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Grant Thornton

The Audit Findings for Burnley Borough Council

Year ended 31 March 2022

Burnley Borough Council

November 2022

Contents

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

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

Georgia Jones

Name: Georgia Jones
For Grant Thornton UK LLP
Date :8 November 2022

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 2022 for those charged with governance.

Financial Statements

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

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

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

Our audit work was completed during July-November and our findings are summarised on the following pages. We identified an asset included as an Investment Property that should have been classed as Other Land and Buildings. This reclassification resulted in additional deprecation charged through the Council's Comprehensive Income and Expenditure Statement of £301.7k. 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 [Appendix E] or material changes to the financial statements, subject to the following outstanding matters;

- response from the pension fund auditor to gain assurances on underpinning controls and supporting data for the pension fund net liability
- receipt of management representation letter ; and
- review of the final set of financial statements
- final quality procedures.

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

Our anticipated audit report opinion will be unqualified.

1. Headlines

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

2. Financial Statements

Overview of the scope of our audit

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

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 16 November 2022, as detailed in Appendix E. These outstanding items include:

- response from the pension fund auditor to gain assurances on underpinning controls and supporting data for the pension fund net liability
- receipt of management representation letter; and
- review of the final set of financial statements
- final quality procedures.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan , based on the prior audit year.

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

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,183,000	This equates to 2% of your gross operating expenditure for the prior year (2020/21) and 1.9% of 2021/22 expenditure. This is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Council has expended its revenue and other funding.
Performance materiality	769,000	The performance materiality has been set at 65% of financial statement materiality. This reflects a standard benchmark based on risk assessed knowledge of potential for errors arising.
Trivial matters	59,000	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate. It is a standard benchmark set at 5% of materiality.
Materiality for senior officer remuneration	20,000	This is due to its sensitive nature, with the value at a lower level of precision.

2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
Management over-ride of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Authority faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for the Council, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals. For example: - journals created by senior management - journals which impacted the financial outturn - year-end adjustment journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness regarding corroborative evidence; and; • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. From our review of all journals posted during the year, we identified 51 higher risk or unusual journals that warranted detailed audit testing. Testing is complete and we have not identified any evidence of inappropriate management override of controls through journals. Our commentary on key accounting estimates is set out on pages 11 to 14. We found accounting policies to be appropriate.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Improper revenue and expenditure recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. Practice Note 10, issued by the FRC, states auditors should also consider that material misstatements may occur by the manipulation of expenditure recognition. These presumptions can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition or the manipulation of expenditure recognition. Having considered the risk factors set out in ISA240 and PN10 and the nature of the expenditure streams at the Fund, we have determined that the risk of fraud arising from revenue recognition and expenditure manipulation can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition and expenditure are very limited • classes of expenditure that could be prone to manipulation, such as management expenses and payments to and on account of leavers are not material • 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 these to be significant risks for Burnley Borough Council.	The revenue and expenditure recognition risks have been rebutted. Despite revenue and expenditure recognition not being a significant risk we still undertook the following procedures to ensure that revenue and expenditure included within the accounts is materially correct. To gain this assurance we: • evaluated the Council's accounting policies for income and expenditure recognition for appropriateness and compliance with the Code • updated our understanding of the Council's system for accounting for income and expenditure and evaluated the design of relevant controls • undertook detailed substantive testing on the income and expenditure streams in 2021/22 • documented our understanding of the full nature of additional Covid-19 related income and expenditure • reviewed the accounting treatment of any significant new income and expenditure streams to confirm that they have been accounted for appropriately in line with the Code and accounting standards Our substantive income and expenditure testing has not identified any errors that we are required to bring to your attention.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings (including surplus assets) 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 (£46m of land and buildings and £6.5m surplus assets in the 2021/22 accounts) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. Surplus Assets: All surplus assets should be valued and reported at fair value under relevant accounting principles. Again, this valuation of £6.5m in the 2021/22 accounts, represents a significant estimate by management in the financial statements due to the size of the numbers involved compared to Council's materiality and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and buildings, as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • discussed with the valuer the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • 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; and • reviewed whether the expert valuer had reported any material uncertainty in relation to property valuations on 31 March 2022 and, if so, assessed the impact on disclosures in the financial statements and on our audit opinion. We noted the Council classified the newly completed Charter Walk Shopping Centre, valued at £22.4m, as an investment property. The Code definition (ref 4.4.2.4) of an investment property is one that is held solely to earn rentals or for capital appreciation or both, rather than being part of a regeneration policy. As Charter Walk is part of a wider regeneration plan for the Borough, the Council has amended the financial statements to reclassify it as an item of Other Land and Buildings and charged depreciation of £301.7k in line with the requirements of the Code. The external valuer did not report any material uncertainty with property valuations for the financial year 2021/22.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability 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 (£43.7m in the Council's 2021/22 balance sheet) and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	We have: • 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 evaluated 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 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; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; • obtained assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and befits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We are waiting for assurances from the auditor of the Lancashire Pension Fund before we can complete our work in this area. We have not identified any other issues from our testing to date.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations (including surplus assets) – £52.6m net book value	The Council request their internal valuer to revalue other land and building (opening value £46.8m net book value) on a five year cycle, using depreciated replacement cost (DRC) for specialised assets such as libraries, galleries and leisure centres. The remainder of operational other land and building are required to be revalued at existing use value (EUV). Surplus assets comprising of an opening value of £8.4m are required to be revalued annually at fair value, estimated as highest and best use from a market participant's perspective. In 2021/22 the Council revalued £15.8m (34%) of other land and buildings and revalued 100% of surplus assets. In line with RICS guidance, the Council's valuations have not been reported as being subject to 'material valuation uncertainty' for 2021/22 . The Council have added a disclosure within Note 4 of the financial statements to reflect this. Management have considered the year end value of non-valued properties in 2021/22. While not performing detailed calculations, Management rely of the internal valuers knowledge to assert that there is no material movement between the year end value of non-valued properties and their last revaluation. Similarly for assets revalued in year, management asserts that there is no potential material valuation movement arising between 1 April 2021 and the balance sheet date.	The Council's accounting policy on valuation of land and buildings is included in the Accounting Policies note which starts on page 95 of the financial statements. Key observations We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. The underlying information and sensitivities used to determine the estimate was considered to be complete and accurate. The valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. We have uplifted assets not revalued in the period using Gerald Eve indices and accepted management's assessment that there has been no material changes to the valuation of land and buildings not revalued in year. We consider the level of disclosure in the financial statements to be appropriate. We selected a sample of 30 Other Land and Buildings valuations to test for appropriate use of valuation assumptions and input data. We have now concluded on this work and have not identified any issues. We raised the issue in 2020/21 that management should complete their own assessment of potential movement in asset values for those assets not part of the 2021/22 rolling revaluation programme. This recommendation remains outstanding. See the Action Plan in Appendix A.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £31m	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 2021. The Council's internal valuer completes the valuation of these properties. The year end valuation of the Council's investment property was £31m, an increase of £20.7m from 2020/21 and reflects the purchase of Charter Walk shopping centre during the year.	• 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 2021 and the 31 March 2022. This work has not raised any issues with the 2021/22 valuations. We have assessed the likelihood of a material difference between the Councils valuation of investment properties against national trends reported by Gerald Eve acting as the Auditors' Expert. We did not identify a material difference and are satisfied Investment Property is not materially mis-stated. . We selected a sample of 19 investment property valuations, including the newly completed Charter Walk Shopping Centre valued at £20.4m, to test for appropriate use of valuation assumptions and input data. As noted previously on page 9 Charter Walk has been reclassified as Other Land and Buildings with no change to the gross valuation. As the classification has changed the Council has now charged depreciation of £301.7k .	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate

Net pension liability – £43.7m

Summary of management's approach

The Council's net pension liability at 31 March 2022 is £43.7m (2020/21 £61.2m) comprising the Lancashire Pension Fund local government and unfunded defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 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 £18.4m net actuarial loss during 2021/22.

Audit Comments

In understanding how management has calculated the estimate of the net pension liability we have:

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

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.8%	2.7-2.8%	
Pension increase rate	3.5%	3-3.5% for all employers	
Salary growth	4.9%	1.25-1.5% above CPI	
Life expectancy – Males currently aged 45 / 65	22.4 20.9 yrs	24.8 20.7 yrs	
Life expectancy – Females currently aged 45 / 65	25.9 24 yrs	27.5 23.8 yrs	

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

Conclusion

We are waiting for assurances from the auditor of the Lancashire Pension Fund before we can complete our work in this area. Their response provides assurances on 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.

Assessment

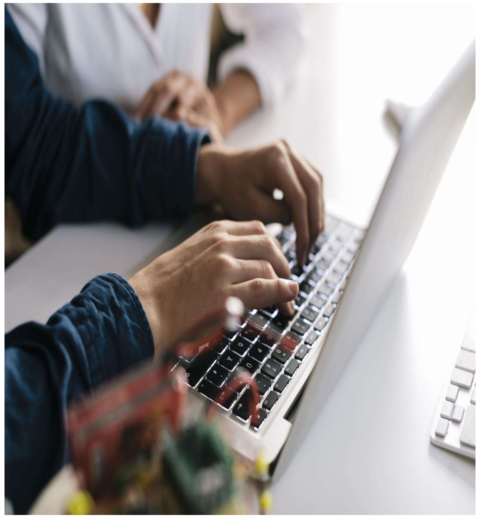
To be concluded

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £0.709m	The Council is liable for successful appeals against business rates charged to business in 2021/22 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 2022. 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 decreased by £0.410m from 2020/21.	• 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 local government bodies • We note that the Council does not include any provision for as yet un-lodged but expected appeals. The Council has indicated this is not a material amount with limited new appeals submitted against the current list. We are satisfied the provision is not materially misstated • Disclosure of the estimate in the financial statements is considered adequate. • There have been no changes to the calculation method this year.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious
Grants Income Recognition £43.5m (2020/21 £49.2m) Due to the Covid-19 pandemic there has been a significant increase in the level of Covid related grant funding with associated complexity and management judgement required. This has comprised a mix of discretionary and non discretionary schemes. The majority has been grants to business including Small Business Grant Fund including Retail, Hospitality and Leisure	Management take into account three main considerations in accounting for grants: • whether the authority is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment needs to consider all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. • whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income • whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts. There may be significant judgements over the accounting treatment. Different conclusions may be reached by authorities depending on how they have applied any discretion in administering the schemes.	• We have substantively tested a sample of grants across categories; and reviewed management's assessment as to whether the Council is acting as the principal or agent • For the sample selected we have reviewed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • We have also assessed for the sample of grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. • We have assessed the adequacy of disclosure of grants received and judgement used by management. We have concluded that management's judgement is reasonable and sufficiently disclosed to meet the requirements of IAS20 based on the terms of the grant and how they have applied it	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - other communication requirements

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



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

2. Financial Statements - other communication requirements

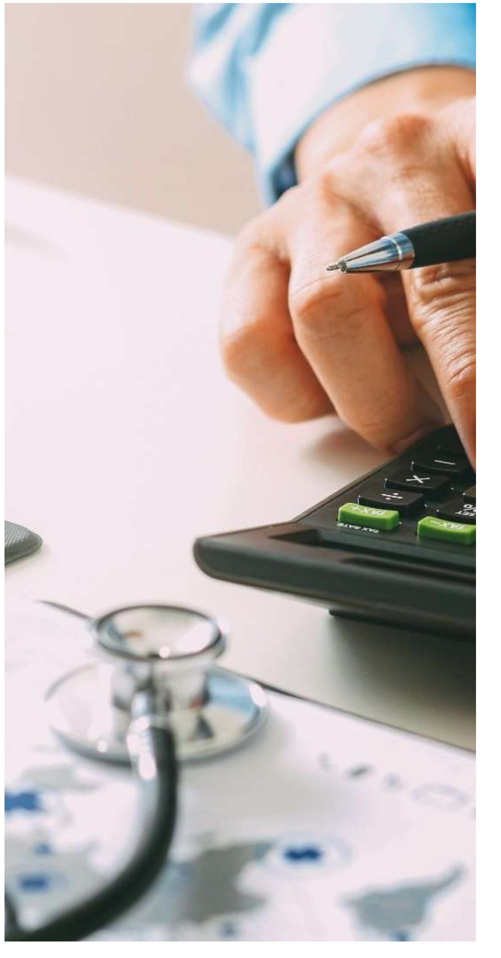
Our responsibility

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

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified other than minor presentational matters, the majority of which have been adequately rectified by management. These are reported at Appendix C. We plan to issue an unmodified opinion in this respect as reported at Appendix E.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money. We have nothing to report on these matters, although the Value for Money work is underway and due to be completed by February 2023.
Specified procedures for Whole of Government Accounts	Guidance on specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions have not yet been issued. Previously this work has not been required as the Council has not exceeded the NAO's thresholds and we expect that to be the case this year.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of Burnley Borough Council in the audit report, due to incomplete VFM work.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by December 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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

Risk of significant weakness	Work performed to date
Financial Sustainability The impact of Covid-19 and continuing uncertainty over future government funding means the Council continues to face future financial uncertainty. Pressures going forward include increasing demands for services, economic recovery from the pandemic and the achievement of strategic objectives, including funding support for major developments. The Council's Medium Term Financial Strategy 2023-27 (revised in February 2022) indicates a potential £3.4m cumulative budget gap over the 4 year period, assuming a 2% reduction in core spending. The total savings requirement increases to £4.4m if there is a 4% reduction in core spending power. The Council recognises that to ensure financial balance in the longer term it will be required to deliver savings through strategic prioritisation, service transformation and continuous improvement.	We are currently reviewing the arrangements in place to manage the Council's financial sustainability. This work is underway and will be reported in our Auditors Annual Report.

4. Independence and ethics

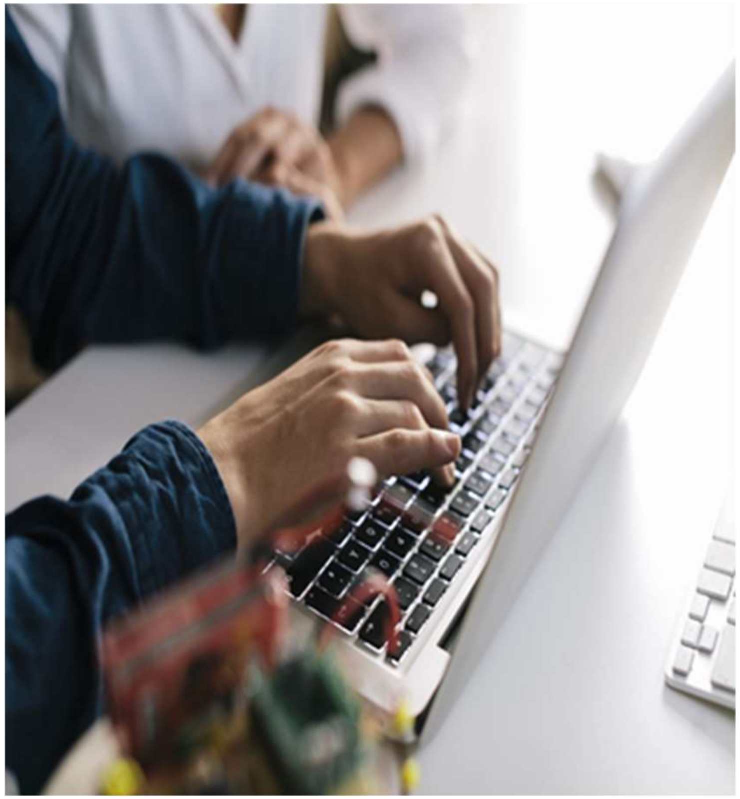
We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in 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

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)



4. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of housing benefits subsidy claim	22.8k	Self-Interest (because this was a recurring fee) Self review (because GT provides audit services)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £22,800 in comparison to the total fee for the audit of £63,037 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 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
● Low	Valuation of Heritage Assets The valuation of the Council's heritage assets was last carried out in 2011. We understand the Council had planned to revalue the assets for the 2021/22 financial year but this was delayed due to a backlog of work with the valuers The Council plans to ensure its heritage assets are revalued for the financial year 2022/23.	The Council should ensure its heritage assets are revalued at sufficient intervals, no longer than 10 years, for future financial periods in line with good practice. Management response The large elements of the heritage assets valuation have been completed and will be complete this financial year. This will be included in the 2022/23 Statement of Accounts
● Medium	Assets not revalued in the year As part of the 2020/21 audit we raised a recommendation that management complete their own assessment of the value of those assets not covered as part of the rolling revaluation programme to ensure these are fairly stated. We noted that 57% (or £30m out of £52m) of assets were not revalued as at 31/3/22. The Council has advised that the Property Team carry out a detailed review of assets every year and are closely involved in the day-to-day management of the assets. This reduces the risk of any impaired asset not being recognised within asset valuations. However there remains a risk that the value of assets may have moved materially since the last valuation if the market is subject to increased fluctuation.	We repeat our recommendation from 2020/21 that management complete their own detailed assessment to confirm the value of assets not covered within the revaluation programme are fairly stated. Management response The Council values it's investment and surplus properties on an annual basis. For the remainder of its land and buildings it has a 5-year rolling programme of asset valuation. This complies with CiPFA's Code of Practice. Where assets are included within the 5-year rolling programme, the Council's valuer undertakes a desktop exercise to review each asset that is not included within that year's valuation. If any issues are found, then the valuer undertakes a full valuation of that asset. Similarly, if any issues are identified in assets that have been valued that year, other assets in that class of asset will be valued. The Council's valuer will investigate the benefit of and consider the use of indices as part of the desktop exercise in future years.

Controls

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

A. Action plan – Audit of Financial Statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2022/23 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
● Medium	National Domestic Rates Appeals The Council have not included a provision for potential future NDR appeals. This is due to limited new appeals submitted against the current 2017 valuation list. We understand the Council will examine the provision following the 2023 valuation.	We recommend the Council make an assessment for the 2022/23 financial statements of the value of unlodged appeals following the 2023 valuation. The NDR provision should include an appropriate value for these claims. Management response The Council is intending to make an assessment of unlodged appeals following the impact of 2023 valuation. This had been done for the 2010 and 2017 valuations as the level of appeals is unknown. The government assume a national percentage for future appeals in its business rate distribution methodology which the Council usually follows.

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Burnley Council's 2020/21 financial statements, which resulted in 5 recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations and note 1 recommendation is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Journals control environment Some control issues were noted regarding the journal posting environment: - Three journals were posted by the Section 151 Officer. We would not normally expect senior finance personnel to post journals as there is naturally less oversight of this and it can present a risk that controls could be overridden. We tested these journals and did not find any issues. We recommend going forward that the S151 officer does not post journals. - One journal was posted by a finance user who had left the Council several years ago. We tested this journal and established this was an oversight as a result of a feeder template not being amended. However, there is a risk that the potential for fraud could arise if historical accounts are not fully disabled. - Four finance users were found to have full system administration access. There is a risk that inappropriate system changes or user access changes are made. We note however that there are compensating controls in that only I.T. can enable new finance users. We recommend: - It is considered best practice that the Section 151 Officer does not have the ability to post journals. - Management should ensure that terminated employees and their user IDs are completely removed from all system access. - A system edit log report should be run by I.T. on a monthly basis to ensure that all Finance user administration activity is appropriate and transparent.	In our journals testing for 2021-22 we identified 7 journals posted by the s151 officer. These were coding adjustments arising from a review of 2020-21 with subsequent corrections to journal postings in 2021-22. Since then we note the s151 officer has not made any further journal postings following the recommendation made last year. We understand this access is no longer possible. The Council have reviewed all general ledger users to ensure that those who have left have had their access suspended. The number of full access users has been reduced to 2, the Finance Manager & Business Development officer.
✓	Preparation of draft financial statements 2020/21 Subsequent to the draft financial statement being submitted for audit, a number of changes needed to be made. Whilst we acknowledge the timetable for submission of draft accounts was met, it is important that the Council carry out quality review procedures to ensure adherence to reporting requirements within the statements. This has meant that additional audit resource has been needed to understand and document changes made to the accounts by management. We acknowledge the difficulty of preparing the accounts during the pandemic but recommend management put in place robust quality review procedures to ensure draft financial statements are compliant with requirements and of a good quality.	The 2021-22 unaudited financial statements were published three weeks ahead of the national deadline with detailed working papers. Our audit work this year has gone smoothly and apart from an asset classification error and some non material adjustments and disclosure amendments we are satisfied with the quality of their preparation.

B. Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Valuation basis for assets brought into use** The new Sandygate student accommodation block was brought into use but not formally revalued as at 31 March 2021. The CiPFA Code requires that when a former asset under construction is brought into use it is revalued at that point. Therefore the Council's accounting was not in line with the CIPFA Code requirements, and carries the risk that the asset is material misstated at the balance sheet date. We recommend that full valuations are factored in to the revaluations programme for assets due to come into use in a given year.	The Council revalued the Sandygate student accommodation during 2021-22 and the valuation basis was in line with the CIPFA code of guidance.
✓	**Date of asset valuations** The valuation date of 1 April, compared to the balance sheet date of 31 March, gives rise to the risk of material misstatement due to market factors arising in a calendar year, which can be significant especially in uncertain times. We would recommend that valuation of land and buildings is undertaken at 31 March of the year of the accounts.	The date of valuation for the 2021/22 financial statements was completed at 31 March 2022.
x	**Assets not revalued in the year** We have challenged management's assessment that assets not revalued in year are materially stated at the balance sheet date. Management have not formally considered this by way of detailed calculations. We would recommend that management complete there own assessment to confirm the value of assets not valued are fairly stated.	The Council advised the Property Team undergo a detailed review of assets every year and are closely involved in the day-to-day management of the assets. This reduces the risk of any impaired asset not being recognised within asset valuations. We noted that 57% (or £30m out of £52m) of assets were not revalued as at 31/3/22. We repeat our recommendation from 2020/21 that management complete their own detailed assessment to confirm the value of assets not covered within the revaluation programme are fairly stated.

Assessment

✓ Action completed

X Not yet addressed

C. 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 unadjusted misstatements

None

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 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Charter Walk shopping centre reclassified from an investment property to other land and buildings (OLB).	0		0
Other land and buildings		Increase 22,058	
Investment Property		Decrease 22,058	
Depreciation on the Charter Walk shopping centre after reclassification to OLB.			
Depreciation charge	Increase 302		
OLB depreciation charge		Decrease 302	Increase 302
Reclassification of a 31 days notice period account to cash and cash equivalents.	0		0
Cash and cash equivalent		Increase 2000	
Short term investments		Decrease 2000	
Grossing up Burnley Leisure loan interest repayment netted against interest received.			0
Interest payable	Increase 126		
Interest receivable	Increase 126		
Overall impact	Increase 302	Decrease 302	Increase 302

C. Audit Adjustments (continued)

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

Misclassification and disclosure changes

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

Disclosure and misclassification changes	Details	Adjusted?
Investment Properties (Note 11)	The note has been updated following the reclassification of Charter Walk shopping centre as property, plant and equipment	✓
Presentational issues	Various other minor presentational issues, and some updated narrative in the notes.	✓

D. Fees

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

*Audit fees	Proposed fee	Final fee
Council Audit	£63,037	TBC
Total audit fees (excluding VAT)	£63,037	TBC

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services		
Housing Benefit claim	£22,800	£22,800
Total non-audit fees (excluding VAT)	£22,800	£22,800

The fees agree to the financial statements in note 24 (External Audit Costs).

E. Draft audit opinion

Our draft audit opinion is included below.

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Burnley Borough Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The notes to the financial statements include the notes to the core financial statements and the notes to the collection fund statement. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its expenditure and income for the year then ended;

• have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and

• have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

.

Conclusions relating to going concern

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

In our evaluation of the Head of Finance and Property's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

The responsibilities of the Head of Finance and Property with respect to going concern are described in the 'Responsibilities of the Authority, Head of Finance and Property and Those Charged with Governance for the financial statements' section of this report.

E. Draft audit opinion

Other information

The Head of Finance and Property is responsible for the other information. The other information comprises the information included in Annual Governance Statement and the Statement of Accounts, 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 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

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

Responsibilities of the Authority, the Head of Finance and Property and Those Charged with Governance for the financial statements

As explained 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 Head of Finance and Property. The Head of Finance and Property is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Head of Finance and Property determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Head of Finance and Property is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless 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.

E. Draft audit opinion

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003, the Local Government Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012).

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

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

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

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

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

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

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

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

• Our audit procedures involved:

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

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

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

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

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

• The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and the defined pension fund net liability valuation

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

E. Draft audit opinion

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

- knowledge of the local government sector

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

- the provisions of the applicable legislation

- guidance issued by CIPFA/LASAAC and SOLACE

- the applicable statutory provisions.

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

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

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

Our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority’s arrangements in our Auditor’s Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor’s report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

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 undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of ‘proper arrangements’. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Burnley Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

• our work on the Authority’s arrangements for securing economy, efficiency and effectiveness in its se of resources and issued our Auditor’s Annual Report’

• the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2022.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

E. Draft audit opinion

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:

Georgia Jones, Key Audit Partner

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

Liverpool

Date:

F. Audit letter in respect of delayed VFM work

Councillor Lord Wajid Khan of Burnley

Chair of Audit and Standards Committee

12 September 2022

Dear Lord Khan

Delayed Value for Money reporting

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report for 2021-22 including our commentary on arrangements to secure value for money, and it will not be issued by 30 September. We now expect to publish our report no later than 31 December 2022.

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

Yours faithfully

Georgia Jones

Director

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