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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

Grant Thornton

The Audit Findings for Burnley Borough Council

Year ended 31 March 2020

March 2021

Contents

Your key Grant Thornton team members are:

Barrie Morris
Key Audit Partner
M: 07771 976684
E: barrie.morris@uk.gt.com

Helen Stevenson
Engagement Manager
M: 07880 456209
E: helen.l.stevenson@uk.gt.com

Aaron Gouldman
Assistant Manager
T: +44 (0)161 214 3678
E: aaron.r.gouldman@uk.gt.com

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.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Burnley Borough Council (‘the Authority’) and the preparation of the Authority's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19

The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council .

The Council has been responsible for the receipt, processing and distribution of Covid Support Grants and Business Rates Relief that required finance staff to be re-deployed from normal duties while working remotely. During the 2021 financial year the Council has lost income from the closure of car parks and over the summer of 2020 the additional challenges of reopening services under new government guidelines.

Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.

We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum in May 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.

Restrictions for non-essential travel has meant both Council and audit staff have had to work from home. This has presented audit challenges such as verifying remote access to financial systems, the absence of physical evidence of transactions and balances, the need to use video calling to observe processes that provided assurance over the completeness accuracy of information produced by the entity, and the lack of physical verification of assets.

For Burnley Borough Council there have been many competing demands on staff time. The draft financial statements were received on 14 October, six weeks after the statutory deadline. This delay meant the audit deadline of 30 November 2020 was impossible to meet. We agreed with officers that we would work together towards a target date of 24 March 2021.

Financial Statements

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

- give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

Our audit work was completed remotely during November 2020 to March 2021. Our findings are summarised on the following pages. We have not identified any adjustments to the financial statements that result in adjustment to the Council’s Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year’s audit are detailed in Appendix B.

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

- finalising testing on journals
- final review of the work on property valuations
- receipt of management representation letter; and
- review of the final set of financial statements and annual governance statement.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of the Council.

Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting the disclosure of material valuation uncertainties in respect of property valuations in both the Council’s and Lancashire Pension Fund Financial Statements arising from the Covid 19 pandemic.

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 2020 for those charged with governance.

Value for Money arrangements	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').	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. We updated our original VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We concluded that although there was a delay to the publication of draft financial statements this did not have a wider effect on overall financial reporting. We therefore anticipate issuing an unqualified value for money conclusion. Our findings are summarised on pages 17 to 23.
Statutory duties	The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We 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.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

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 senior officers.

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 group’s business and is risk based, and in particular included:

- an evaluation of the Authority's internal controls environment, including its IT systems and controls;
- 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 had to alter our audit plan, as communicated to you on 24 February 2020, to reflect our response to the Covid-19 pandemic. We issued an Audit Plan addendum in May 2020 to include a significant financial statement risk to reflect the outbreak of the Covid 19 pandemic.

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 Committee meeting on 24 March 2021, as detailed in the committee papers. These outstanding items include:

- finalising our testing on journals
- final review of the work on property valuations
- receipt of management representation letter; and
- review of the final set of financial statements and annual governance statement.

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Burnley Borough Council.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,187,000	This is considered to be the amount above which the users of the financial statements of accounts would be moved to change their view of the financial performance and financial standing of the Council. It is set in the context of gross expenditure on services at 2% based on the 2018/19 year.
Performance materiality	771,000	Performance materiality has been assessed at 65% of the financial statements materiality and is designed to ensure appropriate coverage.
Trivial matters	59,000	ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. We have used the standard level of 5% of materiality.
Materiality for senior officer renumeration	5,000	This is identified as an area requiring a lower materiality due to its sensitive nature

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Financial reporting and accounting implications relating to the Covid-19 pandemic The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to: • remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and • disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have undertaken the following work in relation to this risk: • worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications on our audit approach. The final version of the draft financial statements were provided on 14 October 2020; • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence using alternative approaches could be obtained for the purposes of our audit whilst working remotely; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets valuations and recovery of receivable balances ; • evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; • discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence. The impact of the demands on the Council's finance team has resulted in work taking longer to complete. Restrictions for non-essential travel has meant both Council and audit staff have had to work from home. This has presented audit challenges such as verifying remote access to financial systems, the absence of physical evidence of transactions and balances, the need to use video calling to observe processes that provided assurance over the completeness accuracy of information produced by the entity, and the lack of physical verification of assets. Both Grant Thornton UK LLP and the Council have had to re-deploy resources to cover staff sickness.
ISA240 revenue risk – the Council's reported revenue contains fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Burnley Borough Council, mean that all forms of fraud are seen as unacceptable Therefore, we do not consider this to be a significant risk for Burnley Borough Council. We have however checked the validity of total revenues to central government grant income, Council tax, and non domestic rates. Our audit work has not identified any issues in respect of improper revenue recognition.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. 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 have undertaken the following work 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 unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work has not identified any issues in respect of management override of controls.
Valuation of land and buildings (including surplus assets and investment properties) - £56.4 million (rolling revaluation) The Council revalues its land and buildings, on a rolling five yearly basis and annually for investment properties. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£35.8 million of land and buildings, £8.4m of surplus assets and £11.3m of investment properties in the 2019/20 accounts) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have undertaken the following work in relation to this risk: • updated our understanding of the processes and controls put in place by management to ensure that the Council's valuation of land and buildings are not materially misstated and evaluated the design of the associated controls • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation • tested revaluations made during the year to see if they had been input correctly into the Councils asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at the year end. The Council's land and buildings assets have been valued this year by the Council's in-house valuation team. Our work has assessed them as having a good knowledge of the Council's portfolio, and they have used information from the Asset Register and other Council estates systems in carrying out their valuation of the assets. The Council carries out valuations at 1 April each year. Council officers, including the in-house valuation team, have carried out an assessment of whether, based on their knowledge, there is likely to be a material movement in valuation between that date and the year-end of 31 March. We have reviewed officers' assessment and found it reasonable.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of land and buildings - £56.4 million (rolling revaluation) – cont'd	The Council carries out valuations on a 5-yearly rolling programme. Council officers, including the in-house valuation team, have carried out an assessment of whether based on their knowledge there is likely to be a material movement in the valuation of assets not revalued in the current year, between the date of their most recent valuation and the year-end of 31 March. We have reviewed and challenged management's assessment of the potential impact of those assets not formally revalued this year. We have reviewed the Council's methodology and concluded that this could be improved with more consideration of factors affecting the possible movement in valuation for these assets, along with the input of the internal valuer as management's expert. We have made a recommendation in this respect in Appendix A. Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, you have now included a material uncertainty disclosure within Note 4 of the financial statements on the valuation of land and buildings. We will reflect your disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies.
Valuation of pension fund net liability - £49.2 million The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£49.2 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have undertaken the following work in relation to this risk: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluated the instructions issued by management to their management expert (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 Council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • confirmed 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 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. Where appropriate, we have relied on the audit work carried out by ourselves as auditors of the Lancashire Pension Fund in undertaking the above procedures. The Pension Fund has some direct property classes of assets and, as a result of the Covid-19 pandemic, the Fund's valuers have declared a material uncertainty in relation to their valuation as at 31 March 2020. Total value at 31 March 2020 is £110.2m and the share of Burnley Borough Council is £2m (1.8%). We have proposed adding a material uncertainty within Note 4 of the financial statements to reflect this. We will also reflect this disclosure within an "emphasis of matter" paragraph in our opinion. This is not a modification or qualification of the opinion.

Significant findings – other issues

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.	We have reviewed the disclosures in the financial statements against the requirements of the Code.	The Council has provided the minimum disclosures necessary. On 31 March 2020, the Council held a small number of operating leases as lessee which had an unexpired term of less than one year and therefore the effect of the changes is unlikely to be material. The Council has a significant number of operating leases as lessor, but these are not significantly affected by the change in the standard.

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for Non Domestic Rate Appeals (£3 million)	The Council is liable for successful appeals against business rates charged to business in 2019/20 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 2020. The estimate has been calculated using the latest Valuation Office Agency (VOA) ratings list of appeals and the analysis of successful appeals to date. The provision has increased slightly by £6,436k in 2018/19.	• 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	🟢 **Green**
Debt impairment (£4 million)	The Council reviews significant debtor balances to determine an allowance for doubtful debts. At 31 March 2020 the Council determined an impairment allowance for doubtful debts of £4m. The provision is in line with that in 2018/19.	• We are satisfied with the approach taken by the Council to determine the provision • We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate.	🟢 **Green**

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 estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings (including surplus assets) - £44.1 million	The Council request their internal valuer to revalue other land and building (opening value £41.9 million net book value) on a five year cycle, using depreciated replacement cost (DRC) for specialised assets such as libraries, galleries and leisure centres. The remainder of operational other land and building are required to be revalued at existing use value (EUV). Surplus assets comprising of an opening value of £6.9 million are required to be revalued annually at fair value, estimated as highest and best use from a market participant's perspective. In 2019/20 the Council revalued £6.9 million (19.4% net book value) of other land and buildings (60% in 2018/19) and revalued 100% of surplus assets. In line with RICS guidance, the Council have disclosed a material uncertainty in the valuation of land and buildings at 31 March 2020 as a result of Covid-19. We proposed adding a material uncertainty disclosure within Note 4 of the financial statements to reflect this. Management have considered the year end value of non-valued properties in 2019/20 using the comparative changes in assets revalued during 2019/20 to determine whether there may have been a potential material change in the total value of these properties. Management's assessment of assets not revalued concluded that there was no material change. The total year end valuation of other land and buildings was £44.1 million, a net increase of £2.2 million from 2018/19 (£41.9 million).	We reviewed the detail of your assessment of the estimate, considering; • the assessment of management's expert, your internal valuer; • the assessment of auditor's expert, Gerald Eve; • the completeness and accuracy of underlying information used determine the valuation • the reasonableness of change in valuation including with market trend report provided by our auditor expert Gerald Eve; and • the adequacy of disclosure of the estimate in financial statements We have reviewed and challenged management's assessment of the potential impact of those assets not formally revalued this year. We have made a recommendation in Appendix A that the Council should improve this assessment by considering additional factors that may affect the valuation and seek input from the internal valuer as management's expert We have assessed the likelihood a material difference between the Councils valuation of operational land and buildings against national trends reported by Gerald Eve acting as the Auditors' Expert. We have concluded there is no material misstatement in valuation. The Council has amended the wording in note 4 to include a material uncertainty disclosure for the valuation of land and buildings. We noted as part of our work examining the charges for depreciation that the Council review the useful economic lives (UELs) of its buildings when spend is made rather than upon revaluation. We have made a recommendation in Appendix A that in future years the asset UELs should be revisited as part of the revaluation to ensure that the depreciation charges are accurately calculated.	● **Amber**

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 - £11.3 million	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 2019. The Council's internal valuer completes the valuation of these properties. The year end valuation of the Council's investment property was £11.3 million, a net decrease of £0.2 million from 2018/19.	• 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 2019 and the 31 March 2020. This work has not raised any issues with the 2019/20 valuations. We have assessed the likelihood a material difference between the Councils valuation of investment properties against national trends reported by Gerald Eve acting as the Auditors' Expert. We have concluded there is no material misstatement in valuation. The Council has amended the wording in note 4 to include a material uncertainty disclosure for the valuation of property plant and equipment (including investment properties).	🟢 Green

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 estimates and judgements

Accounting area | **Summary of management's policy** | **Auditor commentary** | **Assessment**

Net pension liability – £49.2 million

The Council's net pension liability at 31 March 2020 is £49.2m (2018/19 £57.6m) comprising the Lancashire Pension Fund local government and unfunded defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The Pension Fund Financial statements to 31 March 2020 included a material uncertainty in the valuation of the pension fund's property assets at 31 March 2020 as a result of Covid-19. The value of property assets attributable to the Council is £2m and is material to the net liability. We proposed adding a material uncertainty disclosure within Note 4 of the financial statements to reflect this.

The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £12m net actuarial gain during 2019/20.

We examined the detail of management's assessment of the estimate by:

- making an assessment of Mercers as management's expert
- assessing the actuary's roll forward approach, verifying that the latest available data relating to the valuation of the entire pension fund was used
- considering the completeness and accuracy of the underlying information used to determine the estimate
- assessing the information received from pension fund auditor
- undertaking analytical tests to assess the reasonableness of the Council's share of LGPS pension assets
- agreeing the transposition of information from the actuary's report to the financial statements and agreeing the resulting accounting entries
- assessing the adequacy of disclosure of estimate in the financial statements
- using PwC as auditors' expert to assess actuary and assumptions made by actuary – see table to compare the assumptions used with those identified by the Auditor's expert as reasonable:

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.3%-2.4%	●
Pension increase rate	2.1%	2.1%	●
Salary growth	3.6%	3.35%-3.6%	●
Life expectancy – Males currently aged 45 / 65	23.8yrs	22.5-24.7yrs	●
Life expectancy – Females currently aged 45 / 65	26.8yrs	25.9-27.7yrs	●

We have concluded that management's estimate is reasonable and based on appropriate assumptions in the context of the accounting framework and the Council's circumstances. As explained on page 8, we will include an Emphasis of matter paragraph in our opinion on the material valuation uncertainty disclosed in the pension fund financial statements.

● Green

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 material uncertainty disclosures

It has been a challenging year due to the Covid-19 pandemic and the impact of this has been has seen the Council divert staff to support the processing of grants to businesses; closure of car parks with additional challenges of reopening services under new government guidelines; the need to free up capacity of teams in addition to normal responsibilities. The disruption has also meant that the Council has not been able to fully realise the savings it expected to generate in the year, reporting a £93,000 overspend against budget. The Council’s MTFS for 2020/21 to 2023/24 recognises the ongoing pressures from core spending reductions resulting in a potential cumulative financial gap of between £2m and £4.5m over the four year period. Given the relative strength of the Council’s reserves, in our audit plan we determined that going concern and material uncertainties relating to going concern were not material risks.

Going concern commentary	Auditor commentary
Management's assessment process In order to assess the going concern basis management have: • considered events or conditions that may impact the going concern assumption. • considered the impact of Covid-19 in 2020/21 and 2021/22 on the Council’s financial position. Despite the impact of Covid-19 and the uncertainties regarding future funding, management concluded it is appropriate to prepare their accounts on going concern basis and that no material uncertainty exists.	Management has undertaken their own assessment of going concern, taking into account Paragraph 2.1.2.9 of the Code of Practice on Local Authority Accounting states that “*An authority’s financial statements shall be prepared on a going concern basis; that is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future*”. Management have considered the following factors: • The financial impact of Covid-19. The Council’s initial concerns around loss of income and additional expenditure have been mitigated with financial support from Government. This is under continuous review, and assumptions are updated as required • The Council has established a specific COVID - 19 reserve to provide support should any additional restrictions be introduced which would impact on income and expenditure. Unallocated funds of £860,000 were used to establish this reserve.
Work performed We have reviewed the Council’s financial assessment of the impact of Covid-19, 2020/21 budget monitoring reports, future financial plans and the Council’s level of reserves	• Whilst there are uncertainties around future funding, no material uncertainty has been identified • We reviewed the assumptions used by management in the forecasting their financial position in 2020/21 and 2021/22 onwards. We considered they had used reasonable assumptions, and that the forecasting process and underlying data used were reliable.
Concluding comments	We propose to give an unmodified opinion in respect of going concern. The financial statements identify the outbreak of Covid as occurring before the year end however it explains that the effects will be felt in subsequent financial periods. This is consistent with the evidence we have seen in 2020/21 budget reporting.

Other matters for communication

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	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Standards Committee .We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council which is included in the Audit and Standards Committee papers.
Confirmation requests from third parties	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.
Disclosures	Other than the disclosures relating to material uncertainty of valuations covered earlier in this report, our review found no material omissions in the financial statements. A summary of minor disclosure amendments made is shown in Appendix C.
Audit evidence and explanations/significant difficulties	There was a significant delay in the production of the draft financial statements, due to the reallocation of finance staff to other duties within the Council, and the draft accounts when published included a number of errors and omissions. Whilst the finance team have worked proactively to resolve audit issues, there have been a number of delays due to staff availability and conflicting priorities. This has resulted in additional time being taken to deliver the audit.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the 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. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas: • 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 We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	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. For Burnley Borough Council no further work is required as the Council does not exceed the threshold for WGA group procedures
Certification of the closure of the audit	We intend to certify the closure of the 2019/20 audit of Burnley Borough Council in the audit report.

Value for Money

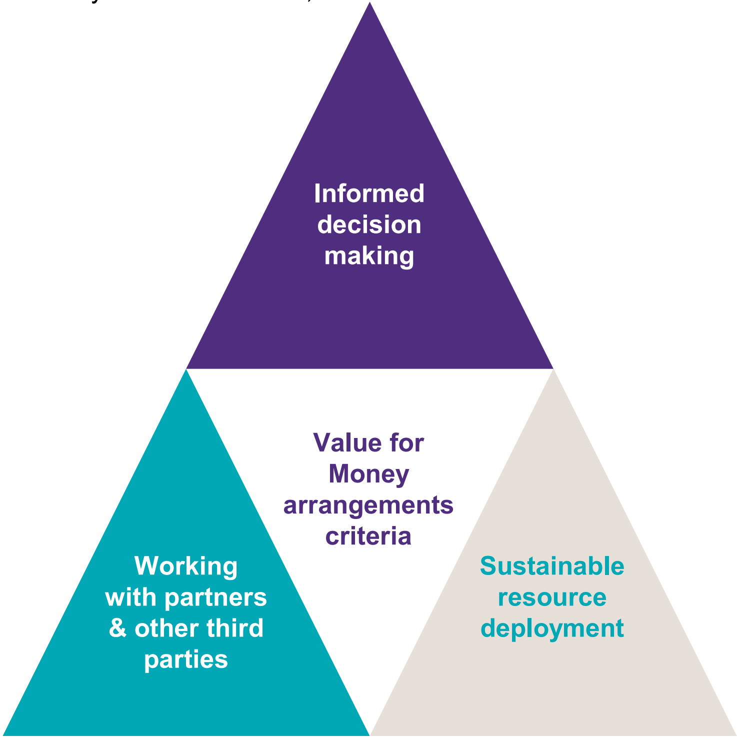
Background to our VFM approach

We are required to satisfy ourselves that the Authority 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 April 2020. 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 February 2020 and identified financial sustainability and major capital schemes, Pioneer Place and Sandygate Square, as 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 February 2020.

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan.

The significant risk identified since we issued the Audit Plan was:

- the delay in publishing draft financial statements by the revised target deadline 31 August 2020.

To assess the impact of this risk we reviewed the arrangements the Authority had in place to ensure the timeliness of financial reporting processes and the Authority’s capacity to support the audit.

Please note that we have not identified any new Value for Money conclusion risks in relation to Covid-19 as we do not consider Covid-19 to be a significant risk for our 2019/20 VFM conclusion given the pandemic impacted so late in the financial year.

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.

Value for Money

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:

- the Council’s final outturn position for 2019/20 and the savings delivered in year, its budget for 2020/21, its medium term financial plan and the financial pressures its faces going forward; and
- the governance arrangements in place to monitor and deliver two large capital schemes approved in 2018; Sandygate Square student accommodation and Pioneer Place town centre development
- timeliness of financial reporting and the Council’s capacity to support the audit.

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.

Recommendations for improvement

Based on the findings arising from our work we have identified a number of recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A.

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.

Value for Money

Key findings

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

Significant risk in our audit plan

Financial sustainability

Burnley Borough Council delivered its planned outturn for 2018/19 with a balanced position against its net budget of £15.09m, achieving savings of £1.862m and a net transfer to earmarked reserves of £468,000.

In February 2019 the Council set a balanced budget for 2019/20 as a net budget of £15.815m. The Council's latest revenue position reporting (at month 9) indicates a current overspend of £140,000.

Incorporated into the 2019/20 budget is a savings target of £400,000. At month 9, £140,000 of this has yet to be identified.

The Council's MTFS for 2020/21 to 2023/24 recognises the ongoing pressures from core spending reductions and considers scenarios ranging form zero to four per cent reduction in core spending power and resulting in a potential cumulative financial gap of between £2m and £4.5m over the four year period.

We will continue to monitor the Council's financial position through meetings with senior management and also assess progress in the identification and delivery of the future savings required as identified in the MTFS.

Findings

2019/20 Revenue Outturn

The Council planned to breakeven in 2019/20 against its net budget of £15.968m but was unable to achieve this, delivering an overspend of £93,000. This overspend was predominately because of the pandemic with £66,000 of the overspend being attributable to COVID-19, due to both an increase in expenditure and a reduction in income, the remaining £27,000 was attributable to other costs. The deficit of £93,000 was funded from the Council's transformation reserves. The Council had received £75,000 of Tranche 1 COVID funding but decided to roll this forward into 2020/21 to fund homelessness during the pandemic. Despite funding the overspend from reserves the Council was able to maintain its general fund reserves at £1.379m and its earmarked reserves increased by £888,000 to £8.134m.

In 2019/20 the Council aimed to deliver savings in the region of £1.014m. Savings plans of £901,000 were approved by the Executive and then Full Council in September 2018 and £113,000 was later agreed in February 2019. These savings were assumed to be achievable and deducted from the base budgets and the progress in achieving these savings was not routinely separately monitored, with delivery assumed by monitoring performance against budget. Additional unidentified savings of £400,000 were subsequently required to achieve a balanced budget. These savings were made up of salary and non-salary savings and are reported quarterly throughout the year to the Executive and Full Council. At quarter three the Council reported that £140,000 remained to be identified, by the year end this had reduced to £93,000, equivalent to the overspend for the year.

2020/21 Budget and Medium Term Financial Strategy (MTFS)

The Council updated its MTFS along with its annual budget in February 2020 and approved a net budget of £15.693m.

In February 2020, the Council reported the following savings were required in 2020/21:

Approval date	£000
Prior to September 2019	256
September 2019	178
February 2020	162
Total	**596**

Value for Money

Findings *continued*

In line with previous years the agreed and identified savings (£596,000) were deducted from the net budgets and delivery was assumed by monitoring performance against budget. In addition, £213,000 of operational/salary savings were required to achieve breakeven at the beginning of the year. At quarter two only salary savings of £68,000 had been identified, leaving £145,000 unidentified. In addition, due to the pandemic, costs had increased, and income reduced, such as car parking and leisure services leaving the Council with an overspend of £4.8m, before the allocation of mitigations. The mitigations against this overspend were additional funding from central Government (£2.4m) and anticipated compensation for fees and charges compensation (£1.1m). In addition, the Council was allowed to recover the collection fund losses (£1.2m) over the next three financial years. Taking these factors into account the Council's forecast net budget is a deficit of £118,000. As at January 2021 the central Government funding received has increased to £2.74m and compensation for fees and charges is estimated to be £1m.

The Council's progress for identifying savings mirrors the timeframe of the MTFS. The approach identifies savings not just for the next financial year but for the next four years. An 'Away Day' took place in November 2020 with the Executive which considered the budget gap for the next three years and the savings approved at previous meetings, those requiring approval and those which no longer may be possible or need to be deferred. In total 26 different savings schemes were identified, ranging from £5,000 to £59,000. They cover a wide range of schemes from deletion of posts to restructuring of teams. These schemes indicate that achieving savings will be a significant challenge for the Council and are likely to require decisions to be made which could impact on service delivery and/or an increase in charges paid by service users.

The MTFS, in line with previous years, has been extended to cover a four-year period from 2021/22 to 2024/25. It highlighted the uncertainty over funding going forward and included scenarios from zero to four per cent and reasonable assumptions were also applied. The MTFS set out the financial challenge faced by the Council and identified a potential funding gap of £6.4m from 2021/22 to 2024/25.

COVID - 19

The Council has adapted to enable home working of staff and the deployment of staff to meet the needs of high demand areas, such as the foodbank. This has ensured that existing vital services such as waste services have continued to operate effectively, and the Council have been able to meet the demand for support from both commercial and domestic residents through the issue of business grants and council tax relief.

In June 2020 the Council reported to its Executive that it was concerned that the increased expenditure and reduced income could result in a significant budget deficit and impact on its financial sustainability in future years, as it would have insufficient reserves to meet the budget deficit. Fortunately, the Council has since received additional COVID -19 funding, is able to recover the collection fund deficit over the next three years and as a result its Quarter 2 forecast overspend is £118,000.

As at January 2021 the Council has received direct COVID-19 funding of £2.736m. This includes direct funding received in four tranches starting in 2019/20, additional funding to mitigate the costs of administering the welfare reform changes and compensation funding for the reduction in fees and charges. Further compensation for fees and charges is also anticipated. The Council has established a specific COVID - 19 reserve to provide support should any additional restrictions be introduced which would impact on income and expenditure. Unallocated funds of £860,000 were used to establish this reserve.

Conclusion

Although the Council continues to face significant financial pressures and uncertainty, we consider that the Council had adequate arrangements in place during 2019/20. In order to effectively manage these financial pressures, the Council should focus on the identification of sustainable savings for 2021/22 and beyond and introduce arrangements to separately monitor the delivery of the agreed identified, as well as unidentified, savings .

Value for Money

Significant risk in our audit plan

Major capital schemes

In December 2018 the Council gave approval to the proposals for two significant capital schemes:

- Pioneer Place town centre development
- Sandygate Square student accommodation.

Whilst these schemes are at different stages, around £6m of capital expenditure was expected to be incurred in 2019/20.

Major capital schemes carry significant inherent risks and require robust monitoring arrangements with appropriate contract management skills to deliver theses effectively. We will continue to 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.

Findings

2019/20 Capital Outturn

The Full Council approved its capital budget in February 2019 of £18.244m. This was revised in February 2020 to £15.347m and at the year end was increased to £15.548m after allowing for funding brought forward from 2020/21 and additional resources identified. The Council incurred expenditure totaling £14.026m 90% of the final capital budget.

The two major schemes which we identified as potential value for money risks are expected to cost over £35m to complete, with Sandygate Square anticipated to take three years to complete and Pioneer Place six years. The table below illustrates slippage in comparison to the 2019/20 budget.

Project	2019/20 Budget £	Outturn £	Variance £	% achieved
Pioneer Place	189,666	54,234	135,432	29
Sandygate Square	5,703,841	5,178,215	525,626	91
Total	**5,893,507**	**5,232,449**	**661,058**	**89**

Capital budgets for 2020/21 and subsequent years

Both budgets have been revised as the schemes progress and agreed by Full Council. The budget for Sandygate Square was increased by £70,000 (0.7%) in 2020/21 due to increased costs, but also intends to complete in 2020/21 and as such has brought forward the budget from 2021/22 .

The budget for Pioneer Place has been reduced to £21.3m, due to changes in the market, the need to renegotiate terms and to ensure the scheme remained financially viable. As a result, a revised financial model and business case was required and was approved by Full Council in November 2020.

Value for Money

Findings

Although these schemes do pose significant risks to the Council, the Council has developed business cases and provided these to Full Council for consideration. The revised business case for Pioneer Place considered both the risks, as well as the benefits to be gained from regenerating the town centre. Arrangements are in place to mitigate and manage these risks and the table below illustrates that at this stage the Council do not anticipate any variances to the recently agreed revised budgets. However, due to the uncertainty which COVID-19 has created some fluctuations and budget changes are likely and the Council should continue to actively monitor the Pioneer Place scheme as it progresses.

Project	Start date	Completion date	Total Budget £m	Spend to date £m	Projected future spend £m	Expected variance to total budget £m
Pioneer Place	2019/20	2024/25	21.3	0.055	20.75	0
Sandygate Square	2019/20	2020/21	9.35	9.07	0.28	0
Total			**30.65**	**9.125**	**21.03**	

Capital monitoring

Progress against the capital budget and individual schemes was reported quarterly and at the year end (outturn) to the Executive and Full Council. At each quarter changes to the budget were requested and at the outturn stage the revised budget for 2020/21 was agreed. The revised budget, was increased to include slippage from 2019/20. These monitoring reports also included how the individual schemes would be funded, such as prudential borrowing and reserves.

These reports identified that the Sandygate Square student accommodation scheme was due for completion in September 2020. This was achieved and as at November 2020 47% of the student accommodation was occupied, although it should be noted that the impact of COVID-19 on the higher education sector is as yet unknown.

Conclusion

We are satisfied that effective arrangements were in place with regard to the Council's major capital schemes, but consider the Council should continue to actively monitor and report progress on the Pioneer Place capital scheme as it progresses.

Value for Money

Key findings

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

Significant risk – additional since audit plan

Delay to the draft financial statements

Reliable and timely financial reporting is required supporting delivery of strategic objectives is one of the NAO criteria for having informed decision making. Missing the statutory date for publishing draft accounts is indicative of weakness in those arrangements.

Findings

We have:

- Reviewed the draft financial statements and the supporting working papers
- Reviewed the presentation of in-year financial reports to the Executive and Council during 2020 and 2021

Like many other Councils, Burnley Borough Council has had to divert finance staff to Covid-19 support related activities, notably the receiving, processing and distribution of central government business grants and other support packages.

The Council took advantage of the extended reporting deadlines and sent draft accounts to us on 11 September 2020, however these were incomplete with updates required to some primary statements (balance sheet entries, collection fund, and many of the disclosures). We received a further version on 13 October 2020 (when it was published on the website) but still with some errors in them.

When it became obvious the audit deadline of 30th November 2020 would not be met, we set a later target completion date of March 2021 for the audit. We have experienced some delays in getting certain working papers, notably journals and the final correct version of the general ledger, due to the competing demands on the finance staff time during the extended period of the audit.

Throughout 2020/21 management has provided regular briefings to members that include the financial impact of Covid-19 on the Council. It has agreed an Economic Recovery and Growth Strategy (post Covid) and related action plan, and also set a Covid 19 Community Recovery Plan, in October 2020. In addition it has continued with mid year reporting on the Capital and Revenue position (the latest one at quarter 3 in February 2021). It has also revisited its Medium Term Financial Strategy and Reserves position 22/23 to 25/26 in February 2021.

Conclusion

Diverting finance staff to support Covid relief operations, the extra financial monitoring necessary as a result of Covid and the need to maintain normal Council business has been a significant additional burden for the finance team. Although the preparation of the financial statements were delayed into October 2020 other financial reporting arrangements continued during the period and we have had good responses to audit queries raised.

In conclusion although there was a delay to the publication of draft financial statements this did not have a wider effect on overall financial reporting.

Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Other services provided by Grant Thornton

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

Service	Fees £	Threats identified	Safeguards
Audit related:			
Certification of Housing Benefit Subsidy return	22,600	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 £22,600 (on the basis that the Council complete the HB workbooks) in comparison to the total fee for the audit of £46,437 (after fee variations) 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.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Authority's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit and Standards Committee. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees

Action plan

Assessment	Issue and risk	Recommendations
● (Amber)	**1. Rolling asset valuations (page 8 and 11)** The Council have an annual process to use the outcomes of the current year's valuation to assess the possible movements in valuation of assets not revalued in the year, analysed by type of asset. However, for 2019/20 Management have not provided sufficient analysis to support the assertion that assets not revalued in the current year are materially accurate at the balance sheet date. While our own analysis has concluded in support of Management's position, it is incumbent upon Management to perform sufficient analysis to support their position, with the assistance of Management's expert if necessary.	We recommend the Council improve the assessment of the changes in values for assets not included each year in its rolling programme of asset revaluations. It should consider additional factors that may affect the valuation and seek input from the internal valuer as management's expert. **Management response** A desktop exercise is carried out to determine whether there have been any material changes in the valuation of assets that hadn't been included for valuation in that year of the rolling valuation cycle. This desktop exercise is undertaken by the Council's internal valuer each financial year.
● (Amber)	**2. Depreciation and asset useful economic lives (page 11)** We noted as part of our work examining the charges for depreciation that the Council review the useful economic lives (UELs) of its buildings when spend is made rather than upon revaluation.	We recommend that in future years the asset UELs should be revisited as part of the revaluation to ensure that the depreciation charges are accurately calculated. **Management response** We agree with this recommendation and work has commenced on implementing this recommendation within the 2020/21 accounts.
● (Amber)	**3. Vfm financial sustainability (page 20)** Delivery of individual identified savings schemes and activities are not monitored and reported to the Executive and Full Council. Consequently the Council is not aware if the agreed savings schemes are being delivered as planned.	Throughout the year the Council should monitor and report delivery of individual identified savings areas as well as those not yet identified. **Management response** The identified savings schemes are incorporated into the revenue budget and continue to be monitored during the year as part of the revenue monitoring process. Any savings that are not being achieved during the year are reported by exception.
● (Amber)	**4. Vfm financial sustainability (page 20)** The Council faces significant financial challenge in 2021/22 and beyond.	The Council should focus on the identification of its savings plans for the next three years to ensure these can be actioned promptly and are focused on sustainable solutions. **Management response** The Council has identified and approved the savings required to balance the 2021/22 budget. Work is continuing to identify the savings required to meet the projected budget gaps identified through the recently approved MTFS.

Action plan (continued)

Assessment	Issue and risk	Recommendations
● (Amber)	**5. Vfm capital schemes (page 22)** The Pioneer Place Capital scheme may not be financially viable if COVID-19 continues to impact on the leisure and retail market	The Council should continue to actively manage and report progress on the Pioneer Place capital scheme as it progresses, to ensure it remains financially viable. **Management response** The Council, together with its delivery partners, is actively managing and reviewing the Pioneer Place scheme, to ensure that it remains financially viable, taking into account various environmental factors, including Covid-19. To achieve this aim, the Council has reduced the size of the scheme, reduced the annual rental income targets, and brought in additional external funding. These changes were reported and approved at Full Council in November 2020. Officers and delivery partners continue to actively monitor and report progress on the scheme.

Follow up of prior year recommendations

We identified the following issues in the audit of Burnley Council's 2018/19 financial statements, which resulted in one recommendations being reported in our 2018/19 Audit Findings report. *We have followed up on the implementation of our recommendations and note one is still to be completed.*

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	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	From discussion with management we understand that while the fixed asset register had not been fully reviewed for the 2019/20 financial statements, this is underway as part of a fixed asset register system migration for 2020/21.

Assessment

- ✓ Action completed
- X Not yet addressed

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

There were no adjusted audit misstatements required.

Misclassification and disclosure changes

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

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Narrative Report	The revenue budget figures disclosed show the sources of funding but does not show the planned areas of spend.	We recommend including the revenue spend budget as well as the funding disclosure to enhance users understanding. **Management response** The disclosure in the accounts is consistent with that disclosed previously. Management will review the contents of the Narrative Report in future years to enhance user understanding.	X
Narrative Report	The report identifies areas of achievement but does not include any potential areas for improvement.	We recommend identifying and disclosing any areas for improvement to make it more balanced. **Management response** The disclosure in the accounts is consistent with that disclosed previously. The report contains a section on Organisational Performance which includes areas of achievements but also identifies areas of improvement where the Council has not met its performance targets.	X
Note 1: Accounting Standards Issues, not Adopted	IFRS 16 has not been included in the list.	IFRS 16 should be included in the list. **Management response** Agreed and amended.	✓
Note 2: Critical Judgements in applying accounting policies	Judgements have been included that do not meet the IAS 1 definition.	Remove paragraphs relating to Implied Leasing, Future Funding, Group Boundaries, Leases and Componentisation Limits. **Management response** Agreed and amended.	✓

Audit adjustments

Misclassification and disclosure changes (cont..)

Disclosure omission	Detail	Auditor recommendations	Adjusted?
Note 2: Critical Judgements in applying accounting policies	Judgements have not been included that meet the IAS 1 definition.	Add paragraphs relating to the Valuation of PPE and Investment Properties, as well as Pension Fund asset valuations. **Management response** Agreed and amended.	✓
Note 14- Cash and cash equivalents	Bank current account (£1.360m overstated) & Short term deposit figure (£1.360m understated) stated incorrectly due to a formula error.	Disclosure note should be updated. **Management response** Agreed and amended.	✓
Note 23- Exit Packages	One exit package worth £23k has been included in error and relates to 2017/18	**Management response** Agreed and amended.	✓
Note 27 Capital Expenditure and Financing	Several small inconsistencies were identified using the MIRS consistency checker tool provided.	**Management response** These were rounding differences and have been agreed and amended.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £‘000	Statement of Financial Position £’ 000	Impact on total net expenditure £’000	Reason for not adjusting
The Covid-19 revenue support grant was received prior to year end without conditions and should therefore be accounted for in the year of receipt, rather than as a grant received in advance.	75	75	75	Management expected to receive the funds in the new year and the amount is not material.
Overall impact	**£75k**	**£75k**	**£75k**	

Impact of prior year unadjusted misstatements

No unadjusted misstatements were identified in the prior year’s audit findings report.

Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£46,437	£62,720
Total audit fees (excluding VAT)	**£46,437**	**£62,720**

In our original audit plan, we advised of an increase in fees due to the impact of increased expectations on the work of the auditor. At that time, we were expecting delivery of the financial statements to continue as per the statutory time timetable. The five-week delay meant significant re-scheduling of our resources and replacing planned resource with higher grade staff. We had originally planned to complete the audit by 30 November, however the practical problems encountered on the audit have caused significant additional work and oversight. As the audit completion date as been put back, it has been necessary to re-visit and refresh on several occasions, the audit risk assessment, the going concern assessment, and the value for money conclusion. To this we have had the added difficulties of remote auditing as set out on page 6.Consequently, we have incurred additional costs which result in additional fees to the Council, as per below:

Planned fee per Audit Plan (24 February 2020)	£46,437
Additional fees due to Covid-19 and remote working	£ 6,996
Additional fees due to delays in accounts preparation	£ 9,287
Final Proposed Fee	**£62,720**

The fees are subject to approval by PSAA Ltd.

The fees reconcile to the financial statements with the exception of the additional fees, as these need to be approved by the Committee and PSAA Ltd.

Non-audit fees for other services	Fees
Audit Related Services: • Certification of Housing Benefit Subsidy return (as per the audit plan)	£9,750
• Fee rebasing- Certification Housing Benefit Subsidy return	£12,850
Total non- audit fees (excluding VAT)	**£22,600**

Grant Thornton

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