

**DRAFT**

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# The Audit Findings for Hyndburn Borough Council

Year ended 31 March 2020

July 2021



# Contents



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## Section

1. Headlines
2. Financial statements
3. Value for money
4. Independence and ethics

## Page

- 3
- 5
- 19
- 22

## Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees

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

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# Headlines

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

<b>Covid-19</b>	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council .</p> <p>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 lost income from some key revenue streams and over the summer of 2020 faced the additional challenges of reopening services under new government guidelines.</p> <p>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.</p>	<p>Our audit risk assessment included in our audit plan considered the impact of the pandemic on our audit work. We reported a financial statement risk in respect of Covid-19 and highlighted the impact on our VfM approach. Further detail is set out on page 6.</p> <p>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 and accuracy of information produced by the entity, and the lack of physical verification of assets.</p> <p>For Hyndburn Borough Council there have been many competing demands on staff time. The draft financial statements were received on 5 October 2020, five weeks after the statutory deadline. This delay compounded by sickness issues meant the audit deadline of 30 November 2020 was not possible to meet. We agreed with officers that we would work together towards a target date of March 2021 for completion of the audit work and then final reporting in July 2021.</p>
<b>Financial Statements</b>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"><li>• give a true and fair view of the financial position of the Council and its income and expenditure for the year; and</li><li>• 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.</li></ul> <p>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.</p>	<p>Our audit work was completed remotely during November 2020 to July 2021. Our findings are summarised on the following pages. We identified one material adjustment to the financial statements that resulted in adjustment to the Council's Comprehensive Income and Expenditure Statement, Balance Sheet, Movement in Reserves Statement and Cashflow Statement. This is to restate the valuation of the Hyndburn Leisure centre on a depreciated replacement costs basis, rather than originally included at a market rate. The details of the audit adjustment of £3.395m is set out in Appendix C.</p> <p>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.</p> <p>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 matter;</p> <ul style="list-style-type: none"><li>• receipt of management representation letter</li><li>• finalisation of our quality review processes.</li></ul> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>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.</p>

# Headlines

This table summarises the key findings and other matters arising from the statutory audit of Hyndburn 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.

<b>Value for Money arrangements</b>	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VfM) conclusion').	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Hyndburn Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19,</p> <p>We therefore anticipate issuing an unqualified value for money conclusion. Our findings are summarised on the following pages.</p>
<b>Statutory duties</b>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> <li>report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and</li> <li>To certify the closure of the audit.</li> </ul>	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

## 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 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

As the Council sold its shareholding in its associate Globe Enterprises during 2019/20 there is no longer a requirement to produce Group accounts. We have examined the accounting transactions relating to the sale as part of our audit work.

## Audit approach (continued)

Our audit plan, as communicated to you in May 20 included our proposed response to the Covid-19 pandemic. We have not had to alter our audit plan since that time.

## Conclusion

We have substantially completed our audit of your financial statements and we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 19 July 2021. Outstanding items for the closure of the audit include:

- receipt of management representation letter
- finalisation of our quality review processes.

## 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 Hyndburn Borough Council.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	911,000	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	683,250	Performance materiality has been assessed at 75% of the financial statements materiality and is designed to ensure appropriate coverage.
Trivial matters	45,550	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 remuneration	15,000	This is identified as an area requiring a lower materiality due to its sensitive nature.

# Significant audit risks

## Risks identified in our Audit Plan

### 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.

## Auditor commentary

We:

- 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 draft financial statements were provided on 5 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 results of our work concluded that appropriate arrangements have been put in place to manage the Covid-19 situation and suitable disclosures have been made in the financial statements. This includes the use of alternative arrangements in the decision-making process as permitted by the Council Constitution. We were able to obtain sufficient audit evidence by utilising screensharing for the verification of completeness and accuracy of information produced by the Council and share information through our cloud based software.

Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, your valuer has disclosed a material valuation uncertainty within their valuer's report (in line with RICS Red Book Global). You have disclosed this material uncertainty within Note 6 of the financial statements. 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 where the valuer has highlighted a material valuation uncertainty.

# Significant audit risks

## Risks identified in our Audit Plan

### Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

The 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, which was one of the most significant assessed risks of material misstatement.

### The revenue cycle includes 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.

## Auditor commentary

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.

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

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including Hyndburn Borough Council, mean that all forms of fraud are seen as unacceptable

Therefore, we do not consider this to be a significant risk for Hyndburn Borough Council.

We have however :

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

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

### Valuation of land and buildings - £20.2m (rolling revaluation)

The Authority revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£24 million) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Authority financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used

We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.

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 Keppie Massie Ltd. 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.

We found that Keppie Massie had changed the valuation method for several specialised Council assets (in particular leisure centres) from Depreciation Replacement Cost (DRC) basis to market-based valuation, as at 1 April 2019. The result was a material decrease in the valuation of these assets. We challenged management and the valuer to justify this change, and we were not satisfied that there was sufficient evidence of recent and relevant market activity to support this. As this had a material impact for one asset in particular (Hyndburn Leisure Centre), we requested of management to revert to DRC valuation basis for this asset. This resulted a material valuation increase (£3.395m) affecting various areas of the financial statements.

The Council carries out valuations on 1 April each year as part of a 5-yearly rolling programme. Council officers, including the valuers, 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 gives sufficient assurance of the material accuracy of the valuation of those assets not revalued in the financial year.

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 5 of the financial statements, regarding 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.

# Significant audit risks

## Risks identified in our Audit Plan

### Valuation of pension fund net liability - £31.9m

The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£37 million in the Authority's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

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

## Auditor commentary

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 Authority's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- 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 Hyndburn Borough Council is £1.7m (1.5%).

We proposed adding a material uncertainty within Note 5 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.

# Other audit risks

## Risks identified in our Audit Plan

### Disposal of Globe Enterprises Limited

The Authority has sold its shareholding in its associate company Globe Enterprises Limited during 2019/20.

We identified the accounting entries to reflect the sale of the associate company Globe Enterprises Limited in the financial statements as a risk requiring particular audit attention.

This transaction has also led the Authority to consider that Group Accounts are no longer required for the 2019/20 accounts. This significant judgement also requires particular audit attention.

## Auditor commentary

We examined and tested the accuracy of the accounting entries to reflect the sale of Globe Enterprises Limited as reflected within the financial statements

We found that the gain on disposal of the Authority's share in Globe Enterprises had been appropriately accounted for in the Comprehensive Income and Expenditure Statement, under Other Gains and Losses.


We evaluated management's judgement to no longer produce Group Accounts and concluded that this was an appropriate judgement, due to the remaining value of interests in other companies being non-material, as at the balance sheet date.

## 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
<p><b>IFRS 16 implementation has been delayed by one year</b></p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2022, 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.</p>	<p>We have reviewed the disclosures in the financial statements against the requirements of the Code.</p>	<p>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.</p>


## Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
<b>Provisions for NNDR appeals £4.08m</b>	The Council are responsible for repaying a proportion of successful rateable value appeals. The Head of Revenues and Benefits calculates the level of provision required. The Council's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to an increase in outstanding appeals, the provision has increased by £2.5m in 2019/20.	<p>We examined the estimate considering the:</p> <ul style="list-style-type: none"> <li>• appropriateness of the underlying information provided by the VOA used to determine the estimate;</li> <li>• Evaluation of the estimation method;</li> <li>• reasonableness of increase/decrease in NNDR; and</li> <li>• adequacy of disclosure of NNDR provisions the financial statements.</li> </ul> <p><b>Audit Findings</b></p> <p>We were satisfied with the calculation of the provision and the classification as long term.</p>	 <b>Green</b>

### 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
<b>Land and Buildings £17.5m</b> <b>Surplus Assets £2m</b>	<p>Operational land and properties are valued on the basis of current value in existing use, unless they are of a specialist nature in which case they are valued on a Depreciated Replacement Cost basis, or Market Value as applicable.</p> <p>The Council carries out a rolling programme of valuations that ensures all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations in 2019/20 were carried out and certified by Keppie Massie Ltd.</p> <p>The valuation of properties valued by the valuer has resulted in a net decrease to Other Land and Buildings of £107k. Management have considered reports from Keppie Massie in relation to the year end value of non-valued properties, and the potential valuation change in the assets revalued at 1 April 2019.</p> <p>The total year end valuation of Other land and buildings and surplus assets was £19.490m, a net increase of £77k from 2018/19 (£19.423m).</p>	<p>We examined the estimate considering the:</p> <ul style="list-style-type: none"> <li>• assessment of management's expert – Keppie Massie and internal valuers</li> <li>• completeness and accuracy of the underlying information used to determine the revaluations;</li> <li>• impact of any changes to valuation method;</li> <li>• consistency of estimate against near neighbours &amp; Gerald Eve market trends report;</li> <li>• reasonableness of increase and decrease in assets valuations; and</li> <li>• adequacy of disclosure of revaluations in the financial statements.</li> </ul> <p><b>Audit Findings</b></p> <p>We examined the valuation methods employed by Keppie Massie in their valuation of the Authority's specialised and non-specialised assets. We found that the method applied to specialised assets was not appropriate in some cases, resulting in a material adjustment. See Page 8 for more details of this.</p> <p>We have reviewed and challenged management's assessment of the potential impact of those assets not formally revalued this year. We agreed with management's assessment that the valuation of assets not formally revalued in 2019/20, was materially accurate as at 31/3/20.</p> <p>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.</p> <p>The Council has amended the wording in note 5 to include a material uncertainty disclosure for the valuation of land and buildings.</p>	 <b>green</b>

**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																								
<b>Net pension liability – £31.9 million</b>	<p>The Council's net pension liability at 31 March 2020 is £31.9m (2018/19 £36.9m) 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.</p> <p>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 £1.7m and is material to the net liability. We proposed adding a material uncertainty disclosure within Note 5 of the financial statements to reflect this.</p> <p>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.</p>	<p>We examined the detail of management's assessment of the estimate by:</p> <ul style="list-style-type: none"> <li>making an assessment of Mercers as management's expert</li> <li>assessing the actuary's roll forward approach, verifying that the latest available data relating to the valuation of the entire pension fund was used</li> <li>considering the completeness and accuracy of the underlying information used to determine the estimate</li> <li>assessing the information received from pension fund auditor</li> <li>undertaking analytical tests to assess the reasonableness of the Council's share of LGPS pension assets</li> <li>agreeing the transposition of information from the actuary's report to the financial statements and agreeing the resulting accounting entries</li> <li>assessing the adequacy of disclosure of estimate in the financial statements</li> <li>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:</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.3%-2.4%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.1%</td> <td>2.1%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.6%</td> <td>3.35%-3.6%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>23.8yrs</td> <td>22.5-24.7yrs</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>26.8yrs</td> <td>25.9-27.7yrs</td> <td>●</td> </tr> </tbody> </table>	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	●	<p>● green</p>
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	●																								
		<p>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 9, we will include an Emphasis of matter paragraph in our opinion on the material valuation uncertainty disclosed in the pension fund financial statements.</p>																									

**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
<b>Level 2/3 investments</b>	<p>Following the sale of Globe Enterprises in January 2020, the Council hold investments in two associate property companies that are valued on the balance sheet as at 31 March 2020 at £578k.</p> <p>The investment is not traded on an open exchange/market and the valuation of the investment is subjective.</p> <p>In order to determine the value, management use the audited accounts of the three associate companies and apply the Council's share of equity to the net assets of the company. The value of the investment has decreased by £38k in 2019/20 due to movements in the net assets positions of both associate companies.</p>	<ul style="list-style-type: none"> <li>• The value of the total investment in associate companies has been decreased significantly by the sale of the Council’s 33.3% shareholding of Globe Enterprises Ltd in January 2020, following Cabinet approval in 2019.</li> <li>• The total value of investments in companies has become non-material, and on this basis the Council has determined that there is no further need to produce Group Accounts. We are in agreement with this assessment.</li> </ul>	 <b>green</b>

**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 and key assumptions to be reasonable

# 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 seen the Council divert staff to support the processing of grants to businesses; the loss of income from key revenue streams with additional challenges of reopening services under new government guidelines; the need to free up capacity of teams in addition to normal responsibilities. In 2019/20, the Council reported a £192k revenue underspend against its £10.995m budget. This was an after achieving savings of £0.646k.

The Council's MTFS for 2021/22 to 2023/24 recognises the ongoing pressures from core spending reductions resulting in savings requirements of £116k for 2021/22, over £2m for 2022/23, which stems from the loss of the Revenue Savings Grant (RSG), and a further projected £103k for 2023/24 based on standard assumptions. However, 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

### 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 from 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.

### 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

## Auditor commentary

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.

- 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-19 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.

<b>Issue</b>	<b>Auditor commentary</b>
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed
<b>Matters in relation to laws and regulations</b>	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
<b>Written representations</b>	A letter of representation has been requested from the Council which is included in the Audit Committee papers
<b>Confirmation requests from third parties</b>	We requested from management permission to send a number of confirmation requests to confirm balances and investments. This was granted and the requests were returned with positive confirmation.
<b>Disclosures</b>	Our review found no material omissions in the financial statements The details of changes to disclosures are set out in the adjustments schedule in Appendix C.
<b>Audit evidence and explanations/significant difficulties</b>	<p>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.</p> <p>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.</p>

## Other responsibilities under the Code

Issue	Commentary
<b>Other information</b>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Narrative Report and Annual Governance Statement), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect</p>
<b>Matters on which we report by exception</b>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> <li>• 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</li> <li>• If we have applied any of our statutory powers or duties</li> </ul> <p>We have nothing to report on these matters.</p>
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <ul style="list-style-type: none"> <li>• Note that work is not required as the Council does not exceed the threshold</li> </ul>
<b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2019/20 audit of Hyndburn Borough Council in the audit opinion.</p>

# Value for Money

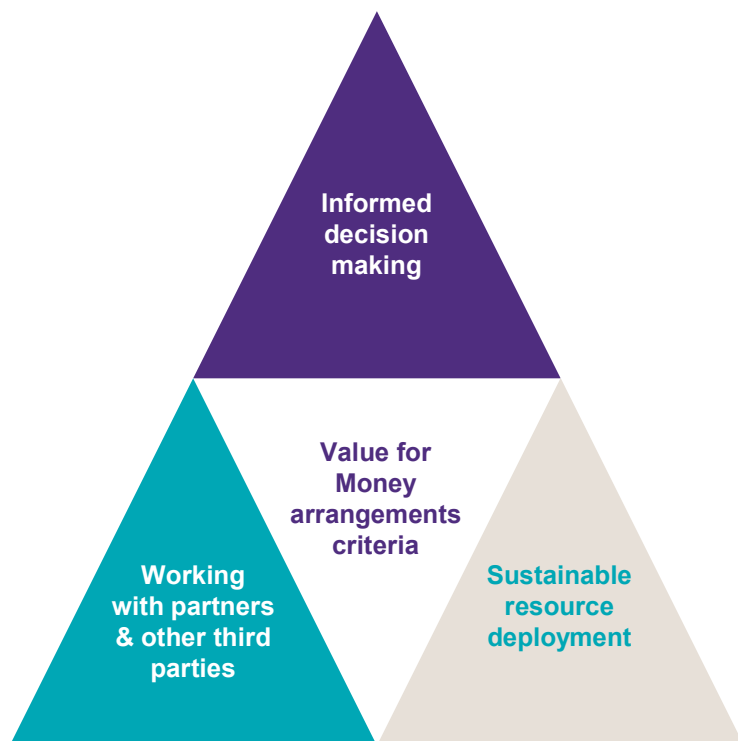
## Background to our VFM approach

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 May 2020 and identified financial sustainability as a significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this risk to you in our Audit Plan dated May 2020.

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

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 risk 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 .

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 page 21.

## 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.

## 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 and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p><b>Financial Sustainability</b></p> <p>The Authority faces future funding uncertainties and increased costs. The Medium Term Financial Strategy (MTFS), approved in February 2020, covers the period 2020/21 to 2022/23. It indicates the Authority needs to produce £116k of savings in 2020/21 to balance its budget. The Authority faces even larger savings challenges in 2021/22 of over £1m (9% of budget) and a £42k savings requirement for 2022/23. There is a high level of uncertainty in the forecasts which now need to take account of the impact of Covid-19 on the Authority's future financial position.</p> <p>The Authority set out optimistic and pessimistic scenarios over the 3 year MTFS. The pessimistic model giving a cumulative savings requirement over the period of £3.3m.</p>	<p>In 2019/20, the Council reported a £192k revenue underspend against its £10.995m budget. This was an after achieving savings of £0.646k.</p> <p>The latest financial monitoring report for 2020/21 indicated a forecast overspend for 2020/21 of £225k by the end of the financial year due to additional spend to address the impact of the Covid-19 pandemic and also a reduction in income from the economic downturn.</p> <p>In February 2021, the Council updated its Medium Term Financial Strategy (MTFS) covering the 3 years 2021/22 to 2023/24 and approved its 2021/22 budget.</p> <p>The Council agreed the 2021/22 budget on the basis of a 2% increase in Council Tax and expenditure of £11,227k, requiring delivery of £116k savings. The Council has set a corporate in-year saving target of this amount, rather than requiring individual service areas to deliver this level of savings.</p> <p>The Council's current MTFS reflects the significant financial challenges it faces as it addresses the impact of Covid-19 and the consequences of Government funding reforms and increased pressures on spending. The MTFS includes revised savings requirements of £116k for 2021/22, over £2m for 2022/23, which stems from the loss of the Revenue Savings Grant (RSG), and a further projected £103k for 2023/24. These are based on standard assumptions. The MTFS reflects the continuing uncertainties in forecasting beyond 2021/22 and includes optimistic and pessimistic scenarios over the 3 year period. The pessimistic model indicates potential savings required of over £3m in 2022/23 and £1.25m in 2023/24. . The Council recognises it will need to take tough decisions over service provision to maintain a balanced budget in future years. It has set a minimum revenue reserves level of £2m.</p>	<p>The Council has a history of effective financial management and control and delivering a balanced outturn position. It also has a strong balance sheet position with General Fund and earmarked reserves of £12.7m as at 31 March 2020.</p> <ul style="list-style-type: none"> <li>On this basis we have concluded that the risk was sufficiently mitigated and the Council has proper arrangements</li> <li>The Council will need to continue to monitor its spending and the achievement of savings closely through the MTFS period to ensure it delivers the required level of services within its budget.</li> </ul> <p><b>Management response</b></p> <p>Management agree with the audit conclusion and place significant emphasis on monitoring spend and income, and the achievement of savings.</p>

# 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
<b>Audit related:</b>			
Certification of Housing Benefits grant	17,600	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 £17,600 in comparison to the total fee for the audit of £43,634 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. 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.

# Action plan

We have identified one recommendation 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 2020/21 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
 <b>Medium</b>	<p><b>Management’s control over asset valuation estimate</b></p> <p>Management must ensure that the assumptions and methods used by their contracted valuer are appropriate. Inappropriate methods can lead to asset values being materially misstated.</p>	<p>Where key assumptions such as the basis of valuation are changed by the valuer, this should be challenged by management and only accepted if the changes are supported by strong evidence.</p> <p><b>Management response</b></p> <p>Agreed. This is more important due to the need to have to change valuers.</p>

**Controls**

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

# Follow up of prior year recommendations

We identified the following issues in the audit of Hyndburn Borough Council's 2018/19 financial statements, which resulted in two 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	<p><b>Lack of segregation of duties within the E-Financials system</b></p> <p>The presence of 'super users' presents the opportunity for fraudulent financial reporting or misappropriation of Council assets.</p> <p>There needs to be oversight of the finance system administration from someone outside of the finance function, ideally from information and communications technology (ICT) services.</p> <p>The Council should ensure that the new finance system has built-in monitoring functions that enable ICT services to track all changes made to system access. Alternatively, the ability to create user accounts and modify access levels should be held exclusively within ICT.</p>	<p>From discussions with management, we are aware that this recommendation was not implemented in the 2019/20 financial year.</p> <p>We acknowledge that this may have become more difficult to implement throughout the pandemic, however this remains an important point to address.</p>
✓	<p><b>Current asset revaluation cycle is not sufficient to ensure that assets are stated at materially accurate valuations at year end</b></p> <p>The current five-yearly programme of revaluing assets by category has meant that at 31 March 2019 £17.6m or 87% of Council assets had not been revalued within the last 4 years. This increases the risk that Other Land and Buildings asset values are materially misstated at the end of the financial reporting period.</p> <p>The Council's revaluation programme should be revised to a value-based approach. We recommend that the highest value assets are formally revalued each year, with the remainder being revalued on a five-yearly rolling basis</p>	<p>In 2019/20 almost the entire asset portfolio has been revalued by Keppie Massie Ltd.</p>

**Assessment**

- ✓ Action completed
- 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

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 2020.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Restatement of valuation of Hyndburn Leisure Centre on DRC basis	(3,395)	3,395	(3,395)
<b>Overall impact</b>	<b>(£3,395)</b>	<b>£3,395</b>	<b>(£3,395)</b>

## 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?
Inappropriate disclosure line included in Other Comprehensive Income	A new line was inserted into the 19/20 draft financial statements for 'Depreciation written out to the Revaluation Reserve'.	The CIPFA Code is prescriptive on which lines can be disclosed in the Other Comprehensive Income section of the CIES. The depreciation line, disclosing a value of £2,395k, should be incorporated into the (Surplus)/Deficit on revaluation of non-current assets. <b>Management response</b> Amended.	✓
Note 34- Grant Income	The grants credited to services segment of the note is overstated by £179k, largely relating to incorrect transposition of the New Homes Bonus grant.	It is for management to decide whether the adjust the accounts for this non-material error. <b>Management response</b> Agreed not to adjust on grounds of materiality.	✓

# Audit adjustments

## Misclassification and disclosure changes (Cont...)

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?
Balance Sheet	Some formatting and typeface errors.	<b>Management response</b> Amended	✓
EFA	Inconsistent use of signage.	<b>Management response</b> Amended	✓
Note 4- Accounting Standards Issued but not adopted	IFRS 16 implementation date has been set back to 1 April 2022- the note currently states 1 April 2021.	<b>Management response</b> Amended	✓
Note 5- Critical Judgements	No expected disclosures relating to material uncertainties on valuations of PPE and Investment Properties, Pension Fund Asset valuations.	<b>Management response</b> Amended	✓
Note 6- Estimation Uncertainty	Disclosures relating to areas which are not likely to experience material movement in the 12 months following the balance sheet date, should not be included.	<b>Management response</b> Amended	✓
Note 7- Events After the Reporting Period	No mention of the impact of Covid-19 as an event which mainly impacted the Council after 31 March 2020.	There should be some disclosure of the impact of Covid-19 on the assets and liabilities of the Authority as well as the impact on the Council's financial position. <b>Management response</b> To be amended in the final version.	✓

# 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 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
Non-ringfenced grant income is overstated in the CIES and disclosure notes, due to a compilation error.	179	0	179	Not material
<b>Overall impact</b>	<b>179</b>	<b>£0</b>	<b>179</b>	

## Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2018/19 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Unadjusted net pension liability as a result of the McCloud ruling	£0.276m	£0.396m	Decrease by £0.276m	Not material
Unadjusted net book value of Other Land and Buildings as a result of further valuations carried out by the Council	(£0.191m)	(£0.191m)	Increase by £0.191m	Not material
<b>Overall impact</b>	<b>£0.085m</b>	<b>£0.205m</b>	<b>£0.085m</b>	

# Fees

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

<b>Audit fees</b>	<b>Proposed fee</b>	<b>Final fee</b>
Council Audit	£43,634	TBC
<b>Total audit fees (excluding VAT)</b>	<b>£43,634</b>	<b>TBC</b>

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 pages 3 and 6. Consequently, we have incurred additional costs which result in additional fees to the Council, which we will be discuss with the Director of Finance and report back to the Audit Committee at its next meeting.

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

<b>Non-audit fees for other services</b>	<b>Fees</b>
Audit Related Services:	
• Certification of Housing Benefits grant	£17,600
<b>Total non- audit fees (excluding VAT)</b>	<b>£17,600</b>

