii.
- xiv. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.

Management Letter of Representation

- xv. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xvi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xvii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xviii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit and Standards Committee at its meeting on 17 July 2019.



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