

# Audit Findings

*Year ending 31 March 2018*

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Hyndburn Borough Council

19 July 2018



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**Your key Grant Thornton  
team members are:**

**Andy Smith**

Engagement Lead

T: 0161 953 6472

E: [andrew.j.smith@uk.gt.com](mailto:andrew.j.smith@uk.gt.com)

**Perminder Sethi**

Engagement Manager

T: 0113 200 2547

E: [perminder.sethi@uk.gt.com](mailto:perminder.sethi@uk.gt.com)

**Aaron Gouldman**

In-charge Auditor

T: 0161 214 3678

E: [aaron.r.gouldman@uk.gt.com](mailto:aaron.r.gouldman@uk.gt.com)

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

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# Headlines

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

<b>Financial Statements</b>	<p>Under the International Standards of Auditing (UK) (ISAs), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> <li>the Authority's financial statements give a true and fair view of the Authority's financial position and of the group and Authority's expenditure and income 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 Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July 2018. Our findings are summarised in Section 2. We have identified one adjustment affecting the group and Council's reported financial position relating to income from the partial disposal of land not being recognised. The net impact is additional income of £190k. The draft financial statements for the year ended 31 March 2018 recorded a deficit on the provision of services of £1,308k, following this adjustment, the deficit on the provision of services has reduced to £1,118k. A number of amendments have been made following our audit in respect of disclosure and classification changes. These have no impact on the group and Council's reported financial position for 2017/18.</p> <p>We have raised 1 recommendation for management as a result of our audit work at Appendix A. Our follow up of the recommendation from the prior year's audit is detailed at Appendix B.</p> <p>Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 30 July 2018, as detailed at Appendix E. These outstanding items include:</p> <ul style="list-style-type: none"> <li>reviewing the final version of the financial statements</li> <li>reviewing the revised version of the Narrative Report</li> <li>obtaining and reviewing the management letter of representation</li> <li>updating our post balance sheet events review, to the date of signing the opinion.</li> </ul> <p>We have concluded that the other information published with the financial statements, which includes the Statement of Accounts, Annual Governance Statement and Narrative Report, are consistent with our knowledge of your organisation and with the financial statements we have audited.</p>
<b>Value for Money arrangements</b>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:</p> <ul style="list-style-type: none"> <li>the Authority has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</li> </ul>	<p>We have completed our risk based review of the Authority'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 therefore anticipate issuing an unqualified value for money conclusion, as detailed at Appendix E. Our findings are summarised in Section 3.</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>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>

# Summary

## Overview of the scope of our audit

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

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

## Audit approach

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

- an evaluation of the components of the group based on a measure of materiality considering each as a percentage of total group assets and revenues to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that a targeted approach was required for Globe Enterprise Ltd and Barnfield and Hyndburn Ltd, whilst an analytical approach was considered appropriate for Barnfield & Hyndburn Partnership

## 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.

## Audit approach (continued)

- an evaluation of the Authority's internal control environment including its IT systems and controls
- substantive testing of 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 30 July 2018, as detailed at Appendix E.

These outstanding items include:

- reviewing the final version of the financial statements;
- reviewing the revised version of the Narrative Report;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review, to the date of signing the opinion.

Materiality calculations remains the same as reported in our audit plan. We detail in the table below our assessment of materiality for the Council.

	Group amount (£)	Authority amount (£)	Qualitative factors considered
Materiality for the financial statements	£939,320	£939,000	Materiality has been based on 2% of the Authority's gross expenditure
Performance materiality	£704,240	£704,000	Our performance materiality has been set at 75% of our overall materiality
Trivial matters	£47,016	£47,000	This is set at 5% of financial statements materiality and reflects a level below which stakeholders are unlikely to be concerned by uncertainties.
Materiality for specific transactions, balances or disclosures	N/a	£15,000	The senior officer remuneration disclosure in the Statement of Accounts has been identified as an area requiring a lower materiality due to its sensitive nature

# Going concern

## Our responsibility

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

## Going concern commentary

### Management's assessment process

Management has an established process in place and prepare a detailed budget each year which is approved by Members. The budget is developed based on a number of assumptions including funding from Government, cost improvement programmes required to be delivered and the pressures facing the Council. To ensure effective management, the budget is broken down by service area and routinely monitored on a monthly basis with performance reported to Cabinet. Cash flow is also routinely monitored as part of the Council's treasury management arrangements.

The Council has in place a three year Medium Term Financial Strategy to 2020/21 to allow it to effectively plan its finances ahead and ensure it is able to effectively manage its financial position.

In assessing its going concern position, management look ahead twelve months from its reporting date and have regard to its future cash flow position including whether current spending is in accordance with budget.

### Work performed

We considered management's going concern assessment including the assumptions used.

## Auditor commentary

- Following its review of going concern, management has concluded it remains a going concern and it is appropriate to continue to prepare its accounts on a going concern basis.
- The Council has a good track record of delivering savings targets and managing financial pressures to ensure expenditure remains below budget. The Council has delivered underspends in 2016/17 and 2017/18.
- We have considered management's assessment of going concern as a basis for compiling the financial statements. The arrangements management has in place appear appropriate.
- The budget setting processes used to prepare the annual budget and the monitoring arrangements in place are considered appropriate and adequate.
- The Deputy Chief Executive and s151 Officer routinely monitors the Council's financial position and reports regularly to Members.

- Our work confirmed the management's arrangements for assessing going concern are adequate and management's use of the going concern basis of preparation is reasonable.
- We have not identified any material uncertainties that may cast significant doubt on the Authority's ability to continue as a going concern for the foreseeable future.

## Concluding comments

- On the basis of our work, it is appropriate to issue an unmodified audit opinion on going concern.

# Significant audit risks

Risks identified in our Audit Plan	Commentary
<p><b>1 Improper revenue recognition</b></p> <p>Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including at Hyndburn Borough Council, mean that all forms of fraud are seen as unacceptable</li> </ul> <p>Therefore, we do not consider this to be a significant risk for Hyndburn Borough Council.</p>
<p><b>2 Management override of controls</b></p> <p>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.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>• gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness</li> <li>• obtained a full listing of journal entries, identified and tested any unusual risk journal entries for appropriateness</li> <li>• evaluated the rationale for any changes in accounting policies or significant unusual transactions</li> <li>• reviewed significant related party transactions.</li> </ul> <p>Our audit work has not identified any issues in respect of management override of controls.</p>

# Significant audit risks




Risks identified in our Audit Plan	Commentary
<p><b>3 Valuation of pension liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p><b>We have:</b></p> <ul style="list-style-type: none"> <li>identified the controls put in place by management to ensure that the pension fund net liability is not materially misstated and assessed whether those controls were implemented as expected and whether they were sufficient to mitigate the risk of material misstatement</li> <li>reviewed the competence, expertise and objectivity of the actuary who carried out the Council's pension fund valuation</li> <li>gained an understanding of the basis on which the IAS 19 valuation was carried out, undertaking procedures to confirm the reasonableness of the actuarial assumptions made</li> <li>reviewed the consistency of the pension fund net liability disclosures in the notes to the financial statements with the actuarial report from your actuary.</li> </ul> <p>Our audit work has not identified any issues in respect of the valuation of the pension fund liability.</p>
<p><b>4 Valuation of plant, property and equipment</b></p> <p>The Council carries out a rolling programme of valuations that ensures property, plant and equipment is revalued at least every five years. This aims to ensure that the carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p><b>We have:</b></p> <ul style="list-style-type: none"> <li>reviewed management's processes and assumptions for the calculation of the estimate</li> <li>considered the competence, expertise and objectivity of the management experts used</li> <li>reviewed the instructions issued to valuation experts and the scope of their work</li> <li>reviewed and challenged the information used by the valuer to ensure it was robust and consistent with our understanding</li> <li>tested revaluations made during the year to ensure they were input correctly into the Council's asset register</li> <li>evaluated the assumptions made by management for those assets not revalued during the year and how management satisfied themselves that these were not materially different to current value.</li> </ul> <p>Our testing of assets held for sale identified two instances where assets which had been sold or partly disposed of had not been correctly removed from assets held for sale. Whilst both of these transactions were complex, there is a need for management to introduce a formal process to review disposals and the associated accounting entries each year to ensure they are correctly categorised and recorded in the financial statements. We have raised a recommendation at Appendix A to address this issue. Management have corrected the financial statements to record both transactions. The changes made are classification and disclosure only with no impact on the Council's reported outturn position.</p> <p>Our audit procedures did not identify any other significant issues in relation to the valuation of plant, property and equipment.</p>

# Reasonably possible audit risks




Risks identified in our Audit Plan	Commentary
<p><b>5 Operating expenses</b></p> <p>Non-pay expenses on other goods and services represents a significant percentage of the Authority's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs.</p> <p>We have identified completeness of non-pay expenses as a risk requiring particular audit attention.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>evaluated the Authority's accounting policy for recognition of non-pay expenditure for appropriateness</li> <li>gained an understanding of the Authority's system for accounting for non-pay expenditure and documented our understanding of processes and key controls over the transaction cycle</li> <li>undertaken a walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>tested a sample of operating expenses covering the full financial year</li> <li>agreed the year-end creditor balance to system balances and control account reconciliations</li> <li>tested a sample year-end accruals and creditor balances and where possible confirmed that balances due have been settled after year end.</li> <li>performed cut-off testing to obtain assurance that creditors have been accounted for in the correct financial year.</li> </ul> <p>Our audit work has not identified any issues in respect of operating expenses.</p>
<p><b>6 Payroll expenses</b></p> <p>Payroll expenditure represents a sizeable percentage of the Council's operating expenses.</p> <p>As payroll expenditure comes from a number of individual transactions there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>documented our understanding of processes and key controls over the payroll cycle</li> <li>undertaken a walkthrough of the key controls to assess whether those controls were in line with our documented understanding</li> <li>completed some substantive testing of starters and leavers</li> <li>used analytical techniques to compare expected payroll costs with actual costs</li> <li>reviewed payroll reconciliations including at the year end.</li> </ul> <p>Our audit work has not identified any issues in respect of payroll expenses.</p>



# Accounting policies

Accounting area	Summary of policy	Comments	Assessment
<b>Revenue recognition</b>	<ul style="list-style-type: none"> <li>Revenue from the provision of services is recognised when the council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council</li> <li>Council Tax and Non Domestic Rate income is recognised in the Collection Fund on an accruals basis, when it is due from the Council Tax or Non Domestic Rate payer. The Council's share of this income is recognised in the CIES</li> <li>Government grants are recognised when there is reasonable assurance that the Council will comply with any conditions attached to the payments, and the grants or contributions will be received.</li> </ul>	<ul style="list-style-type: none"> <li>The Council's policy is appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code)</li> <li>The main elements of the Council's revenues are predictable and there is minimal judgement required from the Council</li> <li>The accounting policy is appropriately disclosed in note 1 to the financial statements.</li> </ul>	
<b>Judgements and estimates</b>	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> <li>Useful life of PPE</li> <li>Revaluations</li> <li>Impairments</li> <li>Accruals</li> <li>Valuation of pension fund net liability</li> <li>Provision for NDR appeals</li> <li>Other provisions.</li> </ul>	<ul style="list-style-type: none"> <li>The Council's accounting policies for key estimates and judgements are appropriate and consistent with the relevant accounting framework – the CIPFA Code of Practice on Local Authority Accounting (the CIPFA Code)</li> <li>The accounting policies are appropriately disclosed in notes 1 and 3 to the financial statements</li> <li>Our review of key estimates and judgements has considered the extent of judgement involved, the potential impact of different assumptions and the range of possible outcomes. We are satisfied that the key estimates and judgements are appropriate and adequately disclosed.</li> </ul>	
<b>Other critical policies</b>	<ul style="list-style-type: none"> <li>We have reviewed the Council's policies against the requirements of the CIPFA Code.</li> </ul>	We have reviewed the Authority's policies against the requirements of the CIPFA Code of Practice. The Authority's accounting policies are appropriate and consistent with previous years.	

## Assessment

-  Marginal accounting policy which could potentially be open to challenge by regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

# Other communication requirements

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

Issue	Commentary
① <b>Matters in relation to fraud</b>	<ul style="list-style-type: none"> <li>We have written to the Chair of the Audit Committee in relation to the risk of fraud. We have not been made aware of any material incidents in the period and no other issues have been identified during the course of our audit.</li> </ul>
② <b>Matters in relation to related parties</b>	<ul style="list-style-type: none"> <li>We are not aware of any related parties or related party transactions which have not been disclosed.</li> </ul>
③ <b>Matters in relation to laws and regulations</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
④ <b>Written representations</b>	<ul style="list-style-type: none"> <li>A standard letter of representation has been requested from the Council which is included at Appendix E.</li> </ul>
⑤ <b>Confirmation requests from third parties</b>	<ul style="list-style-type: none"> <li>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.</li> </ul>
⑥ <b>Disclosures</b>	<ul style="list-style-type: none"> <li>Our review found no material omissions in the financial statements.</li> </ul>
⑦ <b>Audit evidence and explanations</b>	<ul style="list-style-type: none"> <li>All information and explanations requested from management was provided. Working papers were provided in accordance with the timetable agreed with the Council and were of a good quality. Officers were also available to answer our questions and provide supporting information in a prompt manner.</li> </ul>
⑧ <b>Significant difficulties</b>	<ul style="list-style-type: none"> <li>No difficulties were encountered during the audit process.</li> </ul>

# Other responsibilities under the Code

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

Issue	Commentary
① <b>Other information</b>	<ul style="list-style-type: none"> <li>• We are required to give an opinion on whether the other information published together with the audited financial statements (including the Statement of Accounts, Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</li> <li>• No inconsistencies have been identified. We plan to issue an unqualified opinion in this respect – refer to Appendix E.</li> <li>• Our review of the Narrative Report identified a few areas where disclosures could be further developed, for example in respect of the Council's Corporate Strategy and Vision. Officers have updated the Narrative Report in a number of areas to reflect the findings from our review.</li> </ul>
② <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>
③ <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 Authority does not exceed the threshold.</li> </ul>
④ <b>Certification of the closure of the audit</b>	<p>We intend to certify the closure of the 2017/18 audit of Hyndburn Borough Council in the audit opinion, as detailed at Appendix E.</p>

# Value for Money

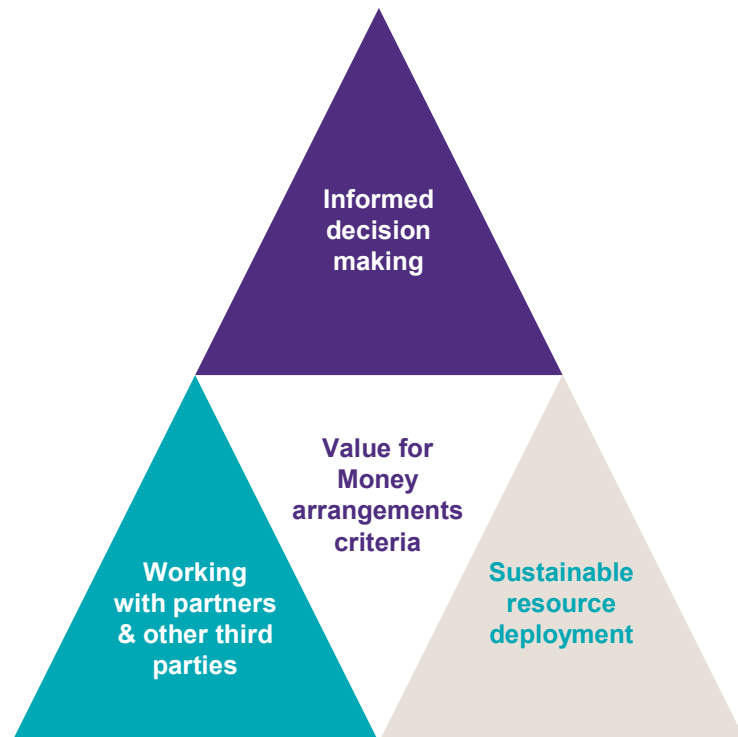
## Background to our VFM approach

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

The guidance identifies one single criterion for auditors to evaluate:

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

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



## Risk assessment

We carried out an initial risk assessment in February 2018 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2018.

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

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

# Value for Money

## Our work

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

We have focused our work on the significant risks that we identified in the Authority's arrangements. In arriving at our conclusion, our main considerations were:

- the Council, as other local authorities continues to operate under significant financial pressures and funding reductions. However, Hyndburn Borough Council has a good track record of delivering its budget with an underspend outturn position. Whilst the Council does not have a history of financial difficulty, this position is becoming more challenging
- the Council has an ambitious capital programme to regenerate parts of the borough. The Council approved a capital programme for 2017/18 of £9.3m which was subsequently increased to £12.01m. There is a need to closely manage this significant programme of work.

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 14.

## Overall conclusion

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

*“The Authority had proper arrangements in all significant respects to ensure it delivered value for money in its use of resources.”*

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

## Significant difficulties in undertaking our work

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

## Significant matters discussed with management

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

## Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment. There were no further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
1	<p><b>Financial position and sustainability</b></p> <p>The Council as other local authorities continues to operate under significant financial pressures. However, whilst the Council does not have a history of financial difficulty, the position is beginning to become more challenging.</p> <p>At the December review of budget performance, the Council was forecasting a favourable variance on the General Revenue Account (GRA) of £336,000 for 2017/18.</p> <p>In January, the Council identified a forecast budget gap of £1.687m for 2018/19. The Council has identified around £1.687m of savings for 2018/19 via the policy options process. The Council continues to face a challenging financial position going forward with a budget gap of around £0.560 in 2019/20 and £1.424m in 2020/21.</p>	<p>As part of our audit we:</p> <ul style="list-style-type: none"> <li>reviewed budget monitoring reports and updates to the Medium Term Financial Plan</li> <li>reviewed plans to address future potential budget gaps</li> <li>reviewed how the Council is identifying, managing and monitoring financial risks</li> <li>reviewed revenue and capital reports.</li> </ul>	<p>We found:</p> <ul style="list-style-type: none"> <li>for 2017/18, the Council delivered an actual deficit on the provision of services of £1,118k (£1,332k in 2016/17) based on total net expenditure of £13,049k. An outturn underspend was achieved of £438,000 on the GRA for 2017/18 compared to the favourable variance projected in December 2017 of £336,000</li> <li>the Council delivered savings during the year of £1,486k, some £438k higher than the budgeted savings of £1,048k included in the 2017/18 budget. Total savings delivered by the Council over the last six years amount to over £7,700k</li> <li>the Council's capital spend during 2017/18 amounted to £3,432k. The main areas of spending related to Accrington Town Centre (£1,375k), housing related schemes (£940k) and a further £458k being spent on parks and open spaces</li> <li>the Council approved its 2018/19 budget in February 2018 with a 2.12% increase in Council Tax. Total expenditure was estimated at £12,861k with resources expected of £11,174k requiring savings during the year of £1,687k. Whilst challenging, the Council believes it will be able to deliver the necessary savings required during the year</li> <li>in February 2018, the Council approved the updated Medium Term Financial Strategy covering the period, 2018/19 to 2020/21. Whilst not as challenging as in 2018/19, savings required are estimated at £560k in 2019/20 and £1,424k in 2020/21</li> <li>whilst the first budget monitoring report is not expected to be produced until later in July 2018 for the first two months of 2018/19, senior officers consider activity to date is in accordance with budget and whilst risks remain, these will be managed with a balanced outturn position projected.</li> </ul> <p><b>Conclusion</b></p> <ul style="list-style-type: none"> <li>The Council has a history of effective financial management and control and delivering a surplus outturn position.</li> <li>Whilst a surplus has been delivered in 2017/18, next year, 2018/19 will continue to be challenging given the significant savings required to be delivered of £1,687k. There is a need for the Council to continue to closely monitor its budget and the savings being delivered.</li> </ul>

	Significant risk	Findings	Conclusion
2	<b>Capital Programme</b> <p>The Council has an ambitious capital programme to regenerate parts of the borough. The Council approved a capital programme for 2017/18 of £9.3m which was subsequently increased to £12.01m.</p> <p>The capital programme consists of housing improvements and various other schemes. We understand from discussions with officers that a major new development is also currently under discussion.</p> <p>We will consider the delivery of the Council's capital programme for 2017/18 against budget and any associated slippage. We will also continue to discuss with officers proposals for major future developments and how the Council is identifying and managing any associated risks.</p>	<p>As part of our audit we:</p> <ul style="list-style-type: none"> <li>considered the delivery of the Council's capital programme for 2017/18 against budget and any associated slippage</li> <li>discussed with officers proposals for major future developments and how the Council is identifying and managing any associated risks</li> <li>reviewed revenue and capital reports.</li> </ul>	<p>We found:</p> <ul style="list-style-type: none"> <li>that in 2017/18, the Council delivered a total capital programme of £3,432k, or some 37% of the original capital programme for the year</li> <li>discussions with officers indicates that slippage has mainly arisen during the year due to deferring some capital schemes given the potential revenue implications and the significant savings that need to be achieved. However, officers consider all approved schemes will be delivered and have not been cancelled, only deferred. Delays to the delivery of individual schemes can result in service benefits being postponed and potentially impact on availability and service quality issues</li> <li>the Council has a clear focus on redevelopment within the borough and wherever possible, encouraging business and developments which create jobs and boost the local economy. To this end, the Council has been working with an external company to support in the building of a hotel and conference centre with the potential for future development of shops and industrial units. This support has been on-going for some time and the development has now started to be built</li> <li>housing is a key focus for the Council and it has been in discussions with Homes England regarding a former power station site in the borough consisting of some 90 acres and the potential to build a significant number of new homes. A masterplan for this development is currently being prepared which is expected to be available by December 2018</li> <li>the Council has a clear focus on assessing risks in all the developments it considers and takes appropriate legal advice both internally and externally when required.</li> </ul> <p><b>Conclusion</b></p> <ul style="list-style-type: none"> <li>The Council has been unable to fully deliver its planned capital programme for the year due in the main to deferring some capital schemes given their future revenue impact. Officers remain aware of this situation and are confident that all schemes will be delivered. However, delays to the delivery of individual schemes can result in service benefits being postponed and potentially impact on availability and service quality issues</li> <li>The Council has good partnership working arrangements in place which it utilises to support the regeneration of the borough. It has been successful in attracting a major development of a new hotel and conference centre and is working towards a significant scheme for new homes.</li> </ul>

# Independence and ethics

## 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 we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Authority.

## Non-audit services

No non-audit services were identified except for the certification of grant claims. Further details are provided on page 21.



# Action plan

We have identified three recommendations for the Authority 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 2018/19 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	Management response
<div>1</div> <div>●</div>	Our testing of assets held for sale identified two instances where assets which had been sold or partly disposed of had not been correctly removed from assets held for sale. We recognise that both of these transactions were complex and not routine disposals.	There is a need for Management to introduce a formal process to review disposals and the associated accounting entries each year to ensure they are correctly categorised and recorded in the financial statements.	<p><b>Agreed action</b></p> <p>We will further improve the liaison arrangements between the finance department, the regeneration team and the valuers to consider these more complex disposals in greater detail and avoid future repetition. We will also introduce a formal review process to consider disposals each year and the associated accounting entries.</p> <p><b>Responsible officer</b></p> <p>Head of Accountancy Services</p> <p><b>Due date</b></p> <p>April 2019</p>

Key

●

 High

●

 Medium

●

 Low

# Follow up of prior year recommendations

We identified the following issue in the audit of Council's 2016/17 financial statements, which resulted in one recommendations being reported in our 2016/17 Audit Findings report. We are pleased to report that management have implemented this recommendation.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1 ✓	We identified a small accrual that should have been accounted for in 2016/17 but which was accounted for in 2017/18. A similar issue was identified in the prior year and budget holders were reminded of the need to ensure year end accruals are identified so that expenditure is accounted for in the correct year. Budget holders should be advised that such errors are still occurring and be reminded again to ensure year end accruals are correctly identified and accounted for, particularly in light of the earlier timetable for the production of the draft accounts in 2017/18 which may increase the risk and level of such errors occurring.	<p>A reminder was issued to budget holders to reinforce this message and avoid repetition.</p> <p><b>Audit Update – 2017/18</b></p> <p>We are pleased to report no similar issues were identified during the current year audit.</p>

**Assessment**  
✓ Action completed  
X Not yet addressed

# Audit Adjustments

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

## Impact of adjusted misstatements

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.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
1 Net proceeds from the partial disposal of land adjacent to Lyndon House has not been recognised.	(190)	-	(190)
<b>Overall impact</b>	<b>(190)</b>	<b>-</b>	<b>(190)</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?
<b>Exit Package</b>	An exit package for over £40k has been included incorrectly in the £20-£40k banding.	The exit package should be disclosed correctly in the £40-£60k banding. <b>Management response</b> This has now been corrected.	✓
<b>Assets held for Sale</b>	Land adjacent to Lyndon House has partially been disposed of but remains incorrectly within assets held for sale.	The partial land disposal should be removed from Assets held for Sale as the land has been sold. <b>Management response</b> This has now been corrected.	✓

# Audit Adjustments

Disclosure omission	Detail	Auditor recommendations	Adjusted?
<b>Assets held for Sale</b>	Project Phoenix Phase 2 has now been leased by the Council with the Council retaining the leasehold of the land.	<p>Given the land has been leased, it should now be removed from Assets Held for Sale and transferred to Plant, Property and Equipment given ownership still remains with the Council.</p> <p><b>Management response</b></p> <p>This has now been amended.</p>	✓
<b>Notes to the Group Accounts</b>	The notes to the Group Accounts should include further detail to explain the investment in associates and retained earnings.	<p>The two key notes to the accounts, investment in associates and retained earnings, should include further detail including comparatives for 2016/17. A note should also be added referencing all other notes to the Authority's notes where all figures are the same.</p> <p><b>Management response</b></p> <p>This has now been updated and further detail added.</p>	✓
<b>Critical Judgement</b>	Note 3 to the Accounts sets out the Council's Critical Judgements and includes reference to Leisure in Hyndburn. This judgement does not appear to be a Critical Judgement.	<p>Following discussion with management, it appears this disclosure is not a Critical Judgement for the Council's 2017/18 financial statements and should be removed.</p> <p><b>Management response</b></p> <p>This has now been removed.</p>	✓
<b>Various notes</b>	A number of notes included small differences to the primary statements mainly due to rounding.	<p>A number of small differences were identified including:</p> <ul style="list-style-type: none"> <li>• Expenditure and Funding Analysis - Waste Services and Culture figures being different to the Comprehensive Income and Expenditure Statement by £1k</li> <li>• Group Balance Sheet – Note 1 and Note 2 figures are out by £1k</li> <li>• Group Comprehensive Income and Expenditure Statement - the Surplus / Deficit on Provision of Services is incorrectly shown.</li> </ul> <p><b>Management response</b></p> <p>These amendments have all now been processed.</p>	✓
<b>Officers Remuneration</b>	Note 31 Officers Remuneration includes non-taxable expenses reimbursed to employees.	<p>There is no requirement for this to be included in the Note and we have recommended as last year, a note is added to explain that non-taxable expenses reimbursed to employees is included in the expenses paid to senior officers.</p> <p><b>Management response</b></p> <p>This disclosure has now been added.</p>	✓

# Audit Adjustments

## Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2017/18 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	Balance Sheet £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1	NONE – there are no unadjusted misstatements	-	-	-	-
Overall impact		-	-	-	-

# Fees

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

Audit fees	Proposed fee	Final fee
Audit of the Authority*	£46,927	£46,927
<b>Total audit fees (excluding VAT)</b>	<b>£46,927</b>	<b>£46,927</b>

In addition to the audit fee of £46,927, we agreed last year a fee variation with the Deputy Chief Executive to cover the additional work required as a result of the requirement for the Council to produce group accounts. We propose a similar fee variation for this year, 2017/18 of £3,000. This fee variation is subject to agreement by Public Sector Audit Appointments Ltd.

## Provide details of any variations in final fees from the proposed fee (per the audit plan).

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

Fees for other services	Fees £
Audit related services:	
• Certification of 2016/17 housing benefits subsidy claim	4,224
Non-audit services:	
• None	-
<b>Total non-audit fees</b>	<b>£4,224</b>

# Draft Audit opinion - Draft

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

## Independent auditor's report to the members of Hyndburn Borough Council

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Hyndburn Borough Council (the 'Authority') and its associates (the 'group') for the year ended 31 March 2018 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 financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

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

#### Basis for opinion

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

#### Who we are reporting to

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

## Conclusions relating to going concern

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

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

## Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the group and Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

# Draft Audit opinion - Draft

## Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts, **the Narrative Report and the Annual Governance Statement** for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

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

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

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

## Responsibilities of the Authority, the **Chief Financial Officer** and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the **Chief Financial Officer**. The **Chief Financial Officer** is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the **Chief Financial Officer** determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the **Chief Financial Officer** is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the group or the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the group or the Authority.

The Audit **Committee** is Those Charged with Governance.

## Auditor's responsibilities for the audit of the financial statements

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

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

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

### Conclusion

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

### Responsibilities of the Authority

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

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

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

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

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

### Report on other legal and regulatory requirements - Certificate

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

Andrew Smith  
for and on behalf of Grant Thornton UK LLP, Appointed Auditor  
**[x]** July 2018



# Draft Letter of Management Representations

{\*\*To be typed on Hyndburn BC letter headed paper\*\*}

Our Ref  
Your Ref

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
M3 3EB

30 July 2018

Dear Sirs

**Hyndburn Borough Council**

**Financial Statements for the year ended 31 March 2018**

This representation letter is provided in connection with the audit of the financial statements of Hyndburn Borough Council and its subsidiary undertakings, Globe Enterprise Limited, Barnfield and Hyndburn Limited and Barnfield & Hyndburn Partnership for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the group and parent Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

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

## Group Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and parent Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 ("the Code"); in particular the group and parent Council financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and parent Council and these matters have been appropriately reflected and disclosed in the group and parent Council financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and parent Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the group and parent Council financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- vi. Except as disclosed in the group and parent Council financial statements:
  - a there are no unrecorded liabilities, actual or contingent
  - b none of the assets of the group and parent Council has been assigned, pledged or mortgaged
  - c there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- viii. All events subsequent to the date of the group and parent Council financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- ix. **We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and parent Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.**
- x. The group and parent Council financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the group and parent Council financial statements.
- vi. We believe that the group and parent Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the group and parent Council's needs. We believe that no further disclosures relating to the group and parent Council's ability to continue as a going concern need to be made in the financial statements.

# Draft Letter of Management Representations

**Information Provided**

- i. We have provided you with:
  - a. access to all information of which we are aware that is relevant to the preparation of the group and parent Council financial statements such as records, documentation and other matters;
  - b. additional information that you have requested from us for the purpose of your audit; and
  - c. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.
- ii. We have communicated to you all deficiencies in internal control of which management is aware.
- i. All transactions have been recorded in the accounting records and are reflected in the group and parent Council financial statements.
- i. We have disclosed to you the results of our assessment of the risk that the group and parent Council financial statements may be materially misstated as a result of fraud.
- i. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and parent Council and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the group and parent Council financial statements.
- ii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the group and parent Council's financial statements communicated by employees, former employees, analysts, regulators or others.
- i. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- i. We have disclosed to you the identity of the group and parent Council's related parties and all the related party relationships and transactions of which we are aware.
- i. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the group and parent Council financial statements.

**Annual Governance Statement**

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

**Narrative Report**

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

**Approval**

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 30 July 2018.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

**Signed on behalf of Hyndburn Borough Council**

