

Meeting of: Audit & Accounts Committee
Date: 25th September 2024
Time: 6.30pm
Venue: Council Chamber, The Business Centre, Futures Park, Bacup, OL13 0BB

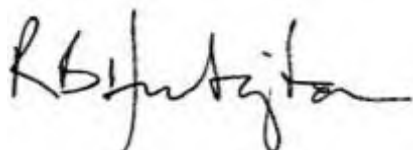
The meeting will also be live streamed at the following link:
<https://www.youtube.com/channel/UCrLsMDOP7AYxik5pNP0gTIA/streams>

Supported by: Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423
 Email: glendaashton@rossendalebc.gov.uk

ITEM		Lead Member/Contact Officer
A.	BUSINESS MATTERS	
A1.	Apologies for Absence	Glenda Ashton, Committee and Member Services Officer Tel: 01706 252423 Email: glendaashton@rossendalebc.gov.uk
A2.	Minutes of the last meeting To approve and sign as a correct record the Minutes of the meeting held on 31 st July 2024	
A3.	Urgent Items of Business To note any items which the Chair has agreed to add to the Agenda on the grounds of urgency.	
A4.	Declarations of Interest <i>Members are advised to contact the Monitoring Officer in advance of the meeting to seek advice on interest issues if necessary.</i> Members are requested to indicate at this stage, any items on the agenda in which they intend to declare an interest. Members are reminded that, in accordance with the Local Government Act 2000 and the Council's Code of Conduct, they must declare the nature of any personal interest and, if the interest is prejudicial, withdraw from the meeting during consideration of the item.	
B.	COMMUNITY ENGAGEMENT	
B1.	Public Question Time Members of the public can register their question by contacting the Committee Officer. Groups with similar questions are advised to appoint and register a spokesperson. This is an opportunity to ask a question about	Glenda Ashton, Committee and Member Services Officer 01706 252423

The agenda and reports are also available for inspection on the Council's website <https://www.rossendale.gov.uk/>. Other formats are available on request. Tel 01706 217777 or contact Rosendale Borough Council, Futures Park, Bacup, OL13 0BB

ITEM		Lead Member/Contact Officer
	<p>a matter which the Council may be able to assist with. A time limit of 3 minutes applies for each question and you are only able to address the meeting once.</p> <p>To register for public question time your question must be received no later than 12noon on the day of the meeting by emailing democracy@rossendalebc.gov.uk Please give your full name, telephone number and include a copy of your question.</p> <p>Please begin by giving your name and state whether you are speaking as an individual member of the public or as a representative of a group. (Question time normally lasts up to 30 minutes).</p>	<p>glendaashton@rossendalebc.gov.uk</p> <p>Please register an agenda related public question by emailing democracy@rossendalebc.gov.uk no later than 12noon on Wednesday 25th September 2024</p>
C.	<p>Chair's Update To receive communications from the Chair</p>	Councillor Harris
D.	ORDINARY BUSINESS	
D1.	Corporate Risk Register Update Q1 2024/25	Chris Warren Director of Resources/s151 Officer chriswarren@rossendalebc.gov.uk
D2.	Internal Audit Progress Report 2024/25	Mark Baskerville Lancashire County Council Auditors mark.baskerville@lancashire.gov.uk
D3.	Audit Strategy Memorandums for 2019/20, 2020/21, 2021/22, 2022/23 and 2023/24	Katie Kingston Forvis Mazars Auditors katie.kingston@mazars.co.uk
E.	<p>EXCLUSION OF PUBLIC AND PRESS To consider passing the appropriate resolution under Section 100 (A)(4) of the Local Government Act 1972 that the press and public be excluded from the meeting during consideration of the following item of business since it involves the likely disclosure of exempt information under Paragraphs 1 and 2 of Schedule 12A of the Act.</p>	
E1.	Standards Complaints update (verbal)	Councillor Harris
E2.	Whistleblowing update (verbal)	Councillor Harris



Rob Huntington
Chief Executive

Date Published: 17th September 2024

MINUTES OF: THE AUDIT AND ACCOUNTS COMMITTEE

DATE OF MEETING: 31st July 2024

**PRESENT: Councillor Procter (Chair)
Councillors Bleakley, Kenyon, Norton, Payne and Woods
Mr S McManus, Co-opted member**

**IN ATTENDANCE: Damon Lawrenson, Interim Director of Resources (s151 Officer), RBC
Kimberly Haworth, Head of Financial Services, RBC
Ian Walker, Service Assurance Team Leader, RBC
Andy Dalecki, LCC Internal Auditors
Mark Baskerville, LCC Internal Auditors
Zaheer Abbas, LCC Internal Auditors
Katie Kingston, Forvis Mazars External Auditors
Glenda Ashton, Committee Officer, RBC**

ALSO PRESENT: Councillor Walmsley

1. APOLOGIES FOR ABSENCE

1.1 Apologies were received from Councillor Harris.

2. MINUTES OF THE MEETING HELD ON 6TH MARCH 2024

RESOLVED:

The minutes of the meeting held on 6th March 2024 were agreed as a correct record.

3. URGENT ITEMS OF BUSINESS

3.1 There were no urgent items of business.

4. DECLARATIONS OF INTEREST

4.1 There were no declarations of interest.

5. PUBLIC QUESTION TIME

5.1 There were no public questions.

6. CHAIR'S UPDATE

6.1 It was noted that the Debt Management Policy would be reviewed by the Head of Legal and Head of Financial Services before being taken to the Overview & Scrutiny Committee and Cabinet. It is anticipated that the policy would be implemented in Q3 2024/25.

7. STATEMENT OF ACCOUNTS 2023/24 – UNAUDITED

7.1 The Interim Director of Resources presented the report, which asked members to note the contents of the unaudited accounts for 2023/24 at Appendix 1. The accounts were available thanks to the hard work of the Head of Financial Services and the Finance team.

7.2 The following comments were made and clarifications provided:

- The report was welcomed and was well presented.
- The Head of Financial Services agreed to provide feedback on the reasons for the small

reduction of businesses in Rossendale.

- Head of Financial Services to advise why Whitworth Town Council did not benefit from any collection fund surplus.
- The September deadline to clear the audit backlog did not seem feasible.
- The Committee had previously agreed to form a Cross Party Working Group to look at the Risk Register. Enquiries to be made.

RESOLVED:

The Audit and Accounts Committee noted the contents of the Unaudited Statement of Accounts for 2023/24 at Appendix 1.

8. CORPORATE RISK REGISTER UPDATE Q4 2023/24

- 8.1 The Interim Director of Resources presented the report, which asked members to note the risk consequence, mitigation action and level of risk as detailed in Appendix 1. It was noted that there were two red risks, the Stability of the Medium Term Financial Strategy and Financial Sustainability of Council Owned Leisure Assets.

RESOLVED:

- The Audit and Accounts Committee noted the Council's Corporate Risk Register as detailed in the report.
- Members noted the risk consequence, mitigation action and level of risk as detailed in Appendix 1.

9. ANNUAL FRAUD REPORT 2023/24

- 9.1 The Service Assurance Team Leader outlined the report, which asked members to consider the Annual Fraud Report for 2023/24.

- 8.2 The following comments were made and clarifications provided:

- The Council were undertaking the same kind of activities as similar size authorities in Lancashire and Greater Manchester.
- It was difficult to compare performance with like authorities as investigations were driven by referrals and the proactive work of the Fraud and Compliance Officer.
- There was no statutory requirement to employ a Fraud and Compliance Officer and some authorities did not have a specialist in post.
- In recent years rollout of real-time information from the DWP meant that routine changes in income could be identified very quickly. Where cases were identified for which benefits had been wrongly claimed, it may involve undeclared income or savings. In those cases an incorrect claim may have been made for longer before it was identified and so the overpaid amounts could be quite high.
- The Fraud and Compliance Officer was thanked for the report and her continued hard work.

RESOLVED:

- The Committee considered the Annual Fraud Report for 2023/24.

10. INTERNAL AUDIT ANNUAL REPORT 2023/24

- 10.1 The Head of Internal Audit, Lancashire County Council, outlined the report which asked members to consider the Internal Audit Annual Report for 2023/24. Three audit reports were now at draft stage and three would be finalised sooner than expected. Since the report was published audits had commenced on Payroll, Council Tax, Business Rates and

Housing Benefits.

10.2 The following comments were made and clarifications provided:

- The contract management audit had been delayed due to staffing issues in the Legal team. The timing of the audit would be reviewed and brought forward if possible.
- A third of invoices were matched retrospectively as the cost of some goods/services were not known in advance. Procedures were being followed but would be reviewed in due course.
- The use of a holding Purchase Order was suggested.
- A copy of the Internal Audit Accounts Payable report would be made available to Councillor Woods as requested.

RESOLVED:

- The Committee considered the Internal Audit Annual Report for 2023/24.

11. EXTERNAL AUDIT PROGRESS REPORT

11.1 The Audit Manager, Mazars, outlined the report, which asked members to note the contents of the report. It was noted that since the report was published, the Government had imposed a backstop date of 13th December 2024 for the publication of audited accounts for all financial years up to and including 2022/23. As the audit of 5 years accounts was unrealistic, a disclaimer opinion would be issued and then assurances provided going forward.

11.2 The Committee were advised that Mazars had joined with an American company and was now called Forvis Mazars.

11.3 The following comments were made:

- The backstop date would have a big impact on the audit of the last 5 years' accounts and would be a difficult time for all involved.
- The external auditors were thanked for their hard work.

RESOLVED:

- The Committee considered the External Audit progress report.

12. ANNUAL REVIEW OF COMMITTEE TERMS OF REFERENCE

12.1 The Terms of Reference of the Committee were brought to the first meeting of the municipal year as good practice.

RESOLVED:

- The Audit & Accounts Committee noted the Terms of Reference.

13. EXCLUSION OF PUBLIC AND PRESS

RESOLVED:

- That the public and press be excluded from the following items of business under Section 100(A)(4) of the Local Government Act 1972 since the items involved the likely disclosure of exempt information under Paragraphs 1 and 2 of Schedule 12A to the Local Government Act 1972.

14. STANDARDS COMPLAINTS UPDATE (VERBAL)

14.1 An update was provided in relation to Standards Complaints.

RESOLVED:

- That the update was noted.

15. WHISTLEBLOWING UPDATE (VERBAL)

15.1 An update was provided in relation to Whistleblowing.

RESOLVED:

- That the update was noted.

The meeting concluded at 7.06pm

Signed (Chair)

Date

Subject:	Corporate Risk Register Update Quarter 1 2024/25 (January - March)	Status:	For Publication		
Report to:	Audit and Accounts Committee	Date:	25 th September 2024		
Report of:	Director of Resources	Lead Member:	Resources		
Key Decision:	<input type="checkbox"/> Forward Plan <input checked="" type="checkbox"/>	General Exception	<input type="checkbox"/>	Special Urgency <input type="checkbox"/>	
Equality Impact Assessment:	Required:	No	Attached:	No	
Biodiversity Impact Assessment:	Required:	No	Attached:	No	
Contact Officer:	Chris Warren	Telephone:	01706 212467		
Email:	chriswarren@rossendalebc.gov.uk				

1. RECOMMENDATION

- 1.1 That the Audit and Accounts Committee note the Council's Corporate Risk Register as detailed in this report.
- 1.2 That members note the risk consequence, mitigation action and level of risk as detailed in Appendix 1.

2. EXECUTIVE SUMMARY

- The Quarter 1 (Q1) Corporate Risks Register Update is reporting for months April, May and June 2024.
- The report includes updates for the Council's 9 Corporate Risks.
- Overall, the Council's performance is strong but the financial pressures for the Rossendale Leisure Trust and the Council are creating cost pressures which the Council must monitor closely as the financial year progresses.
- The report concluded 2 Corporate Risks rated as 'red' on the RAG status.

3. BACKGROUND

- 3.1 The Council details its approach to managing risk in its Risk Management Strategy. This was updated in March 2016.
- 3.2 The strategy details the Council's risk monitoring and reporting framework. The Council has identified 9 Corporate Risks and these are monitored via the quarterly performance management reporting schedule using a RAG rating dashboard to report the risk status. These are reported to both the Overview and Scrutiny Committee and Cabinet.
- 3.3 If a potential issue was identified during the periodic monitoring of the risk, the responsible officer would be required to identify the risk and note the actions needed to mitigate the level of risk.

4. DETAILS

- 4.1 The Council has reviewed and continues to monitor the Corporate Risk Register.
- 4.2 The Councils Corporate Risks are categorised at the end of Q1 as follows:

	Quarter 1 2024/25
Low	4
Medium	3
High	2

4.3	Corporate Risk 1	Likelihood	Impact	Overall	Status
	Stability of the Medium Term Financial Strategy	B	1	B1	RED

The Council's 2023/24 outturn performed better than the estimated position detailed within the February 2023 Medium-Term Financial Strategy. This has slightly improved the Council's reserve balances however, based on the February 2024 Medium-Term Financial Strategy significant savings/income generation are required for the Council to maintain the minimum level of reserves by the end of the current forecast. The Council has a continued freeze on non-essential expenditure and officers continue to review and maximise income generation opportunities. All vacant posts are evaluated by the Corporate Management Team prior to recruitment.

The Council has a continued a freeze on non-essential expenditure and officers continue to review and maximise income generation opportunities. All vacant posts are evaluated by the Corporate Management Team prior to recruitment.

The Empty Homes scheme is drawing to a close and will cease to have an impact on the Council's Medium-Term Financial Strategy. Officers have continued to deliver and manage the scheme closely.

4.4	Corporate Risk 9	Likelihood	Impact	Overall	Status
	Financial Sustainability of Council Owned Leisure Assets	A	2	A2	RED

An external assessment has been carried out on the financial sustainability of Council-owned leisure assets by Grant Thornton.

The assessment made a number of recommendations that were agreed by Full Council in May 2023. This is now a focus of action.

5. RISK

5.1 The Council's Corporate Risk Register continues to be monitored by the Corporate Management Team on a regular basis.

6. FINANCE

6.1 Financial implications and risks arising are identified within this report.

7. LEGAL

7.1 There are no immediate legal considerations attached to the recommendations within this report.

8. POLICY AND EQUALITIES IMPLICATIONS

8.1 Effective risk management is very important to the council, and the council is committed to improving on an on-going basis how it manages and mitigates risk. A very important part of this process is robust and transparent scrutiny and taking timely, corrective action to improve risk management.

9. REASON FOR DECISION

9.1 The Corporate Risk Register is dynamic. The updates to the risks demonstrate active mitigation of the existing risks. The Committee will want to explore the implications of each corporate risk in the appendices.

Background Papers	
Q1 Corporate Risk Register	Appendix 1

Corporate Risk Register

Risks are those things which might present a barrier to us delivering the things we have undertaken to achieve. Each year the Council reviews the potential risks it is facing and looks at what it might do to minimise the occurrence of such risks. This information is then regularly monitored and reviewed.

We profile our risks using a matrix (shown below) which is based on our making two judgments about each potential risk faced by the Council. The definition of the likelihood and impact can be found in the Council’s Risk Management Strategy 2016.

The Council’s Risk Matrix

Likelihood	A					
	B					
	C					
	D					
	E					
	F					
		5	4	3	2	1
	Impact					

Likelihood

How likely is it that the risk may occur (rated A-F, A being the most likely)

Impact

How serious might the consequences of the impact be (rated 1-5, 1 being the highest consequence).

Therefore, a risk rated A1 is the highest risk rating and a risk of F5 is the lowest risk rating.

Risk RAG (Red, Amber and Green) rating status indicators

Risk Status	Status description
GREEN	The likelihood and impact of the risk is low
AMBER	The likelihood and impact of the risk is medium
RED	The likelihood and impact of the risk is high

Risk 1 – Sustainability of the Medium Term Financial Strategy

Responsible Officer - Kimberly Haworth

Description

The Council's latest Medium Term Financial Strategy update published February 2022 indicates an underlying funding gap of c£600k per annum from 2023/24 onwards. The Council must take appropriate action in order to balance its annual expenditure against its available annual income and other revenue resources. The Council has a legal obligation to publish an annual balanced budget; this means its budget expenditure must equal its available income and any available reserves. Council reserves are limited and equate to only circa 3 years given the anticipated funding gap. Therefore additional income must be identified or annual costs reduced in future years. The current cost of living crisis may also add to the pressure on the Medium Term Financial Strategy through pay award, utility costs, contract inflation and Council Tax/NNDR collection rates.

Risk Consequence

If the Council is not able to prepare a balanced budget there would be legal ramifications, but would ultimately impact on the level of services the council is able to deliver to Rossendale residents and would result in major reputational damage.

Initial risk assessment RAG status (without mitigation)

Likelihood	Impact	Overall Risk	Status
B	2	B2	RED

Mitigation

The Medium Term Financial Strategy does not indicate a significant narrowing of the gap in the next four years. New income generating opportunities will need to be identified to generate additional revenue, along with improved efficiency and effectiveness of service delivery. Departments across the council will need to be challenged to become more effective.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
C	2	C2	AMBER

Q1 Update

The Council's 2023/24 outturn performed better than the estimated position detailed within the February 2023 Medium-Term Financial Strategy. This has slightly improved the Council's reserve balances however, based on the February 2024 Medium-Term Financial Strategy significant savings/income generation are required for the Council to maintain the minimum level of reserves by the end of the current forecast. The Council has a continued freeze on non-essential expenditure and officers continue to review and maximise income generation opportunities. All vacant posts are evaluated by the Corporate Management Team prior to recruitment.

Q1 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
B	1	B1	RED

Risk 2 – Major Disaster affecting the Delivery of Council Services

Responsible Officer - Clare Law

Description

The Council has statutory duties under the Civil Contingencies Act (2004) and to carry out emergency planning and business continuity management activities to minimise the impact of a civil emergency or business interruption on people living, working and visiting the borough.

Risk Consequence

Failure to have robust contingency plans in place could result in the failure to deliver Council services, such as, the collection of residential and trade waste, burial services and payment of suppliers and benefits.

Initial risk assessment RAG status (without mitigation)

Likelihood	Impact	Overall Risk	Status
C	1	C1	AMBER

Mitigation

A robust Council Emergency and Business Continuity Plan is in place. Service continuity plans are updated and tested regularly through a quarterly Emergency Planning meeting. The plans are embedded with the Corporate Management Team as critical working documents to support the continued delivery of essential council services. All managers have a copy of the overall plan and their service plan and keep them under review. The Council is a member of Lancashire County Council Local Resilience Forum. Officers attend meetings and undertake regular training exercises. The council plans are available on the Resilience Direct website. Mutual aid agreements are in place with all Local Authorities across Lancashire.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
C	2	C2	AMBER

Q1 Update

The Council's Local Emergency Plans have been reviewed and staff continue to work with Lancashire County Council to update the Lancashire Flood Plan. Work is ongoing to update the rest centre information and contacts in partnership with Lancashire County Council's Emergency Planning Team. The Council is represented at Local Resilience Forum meeting, along with other partners and agencies, to ensure the Lancashire response to major incidents is robust. Staff also participated in multiagency testing of the emergency plan and arrangements for the Council's local control of major accident hazard (Comah) site in Rossendale.

The Council's Emergency Planning Team continue to meet on a quarterly basis to review internal plans and processes in preparation for local emergencies.

Q1 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
C	2	C2	AMBER

Risk 3 – Incident resulting in Death or Serious Injury or HSE Investigation

Responsible Officer - Clare Law

Description

Under the Health and Safety at Work Act (1974), the Council has a duty of care towards the health, safety and wellbeing of its employees and others who may be affected by our work. In the event of a RIDDOR reportable accident, there is a risk of a Health and Safety Executive investigation and potential for a civil claim for damages.

Risk Consequence

Failure to comply with current legislation and demonstrate compliance may result in harm to staff and others, financial loss and enforcement action.

Initial risk assessment RAG status (without mitigation)

Likelihood	Impact	Overall Risk	Status
D	2	D2	AMBER

Mitigation

The Council has health and safety policies and procedures including a Health and Safety Incident Reporting Procedure in place along with a safe working culture. Actions need to be completed to address and implement a consistent approach across the Council in order to secure compliance.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
E	2	E2	GREEN

Q1 Update

The Health and Safety Policy has completed its annual review and work has continued to implement the Health and Safety Action Plan, and reducing the risks from premises' compliance requirements. Liaison with insurers and Internal Audit has ensured external scrutiny of health and safety arrangements.

The programme of workplace inspections for 2024/25 has been developed. The Health and Safety Executive have inspected arrangements for pesticides, which were found to be compliant. 27 health and safety reports were received during Q1, none of which were reportable under the RIDDOR Regulations. Incidents are reported via JCC and are discussed within the Operations Health & Safety Committee meetings to evaluate the actions taken and lessons learnt.

Q1 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
D	2	D2	AMBER

Risk 4 – Changes to Government policy on the delivery of the Council’s services**Responsible Officer - Rob Huntington****Description**

Like all local authorities the Council is a statutory body that is subject to changes being consulted upon and or implemented by central government that might affect how we operate and serve our residents/businesses.

Risk Consequence

The risk that the Council fails to react and be prepared for any changes being proposed or implemented by central government.

Initial risk assessment RAG status (without mitigation)

Likelihood	Impact	Overall Risk	Status
E	2	E2	GREEN

Mitigation

The Council is a member of the Local Government Association and District Councils Network who keep us informed of government policy and consultations and lobby on behalf of councils to mitigate the impact of any change. The Council is also signed up to receive daily emails from Local Government Information Unit who provide daily government news and other Local Government Information Unit policy briefings. The Chief Executive and Leader of the Council meets regularly with our two MPs. The Council’s Corporate Management Team monitor and assess government’s position on funding to be distributed to local authorities and other Government announcements that impact funding.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
E	2	E2	GREEN

Q1 Update

The Council is a member of both the Local Government Association and District Councils Network. The Corporate Management Team and Policy and Performance Officer receive regular policy bulletins and updates in relation to legislation and Government Departments. A weekly policy/horizon scanning bulletin is shared to the Senior Leadership Team and cascaded to officers where relevant.

‘Horizon Scanning and Policy’ is an agenda item on the Corporate Management Team’s weekly meeting to promote ongoing discussions in relation to recent policy announcements, funding opportunities and other relevant information from government departments, to determine if any action required is required.

Staff attend various webinars and meetings in relation to their service area and the Chief Executive regularly attends the North West Chief Executive, and Lancashire Chief Executive meetings, both having representation from the Local Government Association.

Q1 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
E	2	E2	GREEN

Risk 5 – Sustainable Workforce

Responsible Officer - Clare Law

Description

There is a requirement to have a sustainable workforce to deliver the Council services to residents and customers.

Risk Consequence

Failure to have a fully resourced, trained staff could result in the failure to deliver statutory and non-statutory service in a safe and professional manner to residents and customers.

Initial risk assessment RAG status (without mitigation)	Likelihood	Impact	Overall Risk	Status
	D	3	D3	AMBER

Mitigation

The Council has robust HR policies and procedures, an agreed Authorised Establishment, performance management framework and Service Area Business Continuity Plans in place to mitigate any staffing challenges such as loss of staff due to the impact of an epidemic or pandemic. HR will work with managers to develop workforce succession planning. The Council provides an attractive benefit package including final pension scheme, flexible working, generous annual leave, a purchase leave scheme, free onsite parking, family friendly policies, discounted gym memberships and a cycle scheme to attract and retain staff.

Risk assessment RAG status (after mitigation)	Likelihood	Impact	Overall Risk	Status
	E	3	E3	GREEN

Q1 Update

The number of employee leavers remains within the 15% national target (equating to 7 employees per reporting quarter). People and Policy continue to work with service managers to recruit to long-term vacant posts.

The level of sickness absence has improved when compared to Q4. Long term sickness in Q1 is at 1.31 days lost per FTE, there are 7 staff on long term sick. The main reason for long term sickness is 'other musculo-skeletal' a total of 101 days lost followed by 'stress, anxiety and depression' which equated to a loss of 67.5 days. Short-term sickness in Q1 is at 1.46 days lost per FTE. The main reason for short term sickness absence is 'stress, anxiety and depression', a total of 64.5 days lost. Followed by 'other musculo-skeletal', a total of 36.5 days lost and 'back and neck problems' 32.5 days lost.

Over 90% of long-term sickness has been in Operations due to 'other musculo skeletal' and 'back and neck problems'. People and Policy continue to work with Operations to monitor sickness and the impacts of an aging workforce in relation to musculo skeletal absences.

The Council has introduced paid physiotherapy sessions to mitigate long-term absence and has increased the number of referrals made to Occupational Health for medical advice to support regular attendance at work.

Both long term and short term sickness is monitored on a monthly basis, regular formal absence review meetings are carried out with staff to review their sickness absence and support their support their return to work and regular attendance at work. The process for staff returning to work has been refreshed and managers are required to complete comprehensive Return to Work Interviews with staff and identify any additional support required to mitigate future absences.

Q1 risk assessment RAG status (current)	Likelihood	Impact	Overall Risk	Status
	E	3	E3	GREEN

Risk 6 – Insufficient data and cyber security

Responsible Officer - Andrew Buckle

Description

Cyber security presents one of the most challenging areas for both the public and private sectors. With the proliferation and severity of attacks constantly increasing this represents a major threat.

Risk Consequence

Cyber-attack resulting in a complete loss of all systems coupled with malware being spread across the entire network. Data breach resulting in information loss causing reputational damage and resulting in a financial penalty due to non-compliance with statutory requirements such as General Data Protection Regulation, Payment Card Industry Data Security.

Initial risk assessment RAG status (without mitigation)

Likelihood	Impact	Overall Risk	Status
C	1	C1	AMBER

Mitigation

To protect against a data breach the Council, host all council data in Tier 3 Data Centres located in different geographical regions and are backed up daily. The Council's Data Centres hold the following accreditations: ISO27001:2013 and the Payment Card Industry Data Security. The Council adopts a Risk Insight approach to determine the threat Landscape and more importantly its evolution. The Council has received notification of meeting the Public Services Network which means the Councils' infrastructure met all the security requirements to allow connection to the Public Services Network. A cyber security training is to be provided for all staff.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
D	1	D1	AMBER

Q1 Update

In preparation of the General Election, The Council added additional security measures to prevent a cyber-attack or disruption.

The Council has worked with Express to ensure the electoral process went ahead with no issues and to prevent any disruption to the electoral process that could undermine confidence in the integrity of an election. As per the National Cyber Security Centre recommendations, the Council implemented the following:

- Strong passwords for all active directory accounts, this greatly reduces the chance that an account is compromised.
- Setting up two-step verification (also known as multi-factor authentication) on an account makes it considerably more secure. It means that even if an attacker knows your password, they cannot access your account.
- Additional backups taken including verification of restore points.
- Dedicated ICT focal point to cover the elections.

Q1 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
D	1	D1	AMBER

Risk 7 – Poor communications and public relations

Responsible Officer - Clare Law

Description

Good communication and public relations is essential to inform, maintain and develop relationships with residents, customers and partners to provide effective and efficient Council services.

Risk Consequence

Failure to communicate and respond to issues as they develop and inadequately or inappropriately communicating could lead to a major loss of reputation for the Council on a local, regional and national level. A loss of reputation can damage staff morale, trust between the Council and residents and impair the relationship between the Council and its partners meaning projects and services delivery is damaged.

Initial risk assessment RAG status (without mitigation)

Likelihood	Impact	Overall Risk	Status
B	1	B1	RED

Mitigation

Communication methods are in place to support face to face, mail or electronic communications with a developed website and social media channels to provide 24/7 communication service. The Council has an experienced public relation and communications function to support officers to deal with communications in a timely manner and promote the work of the Council.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
D	1	D1	AMBER

Q1 Update

Viva PR has continued to deliver the agreed communications plan including updates to the Council's website.

The Corporate Management Team receive a weekly update, which includes horizon scanning and potential risks, and a monthly in person update to CMT.

20 positive press releases have been shared, including stories on the regeneration work resulting in over 107 pieces of media coverage. All of these pro-active positive releases help to promote the Council externally.

Viva PR act as first point of contact for the media and always respond in a timely manner ensuring good working relationships with local and regional media.

Communications training has been delivered to officers and a training session on social media and media relations has been delivered to Members.

Q1 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
E	1	E1	GREEN

Risk 8 – Non – Delivery of Corporate Programmes

Responsible Officer - Rob Huntington

Description

The Council has agreed the 6 corporate programmes for 2023/24 to support the delivery of Corporate Plan.

Risk Consequence

Failure to deliver the corporate programmes would have a detrimental impact on the delivery of the Council's Valley Plan 2021-25, Our Place, Our Plan, and result in a reputational risk to the Council's commitment to the residents. The failure to deliver the corporate programmes could potentially have a negative impact on the council's revenue budgets (by failure to deliver income generating projects) and delivery of the medium term financial strategy, and the associated economic and social benefits may not be realised.

Initial risk assessment RAG status (without mitigation)

Likelihood	Impact	Overall Risk	Status
C	2	C2	AMBER

Mitigation

Each corporate project has a Project Sponsor (member of the Corporate Management Team), a Project Manager and Finance Officer. Each corporate programme will have a robust project plan and live risk register. The Programme Sponsor will be responsible for the strategic overview of the corporate programme, and the Programme Manager will be responsible for the day-to-day management of the corporate programme. The Council's Programme Board meets quarterly to review the progress of the corporate programmes. The Programme Sponsor will be responsible for highlighting any concerns to the Corporate Management Team throughout the life of the corporate programme.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
E	2	E2	GREEN

Q1 Update

A revised programme to support the delivery of the Valley Plan 2021-25 (Our Place, Our Plan) has been embedded. The Programme Board now reports on the Council's six overarching programmes, individual projects are monitored at an operational level.

The Corporate Management Team, Programme Sponsors and the Policy and Performance Officer attend Programme Board on a quarterly basis. Programme Managers are invited by exception if required by the Programme Sponsor.

The previous meeting was held on 7th May 2024. Two programmes were reported in the 'red' RAG status. The risks within these programmes are monitored regularly and any issues are reported within the weekly Corporate Management Team meeting.

Q1 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
E	2	E2	GREEN

Risk 9 – Financial Sustainability of Council Owned Leisure Assets

Responsible Officer – Rob Huntington

Description

National lockdowns due to Covid-19 resulted in Council owned leisure facilities closing for extended periods. During closure no income was received and outside of lockdown periods, income was significantly reduced. The cost of living crisis will have a significant negative impact on utility and salary costs for the Trust. This has impacted the financial sustainability of the Trust.

Risk Consequence

If the Council owned leisure assets are to be sustained in the longer term, the operators of the facilities have little recourse to additional funding to survive other than through the Council. This financial impact was managed in 2021/22 through additional government grants and Council support, however the real impact is likely to be felt in 2022/23, 2023/24 and continues in 2024/25.

Initial risk assessment RAG status (without mitigation)

Likelihood	Impact	Overall Risk	Status
A	2	A2	RED

Mitigation

A report on the impact of all facilities has been produced by KKP and recommendations to minimise impact have been implemented. Senior Council officers are attending the Trust Board to ensure we work together to minimise costs and an intensive monitoring process is in place. Funding through a Covid-19 specific Sport England Fund has been received though this is limited in its amount and did not cover retrospective losses. Constant monitoring of future business plans and work in partnership to maximise income and reduce costs continues.

Risk assessment RAG status (after mitigation)

Likelihood	Impact	Overall Risk	Status
A	2	A2	RED

Q1 Update

The Council's Finance team continued to meet with Rossendale Leisure Trust as part of the ongoing financial governance and accountability process put in place to monitor the Trust's finances.

Following the production of the Rossendale Leisure Trust statement of accounts, discussions are ongoing to ensure members understand the current leisure offer. Clarity of the current offer will enable a sustainable medium term financial plan to be developed for Rossendale Leisure Trust by trustees.

It is planned that earlier engagement with Rossendale Leisure Trust will take place ahead of the Council's budget planning process.

Q1 risk assessment RAG status (current)

Likelihood	Impact	Overall Risk	Status
A	2	A2	RED

Subject:	Internal Audit Plan 2024/25 Progress Report July-August	Status:	For Publication
Report to:	Audit & Accounts Committee	Date:	25/09/2024
Report of:	Head of Internal Audit (Internal Audit Service)	Lead Member:	Resources
Key Decision:	<input type="checkbox"/> Forward Plan <input type="checkbox"/>	General Exception <input type="checkbox"/>	Special Urgency <input type="checkbox"/>
Equality Impact Assessment:	Required: No	Attached:	No
Biodiversity Impact Assessment:	Required: No	Attached:	No
Contact Officer:	Mark Baskerville Audit Manager	Telephone:	01772 538615
Email:	mark.baskerville@lancashire.gov.uk		

1. RECOMMENDATION

- 1.1 The Committee are asked to consider the Internal Audit report on progress to deliver the 2024/25 audit plan.

2. EXECUTIVE SUMMARY

- To support the Audit and Accounts Committee in fulfilling its responsibility to monitor performance against the internal audit plan.
- To consider a summary of internal audit activity and the level of assurance it gives over the Council's governance, risk management and internal control arrangements.

3. BACKGROUND

In the context of fulfilling its responsibility to monitor the adequacy and effectiveness of the internal audit service, and to review internal audit reports, the Committee is asked to consider the assurance provided by the Internal Audit Service.

4. DETAILS

This paper reports progress with the delivery of each audit on the 2024/25 annual audit plan

5. RISK

All the issues raised and the recommendation in this report involve risk considerations as set out below: adequacy of Council management of risks in respect of the areas subject to audit.

6. FINANCE

Any financial implications are commented upon in the report.

7. LEGAL

Any legal implications are commented upon in the report.

8. POLICY AND EQUALITIES IMPLICATIONS

Reported findings have been discussed and agreed, including management responses to the recommendations, with respective Service Managers and Heads of Service prior to reporting.

9. REASON FOR DECISION

To support the Audit and Accounts Committee in fulfilling its responsibility to monitor Internal Audit performance.

No background papers.

Appendix A

Rossendale Borough Council

Internal Audit Service

Progress on Delivery of the 2024/25 Audit Plan

July – August 2024



1 Introduction

Purpose of this report

- 1.1 This report supports Audit and Accounts Committee's responsibility under its terms of reference to consider performance reports from internal audit on progress with delivery of the 2024/25 audit plan agreed at the March 2024 Committee meeting.

2 Summary of progress against the 2024/25 audit plan

- 2.1 The table below reports progress with delivery of the 17 audits on the 2024/25 audit plan. Eight audits are progressing, the scope and approach have been agreed and testing has started. The remaining audits have been scheduled in for delivery through the year. Provision of IT audits will in future be carried out by Salford City Council's Technical Audit Service under a contract in place with Lancashire County Council, in place of Mersey Internal Audit Agency who had previously audited IT systems. We have also allocated two further auditors to provide additional flexibility and resource to support overall audit plan delivery.
- 2.2 Annex A includes extracts from the final 2023/24 audit reports not previously reported to committee. We provide moderate assurance that corporate projects are delivered effectively and in compliance with policy. We agreed one medium risk action to provide guidance on establishing programme monitoring groups for programme themes, to record key decisions, improve compliance with the requirement to complete a Project Initiation Document and to consider the Programme Board's role in ensuring policy compliance. We also completed the audits of accounts receivable (Limited), general ledger (Moderate) and income and banking (Substantial). While the internal controls for accounts receivable are well designed and mostly operating effectively, our limited opinion is based on the need to improve legal recovery action once the standard process by the Finance service has been exhausted. This action was initially raised in the 2018-19 debt management audit and all subsequent accounts receivable audits. On the general ledger audit, while control accounts reconciliations are completed, a definitive list of control and suspense accounts has not yet been created despite an agreed action in our 2022/23 report and we have therefore raised the action again

Control Area	Audit Progress	Assurance
Governance and democratic oversight		
Contract procedure rules	Progressing	
Procurement Act 2023	Progressing	
Subject Access/ Freedom of Information	Not started	
Business effectiveness		
Risk Management	Not started	
IT Audit – Cyber Security	Not started	
Service delivery		
Public Protection Unit	Not started	
Waste, Cleansing and Recycling Improvement	Progressing	
Service support		
Expense claims	Progressing	
Recruitment	Not started	
Business processes		

Rossendale Borough Council – Internal Audit Service Progress Report Q2 2024/25

Payroll	Progressing	
Council tax	Progressing	
Business rates/ NNDR	Progressing	
Housing benefits	Progressing	
Accounts payable	Not started	
Accounts receivable	Not started	
General ledger and budget setting	Not started	
Income collection/ banking	Not started	

Stage of audit process	Number of audits
Not started	9
Progressing	8
Draft report	0
Completed - Final Report <i>or</i> no report necessary	0
Deferred/ cancelled	0
Total number of audits	17

3 Update on the National Fraud Initiative (NFI)

- 3.1 The main exercise is run every two years. The most recent results from the 2022/23 data sets are shown in the table below.

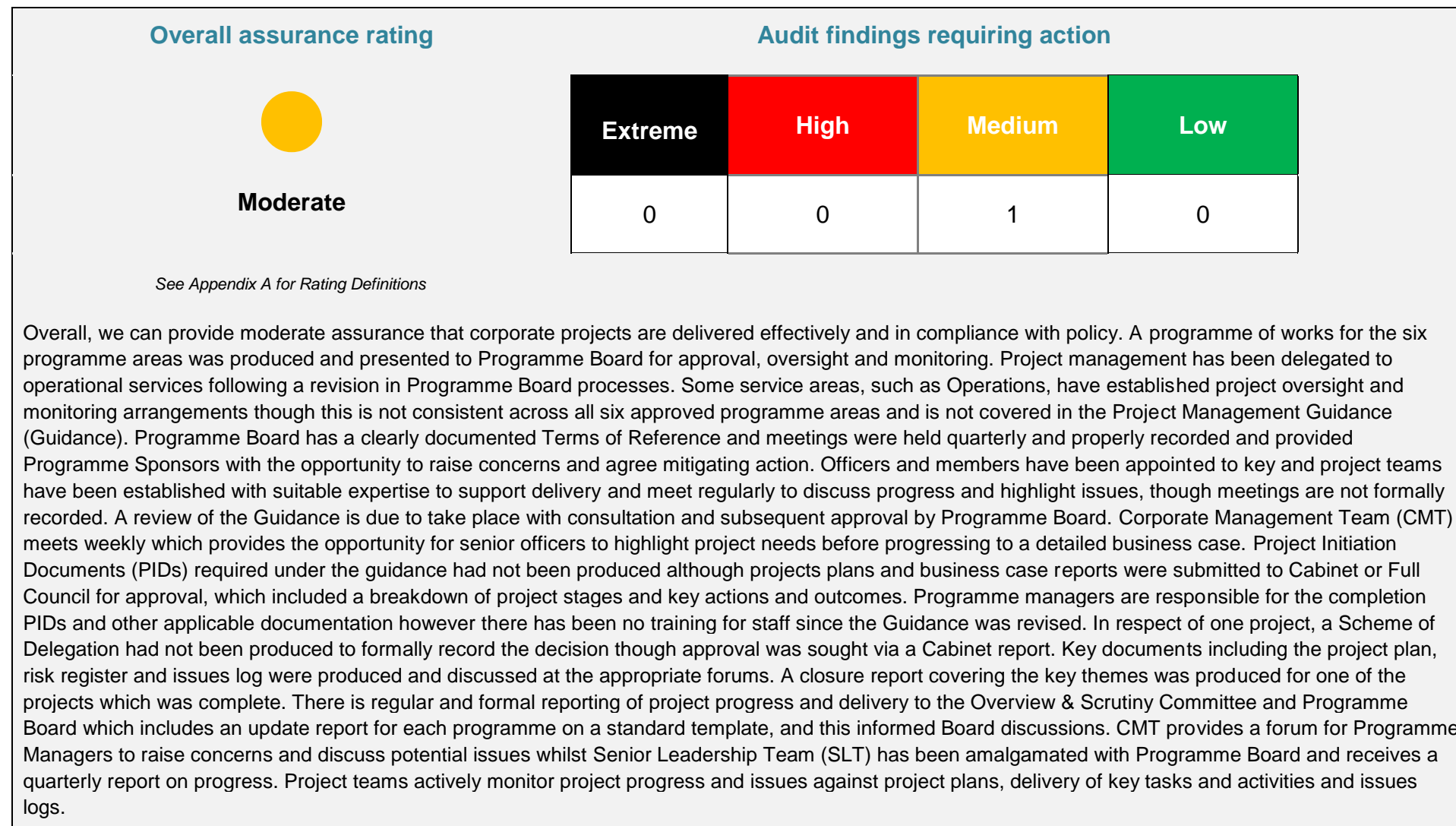
Data Category	Number of matches				Frauds	Errors	Savings £
	Identified	Processed	Cleared	Investigating			
Housing Benefit	21	21	21	0	0	0	0.00
Payroll	7	0	0	0	0	0	0.00
Waiting Lists	88	2	0	0	0	2	8,566.00
Council Tax Reduction	173	155	148	3	0	7	10,910.80
Creditors	26	0	0	0	0	0	0.00
Procurement	9	0	0	0	0	0	0.00
Totals	324	178	169	3	0	9	19,476.80

4 Use of this report


- 4.1 This report has been prepared solely for the use of Rossendale Borough Council and it would therefore not be appropriate for it or extracts from it to be made available to third parties other than the external auditors. We accept no responsibility to any third party who may receive this report, in whole or in part, for any reliance that they may place on it and we expect the external auditors to determine for themselves the extent to which they choose to utilise our work.

Extracts from Internal Audit reports

Project Management



Section One – Executive Summary

Agreed actions from the audit	Priority
<p>Management should carry out a formal review of the Project Management Guidance including consultation with the Programme Board, programme and project managers, and subsequent formal communication and training for relevant staff. This should include:</p> <ul style="list-style-type: none">- Guidance for project sponsors and managers on establishing a programme monitoring group or board for each programme theme.- The requirement to formally record key decisions in accordance with the Contract Procedure Rules.- Formal communication to Programme and Project Managers re-iterating the requirement in the Project Management Guidance to complete a PID document for all projects.- Consideration of Programme Board taking an active role in ensuring compliance with the guidance.	

2.1 Background

This audit has been undertaken in accordance with the 2023/24 Internal Audit Plan as approved by the Audit & Accounts Committee. The audit covers the period 1 April 2023 to 31 March 2024 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context


Corporate projects fit into one of the six programme themes and an outline of these was presented to Programme Board for approval. These themes include Capital Regeneration, Town Centre Regeneration, Properties, Climate Change, Operations and Digital Strategy. The main projects included within the Operations programme relate to implementation of the Bartec system and developing the Waste Transfer Station proposals. Other projects included in the programmes were the installation of car parking charging units as part of the Climate Change programme as well as other regeneration related projects focusing on town centre and highway improvements. The Guidance notes and associated procedures support officers in the effective delivery of corporate projects through guidance on the steps required to initiate, monitor, deliver and evaluate projects. The guidance notes set out a definition for corporate projects including roles and responsibilities for key officers and the Programme Board.

2.3 Scope of Audit

In this audit we reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Governance and accountability;
- Operational compliance; and
- Monitoring and reporting.

Accounts Receivable

Overall assurance rating	Audit findings requiring action			
 Limited	Extreme	High	Medium	Low
	0	0	1	2



See Appendix A for Rating Definitions




The internal controls for accounts receivable are well designed and mostly operating effectively. However, our limited opinion is based on the need to improve legal recovery action once the standard process by the Finance service has been exhausted. This action was initially raised in the 2018-19 debt management audit and all subsequent accounts receivable audits. Aged debt reports are issued weekly to service areas and we noted some service areas, such as Property, were taking active ownership of their debt and intervening directly. Members received quarterly reports of key performance indicators and the amount of aged and doubtful debt. The provision for doubtful debt in April 2023 was £380.6k and increased to £680.6k in 2023/24 financial year, against a total outstanding debt of £1.16m. Debt due for write-off was approved by Cabinet members in March 2024. We were told by the Head of Legal that action on sundry debts has not improved and the action agreed in the prior year's audit has not been implemented. The monitoring spreadsheet used by the Legal service records no debts since 2021 and limited action has been taken to pursue debts submitted to legal during the year. We have raised a further action to improve this control, including introducing a minimum threshold where the debt is greater than the cost of summons before pursuing legal action, given the limited resource available.

There is sufficient guidance for officers to create debtor invoices, with system controls preventing officers from amending invoices once created. The debt management policy outlines a credit check requirement although we were unable to confirm this in practice. We propose that a process is established and introduced to support compliance with policy. The recovery route is mostly compliant with the debt management policy and invoices are promptly input on the ledger with an appropriate code for the services/goods requested, but we noted inconsistency with the automated reminders issued by the system, with notifications issued later than required by policy. We confirmed the system is setup correctly and have proposed an action to test and correct this issue. The debtor control account is reconciled monthly, although there is a consistent known variance of -£6k. We have proposed an action to address this with the system provider in our Accounts Payable report, as a similar issue also impacts the creditor control account.

Ref	Agreed actions from the 2022-23 audit	Status	Audit findings	Priority
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Section One – Executive Summary

4.1	A process for credit checking suppliers should be established and implemented, with guidance and or training offered to responsible officers, to support compliance with policy.	Not implemented	We were unable to confirm a credit check process is established and operating in practice. We were told checks were not routinely carried out except for specific service areas, such as commercial tenancy agreements.	
4.2	<p>The spreadsheet of debtor invoices for legal action should be reviewed to ensure:</p> <ul style="list-style-type: none"> • Prompt action is being taken to pursue legal recovery of outstanding debt; • The legal spreadsheet is up to date with the debtor database; and • A priority status for recovery cases is implemented to ensure progress on legal action is monitored and resources allocated appropriately. 	Not implemented	<p>We were told by the Head of Legal Services that this action has not been implemented due to resource limitations. We attempted to test procedures as part of recovery action and write off testing, although found limited evidence of legal action beyond committal to land charges for relevant debtors.</p> <p>The council should consider whether pursuing legal action for all debt exceeding £100, as required by the debt management policy, is realistic. A higher limit may be needed to allow Legal Services to update monitoring action. No debt beyond 2021 is recorded on the monitoring spreadsheet.</p>	

Agreed actions from the 2023/24 audit	Priority
A process for credit checking suppliers should be established and implemented, with guidance issued to responsible officers, supported by training, if necessary, to support compliance with policy. The debt management policy is due for review in October 2024 and the limit on credit checks will be considered to ensure it is achievable.	
The inconsistent generation of Civica Debtor system reminders should be investigated and resolved to ensure reminders and notices are issued in compliance with the debt management policy. A test account has been created and officers are awaiting the system generated reminders to determine why notices are being issued later than instructed.	
<p>Action should be taken to ensure that all recoverable debt is identified, and recovery is promptly pursued. This should include:</p> <ul style="list-style-type: none"> • Reviewing, updating, and maintaining the spreadsheet of debtor invoices for legal action to ensure it fully reflects the current debt position and is consistent with the debtor database; • Taking prompt action to pursue legal recovery of outstanding debt; • Implementing a priority status for recovery cases to ensure progress on legal action is monitored and resources are allocated appropriately; and 	

Section One – Executive Summary

- Reviewing whether the minimum value of £100 for legal action as set out in debt management policy is realistic or should be increased given the work required to bring the monitoring spreadsheet up to date and address the current backlog. Any decision to change the policy should be subject to approval by members.

2.1 Background

This audit has been undertaken in accordance with the 2023/24 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period April 2023 to March 2024 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The council use the Civica Debtor system to manage and maintain the debtor database and raise invoices. This system is administered by the Finance Service, who control user access and report the overall debt position to senior managers and members. All service areas can raise debtor invoices or request that invoices are raised on their behalf. The system generates reminders and final notices to be issued at defined intervals if a debt is not paid promptly. If the system recovery procedure is exhausted, the Finance Service liaises with individual services and the Legal Service to escalate recovery, with action such as termination of service and pursuing legal recovery options.

2.3 Financial Information

There were approximately 3000 debtor invoices raised in the 2023-24 financial year, with a total value of £7m. The collection rate was reported as 90% in the quarter 4 financial outturn report, with £717k (10%) of in-year debt raised considered outstanding and £1.16m total debt including all years.

2.4 Previous audit

An internal audit of Accounts Receivable was last carried out in June 2023. This resulted in a moderate opinion being issued with one low risk regarding credit checking process and one medium risk action regarding legal recovery action. These actions have not been implemented and will be raised again within this report.

2.4 Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Invoices or credit notes are recorded in an inaccurate and untimely manner;
- Recovery procedures are not compliant with the council's debt management policy potentially leading to a loss of income that is recoverable and inappropriate or unauthorised write offs;
- Debts are not recovered in a timely manner and there is a lack of regular monitoring;
- Transactions are inaccurately recorded in the accounting system or evidence of liability of debts is not retained, potentially hindering the recovery of debts.

General Ledger

Section One – Executive Summary

Overall assurance rating



Moderate

See Appendix A for Rating Definitions


Audit findings requiring action

Extreme	High	Medium	Low
0	0	1	0

The annual budget for 2023-24 is accurate, reviewed and approved by members of both Cabinet and Full Council prior to the beginning of the financial year. Members receive quarterly financial monitoring reports with sufficient detail and narrative to inform decision making and monitor variances. Responsibility for monitoring service area budgets is assigned to individual officers and supported by evidence. Most journals are supported by a narrative and evidence, such as invoice images held on the system. Most suspense accounts were cleared at time of review and issues with control account reconciliations has improved, with prompt completion and approval by a senior officer in most cases. While control accounts reconciliations are completed, a definitive list of all control and suspense accounts has not yet been created with assigned responsible officers despite an action being agreed in our 2022/23 report to produce one. We acknowledge that responsible officers are known informally, however issues with reconciliations initially occurred when key members of staff left the authority and responsibility for monthly reconciliation was unclear for an extended period. We have therefore raised the action again.

Agreed action from 2022-23 audit report	Status	Priority
A complete list of all control and suspense accounts will be created showing the frequency of monitoring and reconciliation and the responsible officer. Reconciliations will be reviewed and approved by another officer once completed.	We were told by the Head of Finance that a complete list of control and suspense accounts with responsible officers has not been created. We used a report from the 2021-22 audit to sample control accounts for our testing. We acknowledge that the service capacity to implement the action has adversely affected by additional time spent working through previous year-end accounts, and that the control accounts sampled were assigned to responsible officers informally. However, we have raised this part of the action again in this report as it is good practice to maintain a record of all control and suspense accounts. We confirmed there was sufficient evidence that reconciliations were approved by another officer and considered this part of the action implemented.	Partially implemented.

Section One – Executive Summary

Agreed actions from 2023-24 audit	Priority
A complete list of all control and suspense accounts will be created showing the frequency of monitoring and reconciliation with an assigned responsible officer and approver.	Action ref 4.1 

2.1 Background

This audit has been undertaken in accordance with the 2023/24 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period April 2023 to March 2024 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The council agreed a net revenue budget for 2023/24 of £10.256m in February 2023. The budget is monitored and maintained using the Civica General Ledger module. The Finance Service has undergone significant change, with a restructure of the roles and responsibilities and the creation of a principal accountant and Director of Resources post.

2.4 Previous audit

An internal audit of Accounts Payable was last carried out in June 2023. This resulted in a moderate assurance opinion being issued with one medium risk action regarding reconciliation of control accounts and approval by a senior officer.

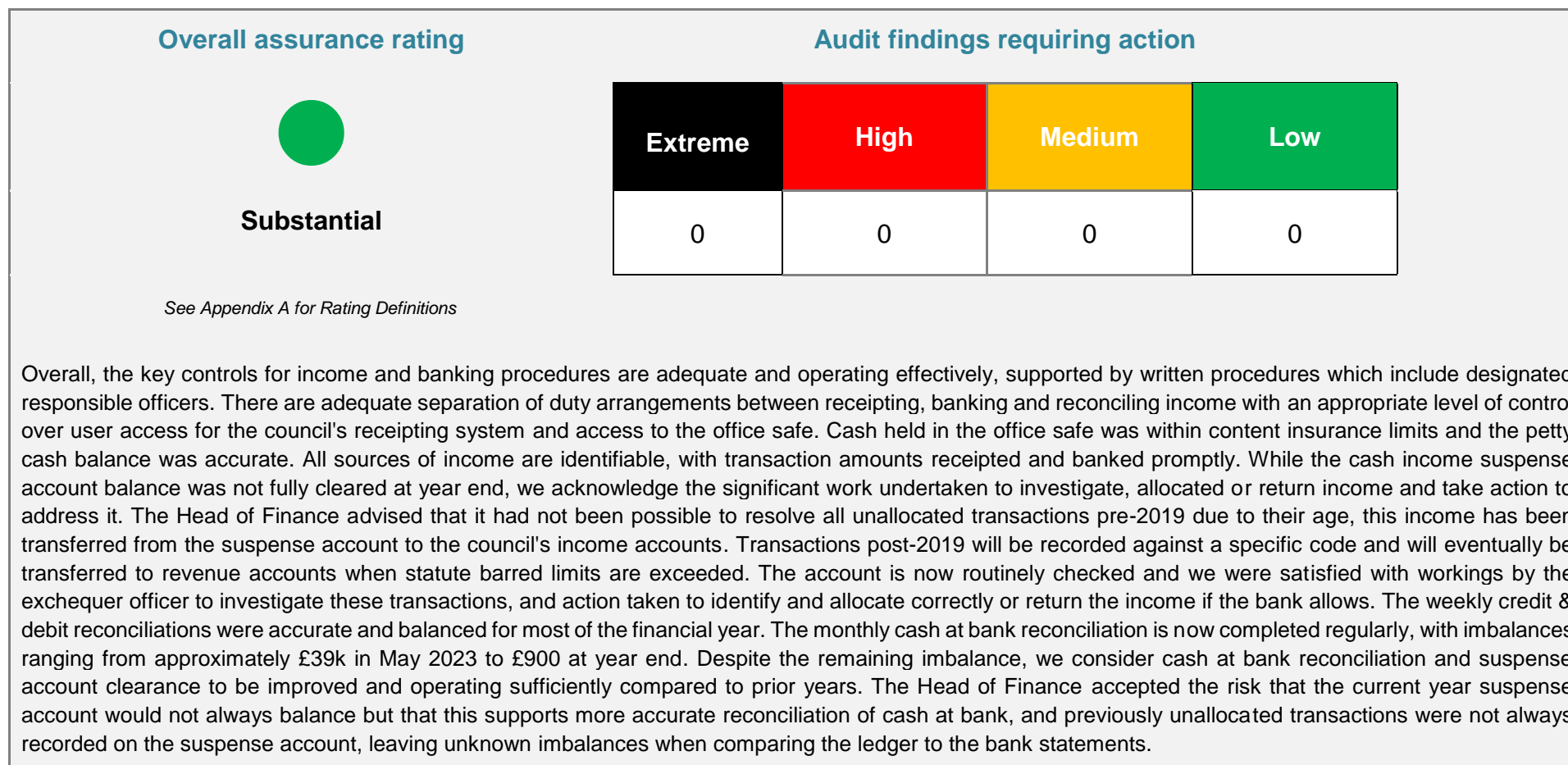
2.4 Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Approved budgets are not correctly input to the system resulting in under or overspend by budget holders;
- Budget virements are not appropriately authorised or recorded resulting in inaccurate management accounts and reporting;
- Unauthorised system access and code creation/ amendment could lead to misappropriation of council funds;
- Control accounts are not reconciled on a timely basis resulting in inaccurate debtor and creditor balances;
- Budget variances are not adequately monitored and reported leading to financial loss.

Section One – Executive Summary

Income Collection and Banking



Agreed action from 2022-23 audit report	Finding	Status
The income suspense account should be cleared, with income that cannot be identified or	The 2023-24 cash income suspense account was balanced at year end, with a balance of approximately £22k moved to a different code to be investigated and allocated or	Implemented.

Section One – Executive Summary

<p>returned held on a separate code and legal advice should be sought to determine what the council can do with the unallocated income.</p>	<p>returned if possible. This is a considerable improvement compared to the prior year, where the balance at year end was £48k and remained in the account complicating investigating recent transactions.</p> <p>The suspense account is now checked twice per month and we reviewed the exchequer officers working papers to confirm transactions are being investigated. Regarding transactions pre-2023-24 financial year, we were told by the Head of Finance these will eventually be written on and kept by the council if the income cannot be returned to original account and the statute barred period is exceeded. This approach is reasonable given the difficulty with resolving older transactions and we consider this action has been implemented with the control now operating sufficiently despite the unresolved transactions.</p>	
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2.1 Background

This audit has been undertaken in accordance with the 2023/24 Internal Audit Plan as approved by the Audit, Risk & Governance Committee. The audit covers the period April 2023 to March 2024 and has been conducted in conformance with the Public Sector Internal Audit Standards.

2.2 Context

The council uses the Webpay receipting system to record income, which is reconciled in conjunction with other systems, such as the Civica modules for general ledger and debtors and the Northgate modules for council tax and national non-domestic rates (NNDR). Cash and cheque transactions have significantly reduced, with the council's stated aim to no longer accept cash directly. Most income is now received electronically.

2.4 Previous audit

An internal audit of Accounts Payable was last carried out in June 2023. This resulted in a moderate assurance opinion being issued with one medium risk action regarding significant balances in the income suspense account.

2.4 Scope of Audit

In this audit we have reviewed and tested the adequacy and effectiveness of the controls and processes established by management to mitigate the key risks relating to the following areas:

- Payments made to the Council are misappropriated or misused, resulting in financial loss;
- The collection and banking of income is not recorded to the general ledger promptly, completely or accurately;
- Unauthorised access to systems leads to misappropriation or misuse of council funds.

Scope, responsibilities and assurance

Approach

- 1 The Internal Audit Service operates in accordance with Public Sector Internal Audit Standards, 2017. The scope of internal audit work encompasses all the council's operations, resources and services including where they are provided by other organisations on its behalf.

Responsibilities of management and internal auditors

- 2 It is management's responsibility to maintain systems of risk management, internal control and governance. Internal audit is an element of the internal control framework assisting management in the effective discharge of its responsibilities and functions by examining and evaluating controls. Internal auditors cannot therefore be held responsible for internal control failures.
- 3 We have planned our work so that we have a reasonable expectation of detecting significant control weaknesses. We have reported all such weaknesses to management as they have become known to us, without undue delay, and have worked with management to develop proposals for remedial action.
- 4 Internal audit procedures alone do not guarantee that fraud will be detected. Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud or other irregularities which may exist, unless we are requested to carry out a special investigation for such activities in a particular area.
- 5 Internal audit's role includes assessing the adequacy of the risk management processes, key internal control systems and corporate governance arrangements put in place by management and performing testing to ensure those controls were operating effectively for the period under review.

Basis of our assessment

- 6 My opinion on the adequacy of control arrangements is based upon the result of internal audit work undertaken and completed during the period in accordance with the plan approved by the Audit and Accounts Committee. Sufficient, reliable and relevant evidence has been obtained to support the recommendations made.

Limitations to the scope of our work

- 7 Other than as set out in the audit plan for the year there have been no limitations to the scope of the audit work.

Limitations on the assurance that internal audit can provide

- 8 There are inherent limitations as to what can be achieved by internal control and consequently limitations to the conclusions that can be drawn from our work as internal auditors. These limitations include the possibility of faulty judgement in decision making, of breakdowns because of human error, of control activities being circumvented by the collusion of two or more people and of management overriding controls. Further, there is no certainty that internal controls will continue to operate effectively in future periods or

that the controls will be adequate to mitigate all significant risks which may arise in the future.

- 9 Decisions made in designing internal controls inevitably involve the acceptance of some degree of risk. As the outcome of the operation of internal controls cannot be predicted with absolute assurance any assessment of internal control is judgmental.

Access to this report and responsibility to third parties

- 10 This report has been prepared solely for Rossendale Borough Council. It forms part of a continuing dialogue between the Internal Audit Service, the chief executive, Audit and Accounts Committee and management of the council. It is not therefore intended to include every matter that came to our attention during each internal audit assignment.
- 11 This report may be made available to other parties, such as the external auditors. However, no responsibility is accepted to any third party who may receive this report for any reliance that may be placed on it and, in particular, the external auditors must determine the reliance placed on the work of the Internal Audit Service.

Audit assurance and residual risks

Note that our assurance may address the adequacy of the control framework's design, the effectiveness of the controls in operation, or both. The wording below addresses all these options and we will refer in our reports to the assurance applicable to the scope of the work we have undertaken.

- **Substantial assurance:** the framework of control is adequately designed and/ or effectively operated.
- **Moderate assurance:** the framework of control is adequately designed and/ or effectively operated overall, but some action is required to enhance aspects of it and/ or ensure that it is effectively operated throughout.
- **Limited assurance:** there are some significant weaknesses in the design and/ or operation of the framework of control that put the achievement of its objectives at risk.
- **No assurance:** there are some fundamental weaknesses in the design and/ or operation of the framework of control that could result in failure to achieve its objectives.

Classification of residual risks requiring management action

All actions agreed with management are stated in terms of the residual risk they are designed to mitigate.

- **Extreme residual risk:** critical and urgent in that failure to address the risk could lead to one or more of the following: catastrophic loss of the county council's services, loss of life, significant environmental damage or significant financial loss, with related national press coverage and substantial damage to the council's reputation. *Remedial action must be taken immediately*
- **High residual risk:** critical in that failure to address the issue or progress the work would lead to one or more of the following: failure to achieve organisational objectives, significant disruption to the council's business or to users of its services, significant financial loss, inefficient use of resources, failure to comply with law or regulations, or damage to the council's reputation. *Remedial action must be taken urgently.*
- **Medium residual risk:** failure to address the issue or progress the work could impact on operational objectives and should be of concern to senior management. *Prompt specific action should be taken.*
- **Low residual risk:** matters that individually have no major impact on achieving the service's objectives, but where combined with others could give cause for concern. *Specific remedial action is desirable.*



Audit Strategy Memorandum

Rossendale Borough Council – Year ending 31 March 2020

September 2024

Rossendale Borough Council

Futures Park

Bacup

OL13 0BB

Dear Audit and Accounts Committee Members,

Audit Strategy Memorandum – Year Ending 31 March 2020

We are pleased to present our Audit Strategy Memorandum for Rossendale Borough Council for the year ending 31 March 2020

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and

- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the

internal and external operational, financial, compliance and other risks facing Rossendale Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor. We comment on the government proposals to address the backlog of audited financial statements on page 9 and note the potential impact on our audit strategy for the Council.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0161 238 9243.

Yours faithfully

Alastair Newall

Forvis Mazars LLP

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- 07** Confirmation of our independence
- 08** Materiality and misstatements

- A** Appendix A – Key communication points

Engagement and responsibilities summary

Engagement and responsibilities summary

Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Rossendale Borough Council for the year.

Value for Money

We are required to conclude whether the Rossendale Borough Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Reporting to the NAO

We report to the NAO on the consistency of the Rossendale Borough Council financial statements with its Whole of Government Accounts (WGA) submission.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Rossendale Borough Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

For the purpose of our audit, we have identified the Audit and Accounts Committee as those charged with governance.

02

Your audit engagement team

Your audit team



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Engagement Director

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03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk-based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

Government proposals to address the backlog of audited financial statements

On the 30th July the Minister of State for Local Government announced intentions to lay secondary legislation which will amend the Accounts and Audit Regulations (2015) to set a series of backstop dates. The first backstop date will clear the backlog of unaudited Local Government accounts up to and including 2022/23, the backstop date suggested is 13 December 2024. The proposed legislation will include five further backstop dates up to and including financial year 2027/28 to allow full assurance to be rebuilt over several audit cycles. The Minister of State for Local Government also announced intentions to lay a new Code of Audit Practice following communication with the Comptroller and Auditor General.

Once the new Code, associated guidance and secondary legislation has been issued we may need to revisit our Audit Strategy Memorandum.

Audit scope, approach, and timeline

Audit timeline



Audit scope, approach, and timeline

Management's experts and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of Account	Management's expert	Our expert
Valuation of Land and Buildings and Investment Properties	Capita	We will use available third party information to challenge the key assumptions made in the valuations. We will use the Mazars Property Team if deemed necessary.
Defined Benefit Pension Net Liability	Mercers	PWC (Consulting Actuary on behalf of the National Audit Office)
Financial Instruments Fair Value Disclosure	Link Asset Services	We will review the methodology used by the expert to gain assurance that the fair value disclosures are materially correct.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the [Council] that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

The table below summarises the service organisations used by the Council and our planned audit approach.

Item of Account	Service organisation	Audit approach
NNDR, Council Tax, Housing Benefits	Capita	Sufficient and appropriate audit evidence will be obtained from records held by the Council.

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

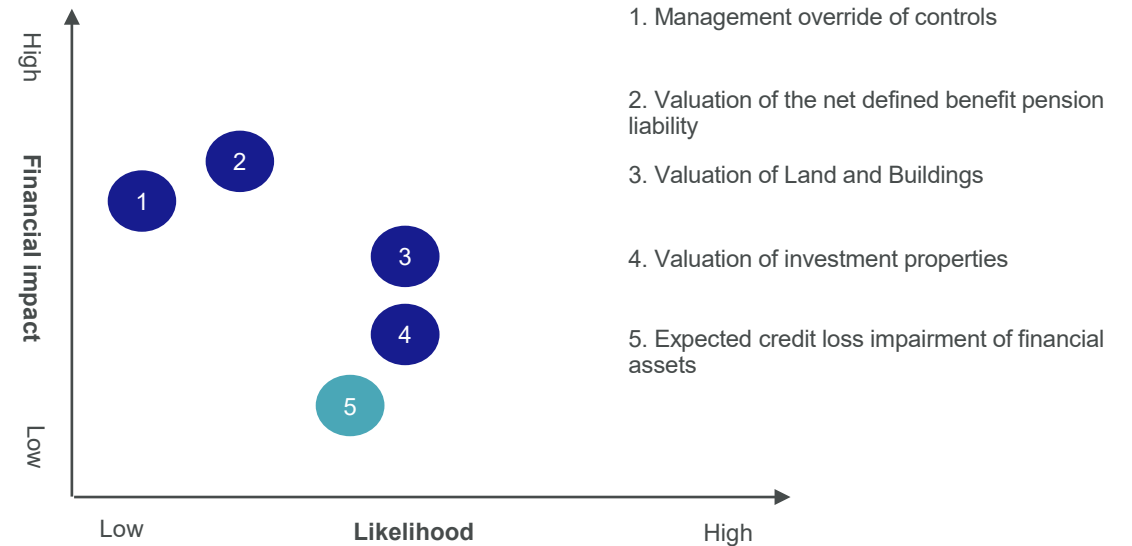
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the following pages.



1. Management override of controls

2. Valuation of the net defined benefit pension liability

3. Valuation of Land and Buildings

4. Valuation of investment properties

5. Expected credit loss impairment of financial assets

Key: ● Significant risk ● Enhanced risk / significant management judgement

Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below and on the following pages. An audit is a dynamic process; should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Accounts Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●			<p>We plan to address the management override of controls risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
2	<p>Defined benefit pension liability valuation</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Lancashire County Pension Fund.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.</p>		●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • reviewing the controls the Council has in place over the information sent to the scheme Actuary, including the Council's processes and controls with respect to the assumptions used in the valuation; • evaluating the competency, objectivity and independence of the scheme Actuary, Mercer; • reviewing the appropriateness of the methodology applied, and the key assumptions included within the valuation, comparing them to the expected ranges, utilising the information provided by PwC, the consulting actuary engaged by the National Audit Office; and • reviewing the methodology applied in the valuation of the liability by Mercer.

Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of land and buildings</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle.</p> <p>The valuation of property, plant & equipment involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.</p>		●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • assess the Council's valuers' qualifications, objectivity and independence to carry out such valuations • review the valuation methodology used for assets subject to revaluation in 2019/20, including testing the underlying data and assumptions; • review the approach the Council have adopted to address the risk that those assets not subject to valuation in the 2019/20 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the valuers; and, • consider movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time

Significant risks and other key judgement areas

Significant risks

	Description	Fraud	Error	Judgement	Planned response
4	<p>Valuation of investment properties</p> <p>The CIPFA Code requires that investment properties should be held at their fair value.</p> <p>The valuation of investment property involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p>		●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • assess the Council's valuers' qualifications, objectivity and independence to carry out such valuations; • review the valuation methodology used, including testing the underlying data and assumptions; and • consider movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time.

Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Description	Fraud	Error	Judgement	Planned response
5	<p>Expected Credit Loss impairment of financial assets</p> <p>The Council's is required under IFRS 9 to consider the impairment, expected credit losses, of the financial assets that it holds.</p> <p>The amount of expected credit losses is updated at year-end reporting date to reflect changes in credit risk since the initial recognition, and consequently more timely information is provided about expected credit losses.</p>		●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • understanding the Council's processes in recognising expected credit losses; • reviewing and assessing the Council's expected credit losses recognised; and, • reviewing the Council's disclosures in respect of expected credit loss and ensuring that they comply with statutory reporting requirements.

05

Value for money conclusion

Value for money conclusion

The framework for value for money work

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making;
- Sustainable resource deployment; and
- Working with partners and other third parties.

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our conclusion on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council.

Planning and risk assessment	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: <ul style="list-style-type: none">• NAO guidance and supporting information• Sector wide issues• Knowledge from previous audits and other audit work undertaken in the year• Your operational and business risks
Risk mitigation work	Planned procedures to mitigate the risk of forming an incorrect conclusion on arrangements.
Other procedures	<ul style="list-style-type: none">• Consider the work of regulators• Consider the Annual Governance Statement• Consistency review and reality check

Value for money conclusion

Significant Value for Money conclusion risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. We draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector. For the 2019/20 financial year, we have identified the following significant risks to our VFM work.

The table below outlines the risks of significant weaknesses in arrangements that we have identified.

	Significant value for money conclusion risks	Planned procedures
1	<p>Arrangements to deliver Financial Sustainability over the medium term</p> <p>The Council's medium term financial strategy and budget for 2019/20 sets out the financial challenges it faces. The Council's initial 2019/20 budget indicated an underlying deficit of £700k. Members approved the use of £511k from earmarked reserves to meet the funding gap.</p> <p>The continuing challenges the Council faces are not new and not unique to Rossendale Borough Council. However, the challenges do present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financial sustainability over the medium term.</p>	<p>We will review the arrangements the Council has in place for ensuring financial resilience, specifically that the medium term financial plan has taken into consideration factors such as: future funding sources and levels, levels of other income, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis.</p> <p>We will also review the arrangements in place to monitor progress delivering the budget and related savings plans.</p>
2	<p>Rossendale Leisure Trust relationship</p> <p>Rossendale Leisure Trust (the Trust) manages a number of the Council's leisure facilities and has done since 2004. During the year the Council paid for pay and non-pay expenditure incurred by the Trust. There is a risk that the Council are exposing themselves to unnecessary risks under this arrangement.</p>	<p>We will review the arrangements the Council has in place with Rossendale Leisure Trust and any formal agreements and contracts that clearly define responsibilities.</p> <p>We will also review any outstanding debtor balance owed to the Council from the Trust and any corresponding impairment assessments.</p>

06

Audit fees and other services

Audit fees and other services

Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of Rossendale Borough Council for the year ended 31 March 2020, are outlined below.

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated to the Council by PSAA.

Area of work	2019/20 Proposed Fee	2018/19 Fee
Code Audit Work	£35,263	£32,263
Additional audit fees	TBC	TBC
Total fees	£35,263	£32,263

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Area of work	2019/20 Fee
Housing Benefit (Subsidy) engagement	£8,950

07

Confirmation of our independence

Confirmation of our independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Alastair Newall in the first instance.

Prior to the provision of any non-audit services Alastair Newall will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Materiality and misstatements

Materiality and misstatements

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors. Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial. We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure at surplus/deficit on provision of services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Accounts Committee.

We consider that gross revenue expenditure at surplus/deficit on provision of services level remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We expect to set a materiality threshold at 2% of gross revenue expenditure at surplus/deficit on provision of services level.

Based on gross revenue expenditure at surplus/deficit on provision of services level we anticipate the overall materiality for the year ending 31st March 2020 to be in the region of £872k (£775k in the prior year). After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

In setting performance materiality, we have taken into account that we have not completed any audits for the Council from 2018/19, and accordingly we do not hold extensive cumulative knowledge about the Council's financial statements. We have therefore set our performance materiality at 60% of our overall materiality.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Accounts Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £26k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Alastair Newall.

Materiality and misstatements

Materiality (continued)

Reporting to the Audit and Accounts Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit and Accounts Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

	2019/20 £'000s	2018/19 £'000s
Overall materiality	872	775
Performance materiality	523	387
Clearly trivial	26	23
Specific lower materiality – Senior Officer Remuneration	5	5

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

Appendix A: Key communication points

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting fraud	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

Contact

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Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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Audit Strategy Memorandum

Rossendale Borough Council – Year ending 31 March 2021

September 2024

Rossendale Borough Council
Futures Park
Bacup
OL13 0BB

Forvis Mazars
One St Peter's Square
Manchester
M2 3DE

Dear Audit and Accounts Committee Members,

Audit Strategy Memorandum – Year Ending 31 March 2021

We are pleased to present our Audit Strategy Memorandum for Rossendale Borough Council for the year ending 31 March 2021.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Rossendale Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor. We comment on the government proposals to address the backlog of audited financial statements on page 9 and note the potential impact on our audit strategy for the Council.

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0161 238 9243.

Yours faithfully

Alastair Newall

Forvis Mazars

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Engagement and responsibilities summary

Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Rossendale Borough Council (the Council) for the year to 31 March 2021. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.



Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or the Audit and Accounts Committee, as those charged with governance, of their responsibilities.



Going concern

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. The Chief Finance Officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements and the adequacy of disclosures made.



Value for money arrangements

We are also responsible for forming a conclusion on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.



Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

02

Your audit engagement team

Your audit team



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Katie Kingston

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03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is a risk based approach primarily driven by the risks we consider to result in a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

Government proposals to address the backlog of audited financial statements

On the 30th July the Minister of State for Local Government announced intentions to lay secondary legislation which will amend the Accounts and Audit Regulations (2015) to set a series of backstop dates. The first backstop date will clear the backlog of unaudited Local Government accounts up to and including 2022/23, the backstop date suggested is 13 December 2024. The proposed legislation will include five further backstop dates up to and including financial year 2027/28 to allow full assurance to be rebuilt over several audit cycles. The Minister of State for Local Government also announced intentions to lay a new Code of Audit Practice following communication with the Comptroller and Auditor General.

Once the new Code, associated guidance and secondary legislation has been issued we may need to revisit our Audit Strategy Memorandum.

Audit scope, approach, and timeline

Audit timeline



Audit scope, approach, and timeline

Management's and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of Account	Management's expert	Our expert
Valuation of Land and Buildings and Investment Properties	Capita	We will use available third party information to challenge the key assumptions made in the valuations. We will use the Mazars Property Team if deemed necessary.
Defined Benefit Pension Net Liability	Mercers	PWC (Consulting Actuary on behalf of the National Audit Office)
Financial Instruments Fair Value Disclosure	Link Asset Services	We will review the methodology used by the expert to gain assurance that the fair value disclosures are materially correct.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Item of Account	Service organisation	Audit approach
NNDR, Council Tax, Housing Benefits	Capita	Sufficient and appropriate audit evidence will be obtained from records held by the Council and Capita.

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

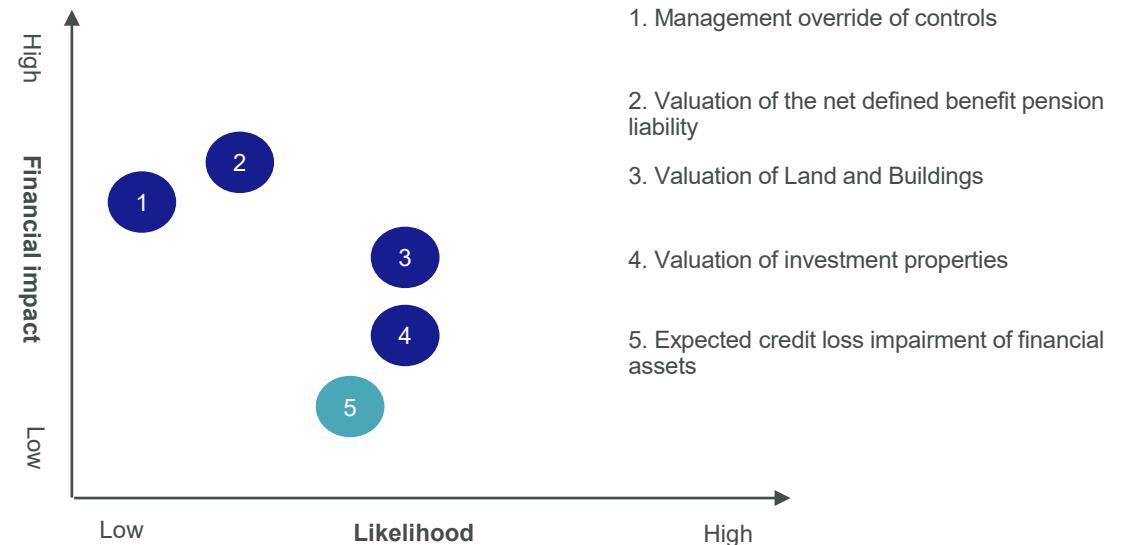
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



Key: ● Significant risk ● Enhanced risk / significant management judgement

Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Accounts Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●			<p>We plan to address the management override of controls risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
2	<p>Defined benefit pension liability valuation</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Lancashire County Pension Fund.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.</p>		●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • reviewing the controls the Council has in place over the information sent to the scheme Actuary, including the Council's processes and controls with respect to the assumptions used in the valuation; • evaluating the competency, objectivity and independence of the scheme Actuary, Mercer; • reviewing the appropriateness of the methodology applied, and the key assumptions included within the valuation, comparing them to the expected ranges, utilising the information provided by PwC, the consulting actuary engaged by the National Audit Office; and • reviewing the methodology applied in the valuation of the liability by Mercer.

Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of land and buildings</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle.</p> <p>The valuation of property, plant & equipment involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.</p>		●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • assess the Council's valuers' qualifications, objectivity and independence to carry out such valuations • review the valuation methodology used for assets subject to revaluation in 2020/21, including testing the underlying data and assumptions; • review the approach the Council have adopted to address the risk that those assets not subject to valuation in the 2020/21 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the valuers; and, • consider movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time

Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
4	<p>Valuation of investment properties</p> <p>The CIPFA Code requires that investment properties should be held at their fair value.</p> <p>The valuation of investment property involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p>		●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • assess the Council's valuers' qualifications, objectivity and independence to carry out such valuations; • review the valuation methodology used, including testing the underlying data and assumptions; and • consider movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time.

Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Description	Fraud	Error	Judgement	Planned response
5	<p>Expected credit loss impairment of financial assets</p> <p>The Council's is required under IFRS 9 to consider the impairment, expected credit losses, of the financial assets that it holds.</p> <p>The amount of expected credit losses is updated at year-end reporting date to reflect changes in credit risk since the initial recognition, and consequently more timely information is provided about expected credit losses.</p>		●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • understanding the Council's processes in recognising expected credit losses; • reviewing and assessing the Council's expected credit losses recognised; and, • reviewing the Council's disclosures in respect of expected credit loss and ensuring that they comply with statutory reporting requirements.

05

Value for money arrangements

Value for money arrangements

The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

The new Code of Audit Practice (the Code) has changed the way in which we report our findings in relation to Value for Money (VFM) arrangements from 2020/21. Whilst we are still required to be satisfied that the Council has proper arrangements in place, we will now report by exception in our auditor's report where we have identified significant weakness in those arrangements. This is a significant change to the requirements under the previous Code which required us to give a conclusion on the Council's arrangements as part of our auditor's report.

Under the new Code, the key output of our work on VFM arrangements will be a commentary on those arrangements which will form part of the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Progress

We have completed our Value for Money work and presented our findings at the March 2024 Audit and Accounts Committee. We identified four significant weaknesses and issued relevant recommendations and areas for improvement.

Planning and risk assessment	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: <ul style="list-style-type: none">• NAO guidance and supporting information• Information from internal and external sources including regulators• Knowledge from previous audits and other audit work undertaken in the year• Interviews and discussions with staff and members
Additional risk-based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: <ul style="list-style-type: none">• Significant weaknesses identified and our recommendations for improvement• Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

06

Audit fees and other services

Audit fees and other services

Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of Rossendale Borough Council for the year ended 31 March 2021, are outlined below.

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated to the Council by PSAA.

Area of work	2020/21 Proposed Fee	2019/20 Proposed Fee
Code Audit Work	£35,263	£35,263
Additional audit fees	TBC	TBC
Total fees	£35,263	£35,263

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7

Area of work	2020/21 Fee	2019/20 Fee
Housing Benefit (Subsidy) engagement	£21,650	£8,950

07

Confirmation of our independence

Confirmation of our independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Alastair Newall in the first instance.

Prior to the provision of any non-audit services Alastair Newall will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. Included in this assessment is consideration of Auditor Guidance Note 01 as issued by the NAO, and the PSAA Terms of Appointment.

No threats to our independence have been identified.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Materiality and misstatements

Materiality and misstatements

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users. The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors. Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial. We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure at surplus/deficit on provision of services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the

Audit and Accounts Committee.

We consider that gross revenue expenditure at surplus/deficit on provision of services level remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We expect to set a materiality threshold at 2% of gross revenue expenditure at surplus/deficit on provision of services level.

Based on gross revenue expenditure at surplus/deficit on provision of services level we anticipate the overall materiality for the year ending 31st March 2020 to be in the region of £815k (£872k in the prior year). After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

In setting performance materiality, we have taken into account that we have not completed any audits for the Council from 2018/19, and accordingly we do not hold extensive cumulative knowledge about the Council's financial statements. We have therefore set our performance materiality at 60% of our overall materiality.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Accounts Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £20k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Alastair Newall.

Materiality and misstatements

Materiality (continued)

Reporting to the Audit and Accounts Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit and Accounts Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

	2020/21 £'000s	2019/20 £'000s
Overall materiality	671	872
Performance materiality	403	523
Clearly trivial	20	26
Specific lower materiality – Senior Officer Remuneration	5	5

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and

- Fees for audit and other services.

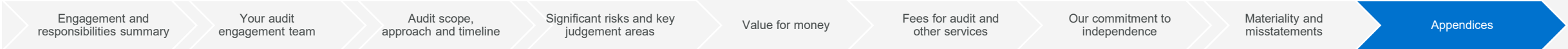
Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix: Key communication points

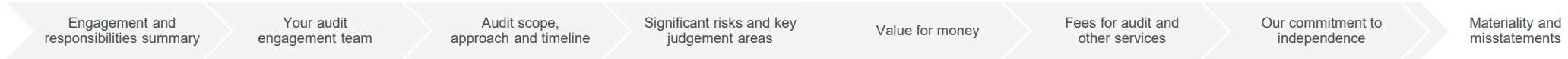
ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • Enquiries of the Audit and Accounts Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit and Accounts Committee, Audit Planning and Clearance meetings



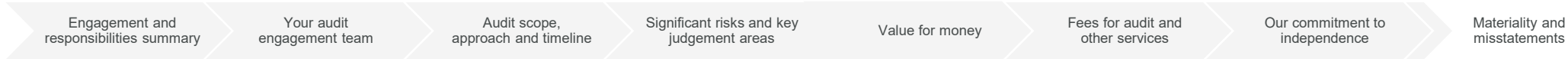
Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Accounts Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



Appendix: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee may be aware of.</p>	<p>Audit Completion Report and Audit and Accounts Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. 	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>



Contact

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Director

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Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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Audit Strategy Memorandum

Rossendale Borough Council – Year ending 31 March 2022

September 2024

Rossendale Borough Council

Futures Park

Bacup

OL13 0BB

Forvis Mazars

One St Peter's Square

Manchester

M2 3DE

Dear Audit and Accounts Committee Members,

Audit Strategy Memorandum – Year Ending 31 March 2022

We are pleased to present our Audit Strategy Memorandum for Rossendale Borough Council for the year ending 31 March 2022.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Rossendale Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor. We comment on the government proposals to address the backlog of audited financial statements on page 9 and note the potential impact on our audit strategy for the Council.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0161 238 9243.

Yours faithfully

Alastair Newall

Mazars LLP

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- 06** Audit fees and other services
- 07** Confirmation of our independence
- 08** Materiality and misstatements

- A** Appendix A – Key communication points
- B** Appendix B - Current year updates, forthcoming accounting and other issues

Engagement and responsibilities summary

Engagement and responsibilities summary

We are appointed to perform the external audit of Rossendale Borough Council (the Council) for the year to 31 March 2022. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements. Our audit does not relieve management or Audit and Accounts Committee, as those charged with governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.



Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

02

Your audit engagement team

Your audit team



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Engagement Director

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03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

Government proposals to address the backlog of audited financial statements

On the 30th July the Minister of State for Local Government announced intentions to lay secondary legislation which will amend the Accounts and Audit Regulations (2015) to set a series of backstop dates. The first backstop date will clear the backlog of unaudited Local Government accounts up to and including 2022/23, the backstop date suggested is 13 December 2024. The proposed legislation will include five further backstop dates up to and including financial year 2027/28 to allow full assurance to be rebuilt over several audit cycles. The Minister of State for Local Government also announced intentions to lay a new Code of Audit Practice following communication with the Comptroller and Auditor General.

Once the new Code, associated guidance and secondary legislation has been issued we may need to revisit our Audit Strategy Memorandum.

Audit scope, approach, and timeline

Audit timeline



Audit scope, approach, and timeline

Management's experts and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of Account	Management's expert	Our expert
Valuation of Land and Buildings and Investment Properties	Capita	We will use available third party information to challenge the key assumptions made in the valuations. We will use the Mazars Property Team if deemed necessary.
Defined Benefit Pension Net Liability	Mercers	PWC (Consulting Actuary on behalf of the National Audit Office)
Financial Instruments Fair Value Disclosure	Link Asset Services	We will review the methodology used by the expert to gain assurance that the fair value disclosures are materially correct.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

The table below summarises the service organisations used by the Council and our planned audit approach.

Item of Account	Service organisation	Audit approach
NNDR, Council Tax, Housing Benefits	Capita	Sufficient and appropriate audit evidence will be obtained from records held by the Council and Capita.

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

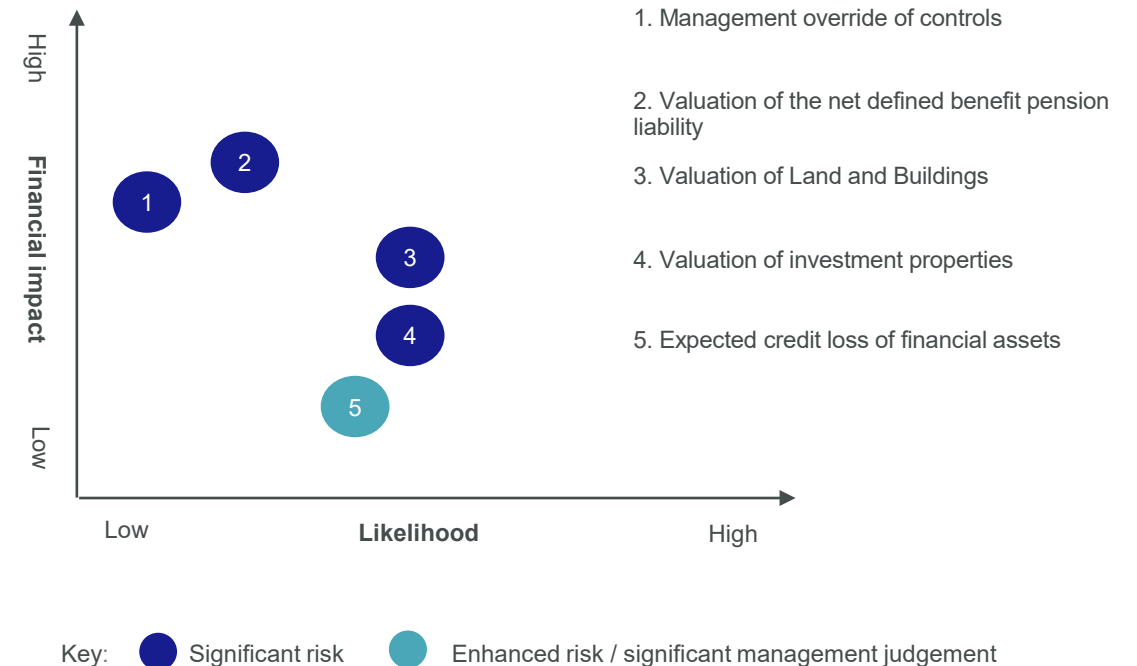
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.
-

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to Audit and Accounts Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●			<p>We plan to address the management override of controls risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
2	<p>Defined benefit pension liability valuation</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Lancashire County Pension Fund.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.</p>		●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • reviewing the controls the Council has in place over the information sent to the scheme Actuary, including the Council's processes and controls with respect to the assumptions used in the valuation; • evaluating the competency, objectivity and independence of the scheme Actuary, Mercer; • reviewing the appropriateness of the methodology applied, and the key assumptions included within the valuation, comparing them to the expected ranges, utilising the information provided by PwC, the consulting actuary engaged by the National Audit Office; and • reviewing the methodology applied in the valuation of the liability by Mercer.

Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of land and buildings</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle.</p> <p>The valuation of property, plant & equipment involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.</p>		●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • assess the Council and subsidiaries valuers' qualifications, objectivity and independence to carry out such valuations • review the valuation methodology used for assets subject to revaluation in 2021/22, including testing the underlying data and assumptions; • review the approach the Council have adopted to address the risk that those assets not subject to valuation in the 2021/22 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the valuers; and, • consider movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time

Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
4	<p>Valuation of investment properties</p> <p>The CIPFA Code requires that investment properties should be held at their fair value.</p> <p>The valuation of investment property involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p>		●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • assess the Council's valuers' qualifications, objectivity and independence to carry out such valuations; • review the valuation methodology used, including testing the underlying data and assumptions; and • consider movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time.

Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Description	Fraud	Error	Judgement	Planned response
5	<p>Expected credit loss impairment of financial assets</p> <p>The Council's is required under IFRS 9 to consider the impairment, expected credit losses, of the financial assets that it holds.</p> <p>The amount of expected credit losses is updated at year reporting date to reflect changes in credit risk since the initial recognition, and consequently more timely information is provided about expected credit losses.</p>		●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • understanding the Council's processes in recognising expected credit losses; • reviews and assessing the Council's expected credit losses recognised; and, • reviewing the Council's disclosures in respect of expected credit loss and ensuring that they comply with statutory reporting requirements.

05

Value for money arrangements

Value for money arrangements

The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2021/22 will be the second audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Progress

We have completed our Value for Money work and presented our findings at the March 2024 Audit and Accounts Committee. We identified four significant weaknesses and issued relevant recommendations and areas for improvement.

Planning and risk assessment	Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include: <ul style="list-style-type: none">• NAO guidance and supporting information• Information from internal and external sources including regulators• Knowledge from previous audits and other audit work undertaken in the year• Interviews and discussions with staff and members
Additional risk-based procedures and evaluation	Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.
Reporting	We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report. Our commentary will also highlight: <ul style="list-style-type: none">• Significant weaknesses identified and our recommendations for improvement• Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

06

Audit fees and other services

Audit fees and other services

Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of Rossendale Borough Council for the year ended 31 March 2020, are outlined below.

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated to the Council by PSAA.

Area of work	2021/22 Proposed Fee	2020/21 Proposed Fee
Code Audit Work	£35,263	£32,263
Additional audit fee	TBC	TBC
Total fees	£35,263	£32,263

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7

Area of work	2021/22 Fee	2020/21 Fee
Housing Benefit (Subsidy) engagement	£21,000	£21,650

07

Confirmation of our independence

Confirmation of our independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Alastair Newall in the first instance.

Prior to the provision of any non-audit services Alastair Newall will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report

Materiality and misstatements

Materiality and misstatements

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors. Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial. We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure at surplus/deficit on provision of services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the

Audit and Accounts Committee.

We consider that gross revenue expenditure at surplus/deficit on provision of services level remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark. We expect to set a materiality threshold at 2% of gross revenue expenditure at surplus/deficit on provision of services level.

Based on gross revenue expenditure at surplus/deficit on provision of services level we anticipate the overall materiality for the year ending 31st March 2020 to be in the region of £795k (£815k in the prior year). After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

In setting performance materiality, we have taken into account that we have not completed any audits for the Council from 2018/19, and accordingly we do not hold extensive cumulative knowledge about the Council's financial statements. We have therefore set our performance materiality at 60% of our overall materiality.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Accounts Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £22k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Alastair Newall.

Materiality and misstatements

Materiality (continued)

Reporting to the Audit and Accounts Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit and Accounts Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).

	2021/22 £'000s	2020/21 £'000s
Overall materiality	720	671
Performance materiality	432	403
Clearly trivial	22	20
Specific lower materiality – Senior Officer Remuneration	5	5

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

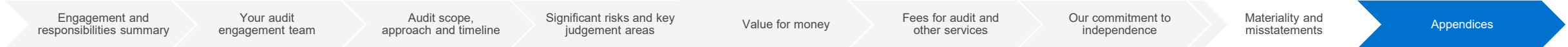
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;

- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

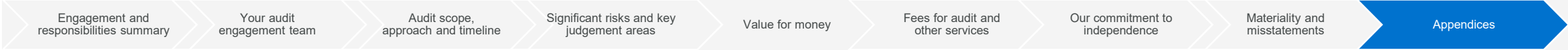
- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



Appendix: Key communication points

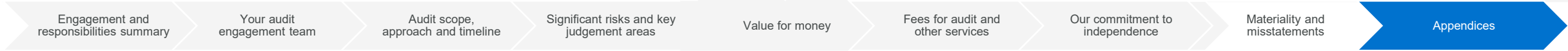
ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of the Audit and Accounts Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at Audit and Accounts Committee, Audit planning and clearance meetings



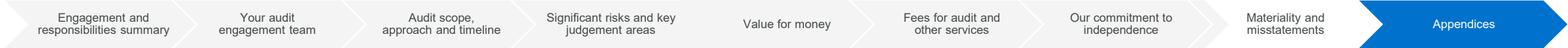
Appendix: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Accounts Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



Appendix: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee may be aware of.</p>	<p>Audit Completion Report and Audit and Accounts Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>



Contact

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Director

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Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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Audit Strategy Memorandum

Rossendale Borough Council – Year ending 31 March 2023

September 2024

Rossendale Borough Council
Futures Park
Bacup
OL13 0BB

Forvis Mazars
One St Peter's Square
Manchester
M2 3DE

Dear Audit and Accounts Committee Members,

Audit Strategy Memorandum – Year Ending 31 March 2023

We are pleased to present our Audit Strategy Memorandum for Rossendale Borough Council for the year ending 31 March 2023.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Rossendale Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor. We comment on the government proposals to address the backlog of audited financial statements on page 9 and note the potential impact on our audit strategy for the Council.

This document also contains an appendix that outlines our key communications with you during the course of the audit, and explains the implications of the introduction of the new auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019).

Client service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0161 238 9243.

Yours faithfully

Alastair Newall

Mazars LLP

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Engagement and responsibilities summary

1. Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Rossendale Borough Council (the Council) for the year to 31 March 2023. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psaa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit and Accounts Committee as those charged with governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on: a) whether a material uncertainty related to going concern exists; and b) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.



Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. This includes establishing and maintaining internal controls over reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom

Engagement and responsibilities summary

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Appendices

02

Your audit engagement team

Your audit team



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03

Audit scope, approach, and timeline

Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based and primarily driven by the issues that we consider lead to a higher risk of material misstatement of the accounts. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to the risks identified.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise: tests of details (of classes of transactions, account balances, and disclosures); and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

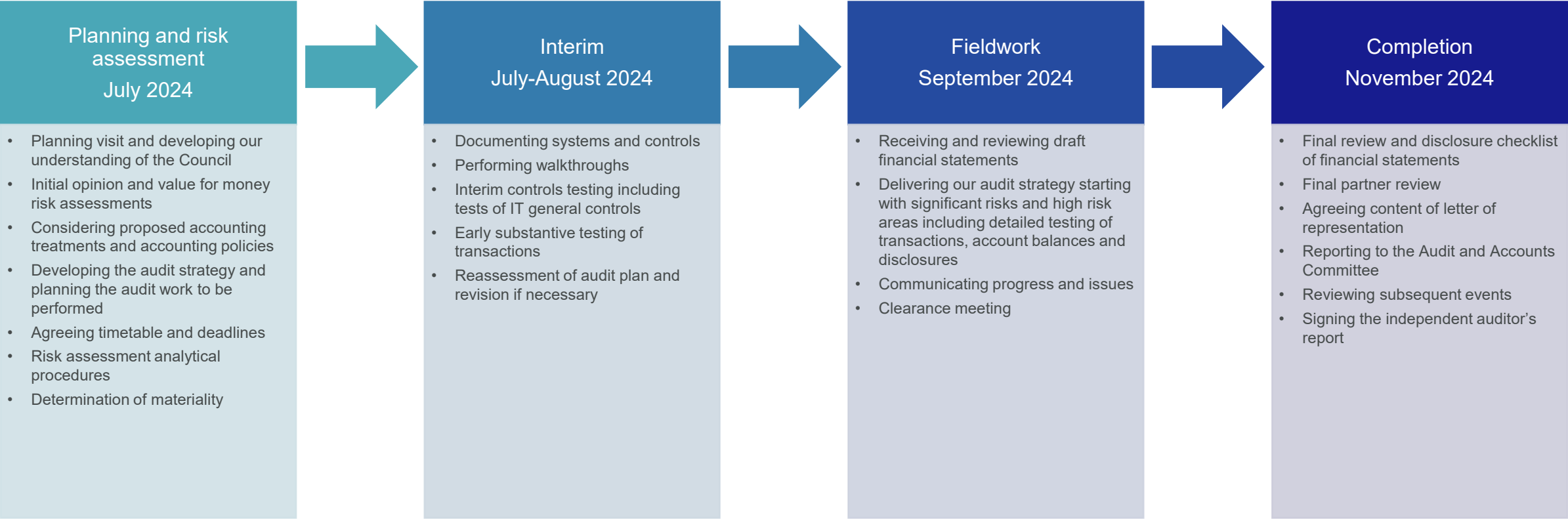
Government proposals to address the backlog of audited financial statements

On the 30th July the Minister of State for Local Government announced intentions to lay secondary legislation which will amend the Accounts and Audit Regulations (2015) to set a series of backstop dates. The first backstop date will clear the backlog of unaudited Local Government accounts up to and including 2022/23, the backstop date suggested is 13 December 2024. The proposed legislation will include five further backstop dates up to and including financial year 2027/28 to allow full assurance to be rebuilt over several audit cycles. The Minister of State for Local Government also announced intentions to lay a new Code of Audit Practice following communication with the Comptroller and Auditor General.

Once the new Code, associated guidance and secondary legislation has been issued we may need to revisit our Audit Strategy Memorandum.

Audit scope, approach, and timeline

Audit timeline



Audit scope, approach, and timeline

Management's experts and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of Account	Management's expert	Our expert
Valuation of Land and Buildings and Investment Properties	Capita	We will use available third party information to challenge the key assumptions made in the valuations. We will use the Mazars Property Team if deemed necessary.
Defined Benefit Pension Net Liability	Mercers	PWC (Consulting Actuary on behalf of the National Audit Office)
Financial Instruments Fair Value Disclosure	Link Asset Services	We will review the methodology used by the expert to gain assurance that the fair value disclosures are materially correct.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

The table below summarises the service organisations used by the Council and our planned audit approach.

Item of Account	Service organisation	Audit approach
NNDR, Council Tax, Housing Benefits	Capita	Sufficient and appropriate audit evidence will be obtained from records held by the Council and Capita.

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk

An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

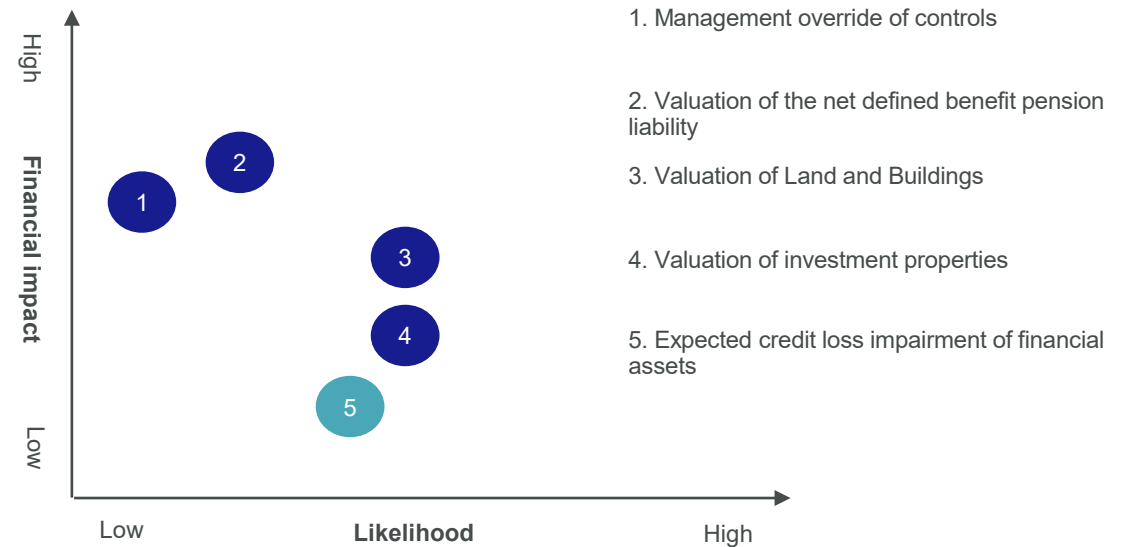
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk

This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page.



Key: ● Significant risk ● Enhanced risk / significant management judgement

Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Accounts Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●			<p>We plan to address the management override of controls risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
2	<p>Defined benefit pension liability valuation</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Lancashire County Pension Fund.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.</p>		●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • reviewing the controls the Council has in place over the information sent to the scheme Actuary, including the Council's processes and controls with respect to the assumptions used in the valuation; • evaluating the competency, objectivity and independence of the scheme Actuary, Mercer; • reviewing the appropriateness of the methodology applied, and the key assumptions included within the valuation, comparing them to the expected ranges, utilising the information provided by PwC, the consulting actuary engaged by the National Audit Office; and • reviewing the methodology applied in the valuation of the liability by Mercer.

Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of land and buildings</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle.</p> <p>The valuation of property, plant & equipment involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.</p>		●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • assess the Council and subsidiaries valuers' qualifications, objectivity and independence to carry out such valuations • review the valuation methodology used for assets subject to revaluation in 2022/23, including testing the underlying data and assumptions; • review the approach the Council have adopted to address the risk that those assets not subject to valuation in the 2022/23 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the valuers; and, • consider movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time

Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
4	<p>Valuation of investment properties</p> <p>The CIPFA Code requires that investment properties should be held at their fair value.</p> <p>The valuation of investment property involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p>		●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • assess the Council's valuers' qualifications, objectivity and independence to carry out such valuations; • review the valuation methodology used, including testing the underlying data and assumptions; and • consider movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time.

Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Description	Fraud	Error	Judgement	Planned response
5	<p>Expected credit loss of financial assets</p> <p>The Council's is required under IFRS 9 to consider the impairment, expected credit losses, of the financial assets that it holds.</p> <p>The amount of expected credit losses is updated at year reporting date to reflect changes in credit risk since the initial recognition, and consequently more timely information is provided about expected credit losses.</p>		●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • understanding the Council's processes in recognising expected credit losses; • reviews and assessing the Council's expected credit losses recognised; and, • reviewing the Council's disclosures in respect of expected credit loss and ensuring that they comply with statutory reporting requirements.

05

Value for money arrangements

Value for money arrangements

The framework for Value for Money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view, and sets out the overall criterion and sub-criteria that we are required to consider.

2022/23 will be the third audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Progress

We have completed our Value for Money work and presented our findings at the March 2024 Audit and Accounts Committee. We identified four significant weaknesses and issued relevant recommendations and areas for improvement.

Planning and risk assessment	<p>Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources will include:</p> <ul style="list-style-type: none">• NAO guidance and supporting information• Information from internal and external sources including regulators• Knowledge from previous audits and other audit work undertaken in the year• Interviews and discussions with staff and members
Additional risk-based procedures and evaluation	<p>Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.</p>
Reporting	<p>We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.</p> <p>Our commentary will also highlight:</p> <ul style="list-style-type: none">• Significant weaknesses identified and our recommendations for improvement• Emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

06

Audit fees and other services

Audit fees and other services

Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of Rossendale Borough Council for the year ended 31 March 2020, are outlined below.

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated to the Council by PSAA.

Area of work	2022/23 Proposed Fee	2021/22 Proposed Fee
Code Audit Work	£35,263	£32,263
Additional audit fees	TBC	TBC
Total fees	£35,263	£32,263

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7

Area of work	2022/23 Fee	2021/22 Fee
Housing Benefit (Subsidy) engagement	£21,000	£21,000

07

Confirmation of our independence

Confirmation of our independence

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually in writing that we comply with the FRC's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Alastair Newall in the first instance.

Prior to the provision of any non-audit services Alastair Newall will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Materiality and misstatements

8. Materiality and misstatements

Summary of initial materiality thresholds

	2022/23 £'000s	2021/22 £'000s
Overall materiality	819	795
Performance materiality	491	477
Clearly trivial	25	24
Specific lower materiality – Senior Officer Remuneration	5	5

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole.

Information is considered to be material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;

- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

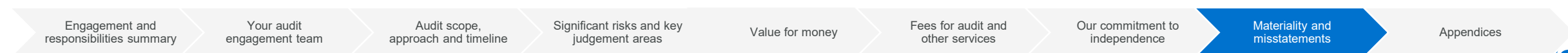
Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure at surplus/deficit on provision of services level. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Accounts Committee.

We consider that the gross revenue expenditure at surplus/deficit on provision of services level remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.



8. Materiality and misstatements

Materiality (continued)

We expect to set a materiality threshold at 2% of the benchmark. Based on gross revenue expenditure at surplus/deficit on provision of services level from the draft 2022/23 accounts, we anticipate the overall materiality for the year ending 31 March 2023 to be in the region of £819k (£795k the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

In setting performance materiality, we have taken into account that we have not completed any audits of the Council so far, and accordingly we do not hold extensive cumulative audit knowledge about the Council's financial statements. We have therefore set our performance materiality at 60% of our overall materiality.

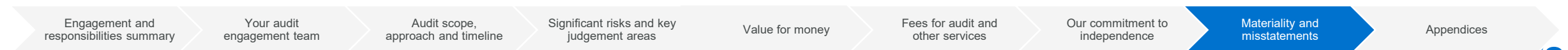
Misstatements

We accumulate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Accounts Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £25k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Alastair Newall.

Reporting to the Audit and Accounts Committee

The following three types of audit differences above the trivial threshold will be presented to the Audit and Accounts Committee:

- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).



Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with Those Charged With Governance as a two way feedback process at the heart of our client service commitment. ISA 260 (UK) 'Communication with Those Charged with Governance' and ISA 265 (UK) 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Audit Strategy Memorandum;
- Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

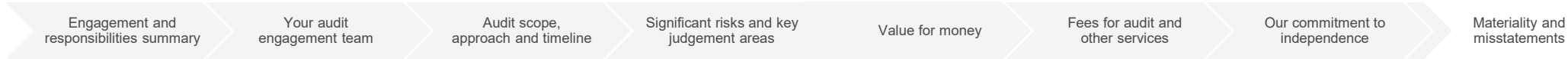
Key communication points at the planning stage as included in this Audit Strategy Memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;

- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

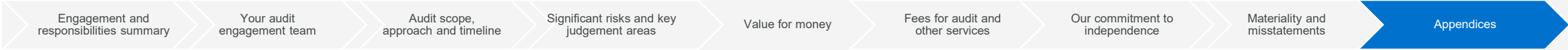
- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.



Appendix A: Key communication points

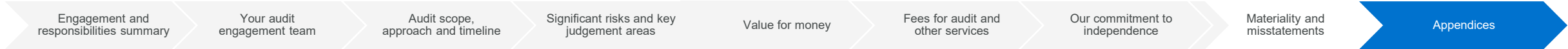
ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and those charged with governance.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • uncorrected misstatements and their effect on our audit opinion; • the effect of uncorrected misstatements related to prior periods; • a request that any uncorrected misstatement is corrected; and • in writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • enquiries of the Audit and Accounts Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • a discussion of any other matters related to fraud. 	Audit Completion Report and discussion at the Audit and Accounts Committee, Audit planning and clearance meetings



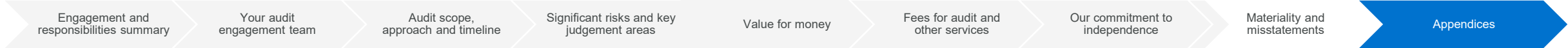
Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <ul style="list-style-type: none"> • non-disclosure by management; • inappropriate authorisation and approval of transactions; • disagreement over disclosures; • non-compliance with laws and regulations; and • difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • significant difficulties, if any, encountered during the audit; • significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • written representations that we are seeking; • expected modifications to the audit report; and • other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Accounts Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>
<p>Significant deficiencies in internal controls identified during the audit.</p>	<p>Audit Completion Report</p>
<p>Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.</p>	<p>Audit Completion Report</p>



Appendix A: Key communication points

Required communication	Where addressed
<p>Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that Audit and Accounts Committee may be aware of.</p>	<p>Audit Completion Report and Audit and Accounts Committee meetings</p>
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • whether the events or conditions constitute a material uncertainty; • whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • the adequacy of related disclosures in the financial statements. 	<p>Audit Completion Report</p>
<p>Reporting on the valuation methods applied to the various items in the annual financial statements including any impact of changes of such methods</p>	<p>Audit Completion Report</p>
<p>Indication of whether all requested explanations and documents were provided by the entity</p>	<p>Audit Completion Report</p>



Appendix B: Revised auditing standard on Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

Background

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The new standard is effective for periods commencing on or after 15 December 2021 and therefore applies in full for the Council's 2022/23 audit.

The most significant changes relevant to the Council's audit are outlined below.

Enhanced risk identification and assessment

The standard has enhanced the requirements for the auditor to understand the audited entity, its environment and the applicable financial reporting framework in order to identify and assess risk based on new inherent risk factors which include:

- Subjectivity
- Complexity
- Uncertainty and change
- Susceptibility to misstatement due to management bias or fraud.

Using these inherent risk factors, we assess inherent risk on a spectrum, at which the higher end of which lies significant risks, to drive an audit that is more focused on identified risks. Auditors are now also required to obtain sufficient, appropriate evidence from these risk identification and assessment procedures which means

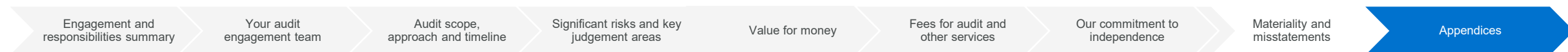
documentation and evidence requirements are also enhanced.

Greater emphasis on understanding IT

In response to constantly evolving business environments, the standard places an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, we are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs).

Increased focus on controls

Building on the need for auditors to gain a greater understanding of the IT environment, the standard also widens the scope of controls that are deemed relevant to the audit. We are now required to broaden our understanding of controls implemented by management, including ITGCs, as well as assess the design and implementation of those controls.



Contact

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Audit Strategy Memorandum

Rossendale Borough Council – Year ending 31 March 2024

September 2024

Rossendale Borough Council
Futures Park
Bacup
OL13 0BB

Forvis Mazars
One St Peter's Square
Manchester
M2 3DE

Dear Audit and Accounts Committee Members,

Audit Strategy Memorandum – Year Ending 31 March 2024

We are pleased to present our Audit Strategy Memorandum for Rossendale Borough Council for the year ending 31 March 2024

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Rossendale Borough Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor. We comment on the government proposals to address the backlog of audited financial statements on page 10 and note the potential impact on our audit strategy for the Council.

This document also contains an appendix that outlines our key communications with you during the course of the audit.

Providing a high-quality service is extremely important to us and we strive to provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations. If you have any concerns or comments about this report or our audit approach, please contact me on 0161 238 9243.

Yours faithfully
Alastair Newall
Mazars LLP

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- 08** Materiality and misstatements

- A** Appendix A – Key communication points
- B** Appendix B - Current year updates, forthcoming accounting and other issues

This document is to be regarded as confidential to Rossendale Borough Council. It has been prepared for the sole use of the Audit and Accounts Committee throughout as applicable] as the appropriate sub-committee charged with governance. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

Engagement and responsibilities summary

Engagement and responsibilities summary

Overview of engagement

We are appointed to perform the external audit of Rochdale Borough Council (the Council) for the year to 31 March 2024. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/managing-audit-quality/statement-of-responsibilities-of-auditors-and-audited-bodies/>. Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined overleaf.

There are a series of consultations being considered that could impact upon both the Council's financial statements and the work we are required to undertake. Appendix C summarises the proposals under each of the consultations and further details can be found on the Financial Reporting Council's [website](#). Should the outcome of these consultations affect the risks we have identified or the scope of our work, we will provide further information to the Audit and Accounts Committee in due course.

Engagement and responsibilities summary

Audit opinion

We are responsible for forming and expressing an opinion on whether the financial statements are prepared, in all material respects, in accordance with the Code of Practice on Local Authority Accounting. Our audit does not relieve management or the Audit and Accounts Committee as those charged with governance, of their responsibilities.

The Chief Finance Officer is responsible for the assessment of whether it is appropriate for the Council to prepare its accounts on a going concern basis. As auditors, we are required to obtain sufficient appropriate audit evidence regarding, and conclude on:

- a) whether a material uncertainty related to going concern exists; and
- b) consider the appropriateness of the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements.

Fraud

The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both Those Charged With Governance and management. This includes establishing and maintaining internal controls over compliance with relevant laws and regulations, and the reliability of financial reporting.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance, including key management [include Internal audit, other key individuals where relevant] as to their knowledge of instances of fraud, the risk of fraud and their views on internal controls that mitigate the fraud risks. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However, our audit should not be relied upon to identify all such misstatements.



Internal control

Management is responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

We are responsible for obtaining an understanding of internal control relevant to our audit and the preparation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rossendale Borough Council's internal control.

Wider reporting and electors' rights

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Value for money

We are also responsible for forming a commentary on the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report

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Your audit engagement team

Your audit team



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Audit scope, approach, and timeline

Audit scope, approach, and timeline

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your activities which we consider to have a higher risk of material misstatement, such as those impacted by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

Audit approach

Our audit approach is risk-based, and the nature, extent, and timing of our audit procedures are primarily driven by the areas of the financial statements we consider to be more susceptible to material misstatement. Following our risk assessment where we assess the inherent risk factors (subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud) to aid in our risk assessment, we develop our audit strategy and design audit procedures to respond to the risks we have identified.

If we conclude that appropriately-designed controls are in place, we may plan to test and rely on those controls. If we decide controls are not appropriately designed, or we decide that it would be more efficient to do so, we may take a wholly substantive approach to our audit testing where, in our professional judgement, substantive procedures alone will provide sufficient appropriate audit evidence. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of detail (of classes of transaction, account balances, and disclosures), and substantive analytical procedures. Irrespective of our assessed risks of material misstatement, which takes account of our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transaction, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram on the next page outlines the procedures we perform at the different stages of the audit.

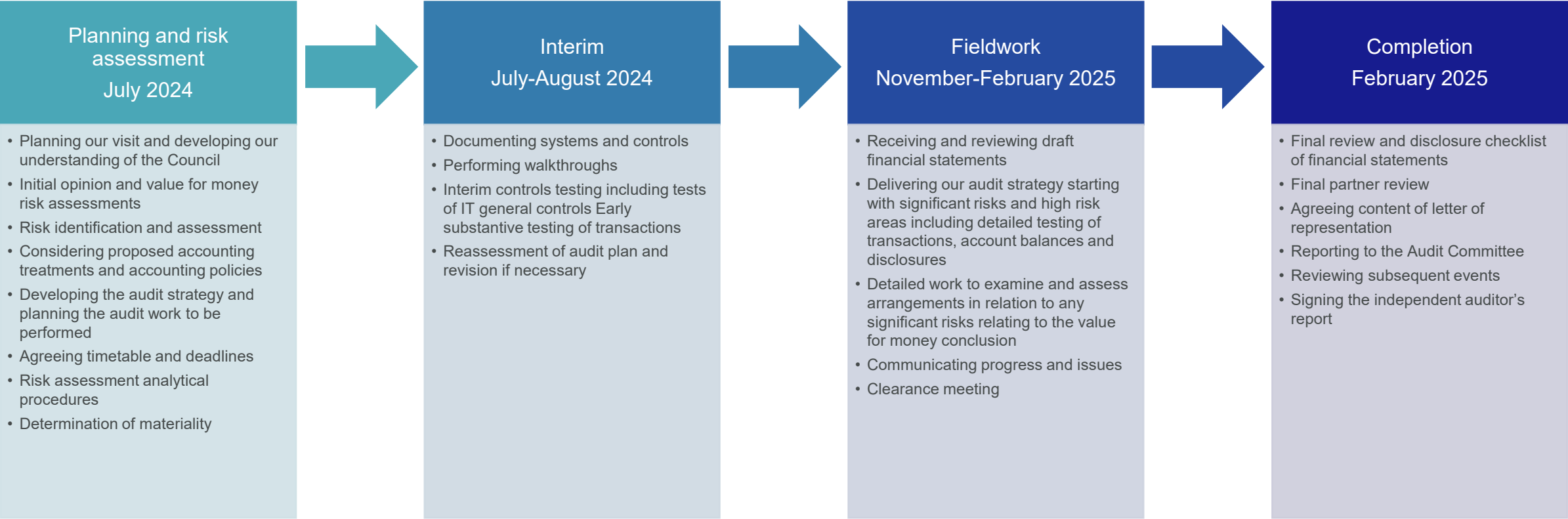
Government proposals to address the backlog of audited financial statements

On the 30th July the Minister of State for Local Government announced intentions to lay secondary legislation which will amend the Accounts and Audit Regulations (2015) to set a series of backstop dates. The first backstop date will clear the backlog of unaudited Local Government accounts up to and including 2022/23, the backstop date suggested is 13 December 2024. The proposed legislation will include five further backstop dates up to and including financial year 2027/28 to allow full assurance to be rebuilt over several audit cycles. The Minister of State for Local Government also announced intentions to lay a new Code of Audit Practice following communication with the Comptroller and Auditor General.

Once the new Code, associated guidance and secondary legislation has been issued we may need to revisit our Audit Strategy Memorandum.

Audit scope, approach, and timeline

Audit timeline



Audit scope, approach, and timeline

Management's experts and our experts

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Item of Account	Management's expert	Our expert
Valuation of Land and Buildings and Investment Properties	Capita	We will use available third party information to challenge the key assumptions made in the valuations. We will use the Mazars Property Team if deemed necessary.
Defined Benefit Pension Net Liability	Mercers	PWC (Consulting Actuary on behalf of the National Audit Office)
Financial Instruments Fair Value Disclosure	Link Asset Services	We will review the methodology used by the expert to gain assurance that the fair value disclosures are materially correct.

Service organisations

International Auditing Standards (UK) (ISAs) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services.

The table below summarises the service organisations used by the Council and our planned audit approach.

Item of Account	Service organisation	Audit approach
NNDR, Council Tax, Housing Benefits	Capita	Sufficient and appropriate audit evidence will be obtained from records held by the Council and Capita.

Significant risks and other key judgement areas

Significant risks and other key judgement areas

Following the risk assessment approach discussed in section 3 of this document, we have identified risks relevant to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard. The definitions of the level of risk rating are given below:

Significant risk

A risk that is assessed as being at or close to the upper end of the spectrum of inherent risk, based on a combination of the likelihood of a misstatement occurring and the magnitude of any potential misstatement. A fraud risk is always assessed as a significant risk (as required by auditing standards), including management override of controls and revenue recognition.

Enhanced risk

An area with an elevated risk of material misstatement at the assertion level, other than a significant risk, based on factors/ information inherent to that area. Enhanced risks require additional consideration but do not rise to the level of a significant risk. These include but are not limited to:

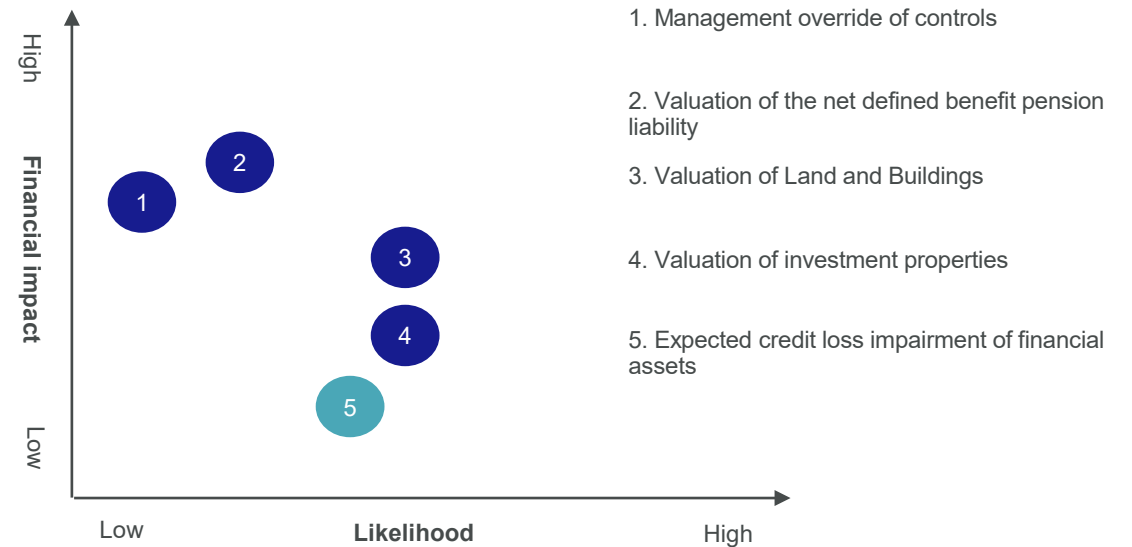
- Key areas of management judgement and estimation uncertainty, including accounting estimates related to material classes of transaction, account balances, and disclosures but which are not considered to give rise to a significant risk of material misstatement; and
- Risks relating to other assertions and arising from significant events or transactions that occurred during the period.

Standard risk

A risk related to assertions over classes of transaction, account balances, and disclosures that are relatively routine, non-complex, tend to be subject to systematic processing, and require little or no management judgement/ estimation. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature of the financial statement area, the likely magnitude of potential misstatements, or the likelihood of a risk occurring.

Summary risk assessment

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant and other enhanced risks in respect of the Council. We have summarised our audit response to these risks on the next page



Key: ● Significant risk ● Enhanced risk / significant management judgement

Significant risks and other key judgement areas

Specific identified audit risks and planned testing strategy

We have presented below in more detail the reasons for the risk assessment highlighted above, and also our testing approach with respect to significant risks. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Accounts Committee.

Significant risks

	Description	Fraud	Error	Judgement	Planned response
1	<p>Management override of controls This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	●			<p>We plan to address the management override of controls risk through performing audit work over:</p> <ul style="list-style-type: none"> • accounting estimates; • journal entries; and • significant transactions outside the normal course of business or otherwise unusual.

Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
2	<p>Defined benefit pension liability valuation</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of Lancashire County Pension Fund.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation. There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2019/20.</p>		●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • reviewing the controls the Council has in place over the information sent to the scheme Actuary, including the Council's processes and controls with respect to the assumptions used in the valuation; • evaluating the competency, objectivity and independence of the scheme Actuary, Mercer; • reviewing the appropriateness of the methodology applied, and the key assumptions included within the valuation, comparing them to the expected ranges, utilising the information provided by PwC, the consulting actuary engaged by the National Audit Office; and • reviewing the methodology applied in the valuation of the liability by Mercer.

Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
3	<p>Valuation of land and buildings</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued in a five year cycle.</p> <p>The valuation of property, plant & equipment involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.</p>		●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • assess the Council and subsidiaries valuers' qualifications, objectivity and independence to carry out such valuations • review the valuation methodology used for assets subject to revaluation in 2023/24, including testing the underlying data and assumptions; • review the approach the Council have adopted to address the risk that those assets not subject to valuation in the 2023/24 are materially misstated and consider the robustness of that approach in light of the valuation information reported by the valuers; and, • consider movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time

Significant risks and other key judgement areas

Significant risks continued

	Description	Fraud	Error	Judgement	Planned response
4	<p>Valuation of investment properties</p> <p>The CIPFA Code requires that investment properties should be held at their fair value.</p> <p>The valuation of investment property involves the use of management experts, and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process which reflect the significant impact of the valuation judgements and assumptions and the degree of estimation uncertainty.</p>		●	●	<p>To address this risk, we will:</p> <ul style="list-style-type: none"> • assess the Council's valuers' qualifications, objectivity and independence to carry out such valuations; • review the valuation methodology used, including testing the underlying data and assumptions; and • consider movements in market indices between valuation dates and the year end in order to determine whether these indicate fair valuers have moved materially over that time.

Significant risks and other key judgement areas

Other key areas of management judgement and enhanced risks

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Description	Fraud	Error	Judgement	Planned response
5	<p>Expected credit loss impairment of financial assets</p> <p>The Council's is required under IFRS 9 to consider the impairment, expected credit losses, of the financial assets that it holds.</p> <p>The amount of expected credit losses is updated at year reporting date to reflect changes in credit risk since the initial recognition, and consequently more timely information is provided about expected credit losses.</p>		●	●	<p>We plan to address this risk by:</p> <ul style="list-style-type: none"> • understanding the Council's processes in recognising expected credit losses; • reviews and assessing the Council's expected credit losses recognised; and, • reviewing the Council's disclosures in respect of expected credit loss and ensuring that they comply with statutory reporting requirements.

Significant risks and other key judgement areas

Other considerations

In consideration of ISA (UK) 260 *Communication with Those Charged with Governance*, as part of our audit we obtain the views of, and enquire whether the Audit and Accounts Committee has knowledge of, the following matters:

- Did you identify any other risks (business, laws & regulation, fraud, going concern etc.) that may result in material misstatements?
- Are you aware of any significant communications between the Group and regulators?
- Are there any matters that you consider warrant particular attention during the course of our audit, and any areas where you would like additional procedures to be undertaken?

We plan to do this by formal letter to the Audit and Accounts Committee which we will obtain prior to completing our audit.

Significant difficulties encountered during the course of audit

In accordance with ISA (UK) 260 *Communication with Those Charged with Governance*, we are required to communicate certain matters to the Audit and Accounts Committee which include, but are not limited to, significant difficulties, if any, that are encountered during our audit. Such difficulties may include matters such as:

- Significant delays in management providing information that we require to perform our audit.
- An unnecessarily brief time within which to complete our audit.
- Extensive and unexpected effort to obtain sufficient appropriate audit evidence.
- Unavailability of expected information.
- Restrictions imposed on us by management.
- Unwillingness by management to make or extend their assessment of an entity's ability to continue as a going concern when requested.

We will highlight to you on a timely basis should we encounter any such difficulties (if our audit process is unduly impeded, this could require us to issue a modified auditor's report).

05

Value for money arrangements

Value for money arrangements

The framework for value for money work

We are required to form a view as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our view and sets out the overall criterion and sub-criteria that we are required to consider.

2023/24 will be the fourth audit year where we are undertaking our value for money (VFM) work under the 2020 Code of Audit Practice (the Code). Our responsibility remains to be satisfied that the Council has proper arrangements in place and to report in the audit report and/or the audit completion certificate where we identify significant weaknesses in arrangements. Separately we provide a commentary on the Council's arrangements in the Auditor's Annual Report.

Specified reporting criteria

The Code requires us to structure our commentary to report under three specified criteria:

1. **Financial sustainability** – how the Council plans and manages its resources to ensure it can continue to deliver its services;
2. **Governance** – how the Council ensures that it makes informed decisions and properly manages its risks; and
3. **Improving economy, efficiency and effectiveness** – how the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our approach

Our work falls into three primary phases as outlined opposite. We need to gather sufficient evidence to support our commentary on the Council's arrangements and to identify and report on any significant weaknesses in arrangements. Where significant weaknesses are identified we are required to report these to the Council and make recommendations for improvement. Such recommendations can be made at any point during the audit cycle and we are not expected to wait until issuing our overall commentary to do so.

Planning and risk assessment

Obtaining an understanding of the Council's arrangements for each specified reporting criteria. Relevant information sources include:

- NAO guidance and supporting information;
- information from internal and external sources including regulators;
- knowledge from previous audits and other audit work undertaken in the year; and
- interviews and discussions with officers and Members.

Additional risk-based procedures and evaluation

Where our planning work identifies risks of significant weaknesses, we will undertake additional procedures to determine whether there is a significant weakness.

Reporting

We will provide a summary of the work we have undertaken and our judgements against each of the specified reporting criteria as part of our commentary on arrangements. This will form part of the Auditor's Annual Report.

Our commentary will also highlight:

- significant weaknesses identified and our recommendations for improvement; and
- emerging issues or other matters that do not represent significant weaknesses but still require attention from the Council.

Value for money arrangements

Our work to follow-up on previous recommendations

As part of our 2022/23 audit, we identified significant weaknesses in the Council's arrangements. The table below sets out the significant weaknesses identified, our previous recommendations and the work we intend to carry out as part of our 2023/24 audit.

Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2022/23 recommendations	Planned procedures for 2023/24
<p>Financial Sustainability</p> <p>The Council's budgets for 2020/21, 2021/22 and 2022/23 all relied upon the use of reserves to bridge funding gaps. In addition, the Council's outturn position for each of these years were overspent. The Medium Term Financial Strategy (presented to Council in February 2023) projected funding gaps in 2024/25, 2025/26 and 2026/27 of £857k, £1,514k and £1,564k. The growing deficit is forecast to exhaust the Council's General Fund reserve by 2025/26, which is evidence of an unsustainable reliance on reserves and a lack of action to address the underlying reasons for persistent overspending.</p> <p>In our view the failure to address the underlying deficit is evidence of a significant weakness in the Council's arrangements for financial sustainability (how the Council plans to bridge its funding gaps and identify achievable savings) in 2020/21, 2021/22 and 2022/23</p>	<p>Financial sustainability</p>	<p>The Council should develop sustainable financial plans to ensure services can be provided within available resources. Specifically, the Council should:</p> <ul style="list-style-type: none"> • undertake a baseline assessment of the affordability of services and funding available against Council priorities; • develop a detailed plan to address the deficit; and • ensure sufficient information is available to monitor and deliver planned savings 	<p>Within our work we will:</p> <ul style="list-style-type: none"> • review the Council's financial budget and monitoring reporting; • review the Council's final outturn position; • consider savings targets set at the beginning of the year and understand any overspends; and • look at the medium term financial strategy of the Council.
<p>Weaknesses in Financial Reporting</p> <p>Since the 2018/19 financial year, the Council has not produced and published draft accounts according to the statutory reporting timetable. Specifically, the 2020/21 and 2021/22 accounts were both published in late 2023 and the 2022/23 accounts were published in early 2024. The Council has had an annual financial statements closedown plan in place, this has not been followed in 2020/21, 2021/22 and 2022/23.</p> <p>The Council's finance team has historically been under-resourced and the Chief Financial Officer has had to personally deliver operational duties involved in the production of the accounts. Within 2022/23, the Council recruited additional finance staff to address the under-resourcing but many new team members have limited local authority experience.</p>	<p>Governance</p>	<p>The Council should:</p> <ul style="list-style-type: none"> • adhere to the detailed closedown action plan to support production of its annual financial statements in line with the required timescales; and • ensure the finance team has the capacity and capability to produce reliable and fully supported annual financial statements. 	<p>Within our work we will</p> <ul style="list-style-type: none"> • understand the challenges and resource capabilities of the finance team; and • assess the publication of the financial statements against the required deadlines.

Value for money arrangements

Our work to follow-up on previous recommendations continued

Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2022/23 recommendations	Planned procedures for 2023/24
<p>Weaknesses in Financial Reporting continued</p> <p>As part of our ongoing audit of the 2018/19 financial statements, we have highlighted a number of shortfalls in the quality of the financial statements submitted for audit and we identified a series of deficiencies with underlying working papers and records. There is no evidence that in the subsequent period that any improvement has been made. In our view this is evidence of a significant weakness in the Council's arrangements for governance (how the Council ensures effective systems and processes are in place to support its statutory financial reporting requirements), in 2020/21, 2021/22 and 2022/23.</p>			
<p>Partnership with Rossendale Leisure Trust</p> <p>Rossendale Leisure Trust (the Trust) manages a number of the Council's leisure facilities and has done since 2004. During the period 2020/21, 2021/22 and 2022/23, the Council paid for pay and non-pay expenditure incurred by the Trust.</p> <p>During and following the COVID-19 pandemic the Council gave revenue financial support to the Trust including lease payment holidays and grant allocations, this has resulted in a significant balance currently being owed to the Council by the Trust. We have seen no evidence of a repayment plan to repay the debt and the Council has not accounted for any impairment of the balance.</p> <p>Officers have confirmed there is no formal overarching agreement or contract between the Council and the Trust. For a partnership of this size and nature we would expect to see a comprehensive, signed agreement in place that aims to protect the Council's interests. This deficiency in arrangements for the provision of leisure services is evidence of significant weaknesses in the Council's arrangements for governance (how the body ensures it makes properly informed decisions, supported by appropriate evidence) and for improving economy, efficiency and effectiveness (how the Council ensures that commissioned services realise the expected benefits), in 2020/21, 2021/22 and 2022/23.</p>	<p>Governance</p> <p>Improving the 3 E's</p>	<p>The Council should:</p> <ul style="list-style-type: none"> ensure that there is a comprehensive signed agreement in place to formally document the working relationship with Rossendale Leisure Trust; put in place arrangements to recover the debt owed by Rossendale Leisure Trust; and carry out an impairment review of the debt and recognise an expected credit loss where appropriate. 	<p>Within our work we will</p> <ul style="list-style-type: none"> understand and review progress on the Council obtaining a signed agreement with Rossendale Leisure Trust; review debt recovery progress and any impairment assessments; and understand the current and ongoing relationship that the Council has with the Leisure Trust.

Value for money arrangements

Our work to follow-up on previous recommendations continued

As part of our 2022/23 audit, we identified significant weaknesses in the Council's arrangements. The table below sets out the significant weaknesses identified, our previous recommendations and the work we intend to carry out as part of our 2023/24 audit.

Previously identified significant weakness in arrangements	Relevant reporting criteria	Our 2022/23 recommendations	Planned procedures for 2023/24
<p>Key financial controls</p> <p>As part of our ongoing work with the Council, we have noted that the most recent bank reconciliation completed by the Council officers we have observed was as at March 2023. This bank reconciliation, which we have not yet subjected to audit, included a significant unidentified amount.</p> <p>Bank reconciliations are a fundamental basis for the effective operation of financial controls and should be a regular test of the integrity of the Council's general ledger. The lack of completed bank reconciliations is a deficiency in these expected controls. This deficiency, exposes the Council to significant risk in relation to the proper operation of controls and assurance over its general ledger position. Although not material in the context of the accounts audit, this deficiency is significant and in our view is evidence of a significant weakness in governance arrangements (how the Council ensures effective processes and systems are in place to ensure budgetary and communicate relevant, accurate and timely management information) in 2022/23.</p>	<p>Governance</p>	<p>The Council should:</p> <ul style="list-style-type: none"> • address the backlog of bank reconciliations that have not been completed; • take action to clear and justify reconciling items; and • ensure processes are in place for the preparation and review of monthly bank reconciliations. 	<p>Within our work we will:</p> <ul style="list-style-type: none"> • review the monthly bank reconciliations; • investigate any large or unusual reconciling items; and • understand and document the key business process of bank and cash including the bank reconciliations.

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Audit fees and other services

Audit fees and other services

Fees for audit and other services

Our fees (exclusive of VAT and disbursements) for the audit of Rossendale Borough Council for the year ended 31 March 2024, are outlined below.

Fees for work as the Council's appointed auditor




At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated to the Council by PSAA.

Area of work	2023/24 Proposed Fee	2022/23 Proposed Fee
Code Audit Work	£137,043	£32,263
Additional audit fees	TBC	TBC
Total fees	£137,043	£32,263

07

Confirmation of our independence

Confirmation of our independence

	Requirements	We comply with the International Code of Ethics for Professional Accountants, including International Independence Standards issued by the International Ethics Standards Board for Accountants together with the ethical requirements that are relevant to our audit of the financial statements in the UK reflected in the ICAEW Code of Ethics and the FRC Ethical Standard 2019.
	Compliance	We are not aware of any relationship between Forvis Mazars and Rossendale Borough Council that, in our professional judgement, may reasonably be thought to impair our independence. We are independent of Rossendale Borough Council and have fulfilled our independence and ethical responsibilities in accordance with the requirements applicable to our audit.
	Non-audit and Audit fees	We have set out a summary any non-audit services provided by Forvis Mazars (with related fees) to Rossendale Borough Council in Section 6, together with our audit fees and independence assessment.

We are committed to independence and confirm that we comply with the FRC's Ethical Standard. In addition, we have set out in this section any matters or relationships we believe may have a bearing on our independence or the objectivity of our audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities, that create any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place that are designed to ensure that we carry out our work with integrity, objectivity, and independence. These policies include:

- All partners and staff are required to complete an annual independence declaration.
- All new partners and staff are required to complete an independence confirmation and complete annual ethical training.
- Rotation policies covering audit engagement partners and other key members of the audit team.
- Use by managers and partners of our client and engagement acceptance system, which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this report, that the engagement team and others in the firm as appropriate, Forvis Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence, please discuss these with Council in the first instance.

Prior to the provision of any non-audit services, Alastair Newall will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our independence as auditor.

Principal threats to our independence and the associated safeguards we have identified and/ or put in place are set out in Terms of Appointment issued by PSAA available from the PSAA website: [Terms of Appointment from 2018/19 - PSAA](#). Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Materiality and misstatements

Materiality and misstatements

Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Misstatements in the financial statements are considered to be material if they could, individually or in aggregate, reasonably be expected to influence the economic decisions of users based on the financial statements.

Materiality

We determine materiality for the financial statements as a whole (overall materiality) using a benchmark that, in our professional judgement, is most appropriate to entity. We also determine an amount less than materiality (performance materiality), which is applied when we carry out our audit procedures and is designed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Further, we set a threshold above which all misstatements we identify during our audit (adjusted and unadjusted) will be reported to the Audit and Accounts Committee.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on a consideration of the common financial information needs of users as a group and not on specific individual users.

An assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- Have a reasonable knowledge of business, economic activities, and accounts;
- Have a willingness to study the information in the financial statements with reasonable diligence;
- Understand that financial statements are prepared, presented, and audited to levels of materiality;
- Recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement, and consideration of future events; and
- Will make reasonable economic decisions based on the information in the financial statements.

We consider overall materiality and performance materiality while planning and performing our audit based on quantitative and qualitative factors

When planning our audit, we make judgements about the size of misstatements we consider to be material. This provide a basis for our risk assessment procedures, including identifying and assessing the risks of material misstatement, and determining the nature, timing and extent of our responses to those risks.

The overall materiality and performance materiality that we determine does not necessarily mean that uncorrected misstatements that are below materiality, individually or in aggregate, will be considered immaterial.

We revise materiality as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Materiality and misstatements

Materiality (continued)

We consider that gross revenue expenditure is the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold of 2% of gross revenue expenditure.

As set out in the table below, based on currently available draft financial statements we anticipate overall materiality for the year ended 31 March 2024 to be in the region of £747k (£819k in the prior year), and performance materiality to be in the region of £448k (£453k in the prior year).

We will continue to monitor materiality throughout our audit to ensure it is set at an appropriate level.

	2023/24 £'000s	2022/23 £'000s
Overall materiality	747	819
Performance materiality	448	491
Clearly trivial	22	25
Specific lower materiality – Senior Officer Remuneration	5	5

We will accumulate misstatements identified during our audit that are above our determined clearly trivial threshold.

We have set a clearly trivial threshold for individual misstatements we identify (a reporting threshold) for reporting to the Audit and Accounts Committee and management that is consistent with a threshold where misstatements below that amount would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements.

Based on our preliminary assessment of overall materiality, our proposed clearly trivial threshold is £22k, based on 3% of overall materiality. If you have any queries about this, please raise these with Alastair Newall.

Each misstatement above the reporting threshold that we identify will be classified as:

- **Adjusted:** Those misstatements that we identify and are corrected by management.
- **Unadjusted:** Those misstatements that we identify that are not corrected by management.

We will report all misstatements above the reporting threshold to management and request that they are corrected. If they are not corrected, we will report each misstatement to the Audit and Accounts Committee as unadjusted misstatements and, if they remain uncorrected, we will communicate the effect that they may have individually, or in aggregate, on our audit opinion.

Misstatements also cover quantitative misstatements, including those relating to the notes of the financial statements.

Reporting

In summary, we will categorise and report misstatements above the reporting threshold to the Audit and Accounts Committee as follows:

- Adjusted misstatements;
- Unadjusted misstatements; and
- Disclosure misstatements (adjusted and unadjusted).

Appendices

A: Key communication points

B: Current year updates, forthcoming accounting and other issues

C: Consultations on measures to tackle the local government financial reporting and audit backlog

Appendix A: Key communication points

We value communication with the Audit and Accounts Committee as a two way feedback process at the heart of our client service commitment. ISA (UK) 260 *Communication with Those Charged with Governance* and ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* specifically require us to communicate a number of points with you.

Relevant points that need to be communicated with you at each stage of the audit are outlined below.

Form, timing and content of our communications

We will present the following reports:

- Our Audit Strategy Memorandum;
- Our Audit Completion Report; and
- Auditor's Annual Report

These documents will be discussed with management prior to being presented to yourselves and their comments will be incorporated as appropriate.

Key communication points at the planning stage as included in this Audit strategy memorandum

- Our responsibilities in relation to the audit of the financial statements;
- The planned scope and timing of the audit;
- Significant audit risks and areas of management judgement;
- Our commitment to independence;
- Responsibilities for preventing and detecting errors;
- Materiality and misstatements; and
- Fees for audit and other services.

Key communication points at the completion stage to be included in our Audit Completion Report

- Significant deficiencies in internal control;
- Significant findings from the audit;
- Significant matters discussed with management;
- Significant difficulties, if any, encountered during the audit;
- Qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures;
- Our conclusions on the significant audit risks and areas of management judgement;
- Summary of misstatements;
- Management representation letter;
- Our proposed draft audit report; and
- Independence.

Appendix A: Key communication points

ISA (UK) 260 *Communication with Those Charged with Governance*, ISA (UK) 265 *Communicating Deficiencies In Internal Control To Those Charged With Governance And Management* and other ISAs specifically require us to communicate the following:

Required communication	Where addressed
Our responsibilities in relation to the financial statement audit and those of management and the Audit and Accounts Committee.	Audit Strategy Memorandum
The planned scope and timing of the audit including any limitations, specifically including with respect to significant risks.	Audit Strategy Memorandum
With respect to misstatements: <ul style="list-style-type: none"> • Uncorrected misstatements and their effect on our audit opinion; • The effect of uncorrected misstatements related to prior periods; • A request that any uncorrected misstatement is corrected; and • In writing, corrected misstatements that are significant. 	Audit Completion Report
With respect to fraud communications: <ul style="list-style-type: none"> • Enquiries of the Audit and Accounts Committee to determine whether they have a knowledge of any actual, suspected or alleged fraud affecting the entity; • Any fraud that we have identified or information we have obtained that indicates that fraud may exist; and • A discussion of any other matters related to fraud. 	Audit completion Report and discussion at Audit and Accounts Committee Audit planning and clearance meetings

Appendix A: Key communication points

Required communication	Where addressed
<p>Significant matters arising during the audit in connection with the entity’s related parties including, when applicable:</p> <ul style="list-style-type: none"> • Non-disclosure by management; • Inappropriate authorisation and approval of transactions; • Disagreement over disclosures; • Non-compliance with laws and regulations; and • Difficulty in identifying the party that ultimately controls the entity. 	<p>Audit Completion Report</p>
<p>Significant findings from the audit including:</p> <ul style="list-style-type: none"> • Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures; • Significant difficulties, if any, encountered during the audit; • Significant matters, if any, arising from the audit that were discussed with management or were the subject of correspondence with management; • Written representations that we are seeking; • Expected modifications to the audit report; and • Other matters, if any, significant to the oversight of the financial reporting process or otherwise identified in the course of the audit that we believe will be relevant to the Audit and Accounts Committee in the context of fulfilling their responsibilities. 	<p>Audit Completion Report</p>

Appendix A: Key communication points

Required communication	Where addressed
Significant deficiencies in internal controls identified during the audit.	Audit Completion Report and the Audit and Accounts Committee meetings
Where relevant, any issues identified with respect to authority to obtain external confirmations or inability to obtain relevant and reliable audit evidence from other procedures.	Audit Completion Report
Audit findings regarding non-compliance with laws and regulations where the non-compliance is material and believed to be intentional (subject to compliance with legislation on tipping off) and enquiry of the Audit and Accounts Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit and Accounts Committee may be aware of.	Audit Completion Report and Audit and Accounts Committee meetings
<p>With respect to going concern, events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> • Whether the events or conditions constitute a material uncertainty; • Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements; and • The adequacy of related disclosures in the financial statements. 	Audit Completion Report
<p>Communication regarding our system of quality management, compliant with ISQM 1, developed to support the consistent performance of quality audit engagements. To address the requirements of ISQM (UK) 1, the firm's ISQM 1 team completes, as part of an ongoing and iterative process, a number of key steps to assess and conclude on the firm's System of Quality Management:</p> <ul style="list-style-type: none"> • Ensure there is an appropriate assignment of responsibilities under ISQM1 and across Leadership • Establish and review quality objectives each year, ensuring ISQM (UK) 1 objectives align with the firm's strategies and priorities • Identify, review and update quality risks each quarter, taking into consideration of number of input sources (such as FRC / ICAEW review findings, AQT findings, RCA findings, etc.) • Identify, design and implement responses as part of the process to strengthen the firm's internal control environment and overall quality • Evaluate responses to identify and remediation process / control gaps <p>We perform an evaluation of our system of quality management on an annual basis. Our first evaluation was performed as of 31 August 2023. Details of that assessment and our conclusion are set out in our 2022/2023 Transparency Report, which is available on our website here.</p>	Audit Strategy Memorandum

Appendix B: Current year updates, forthcoming accounting & other issues

New standards and amendments

Effective for accounting periods beginning on or after 1 January 2024

The information detailed on this slide is for wider IFRS information only. They will be subject to inclusion within the FReM and Code as determined by FRAB.

Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current (Issued January 2020), Deferral of Effective Date (Issued July 2020) and Non-current Liabilities with Covenants (Issued October 2022)

The January 2020 amendments clarify the requirements for classifying liabilities as current or non-current in IAS 1 by providing clarification surrounding: when to assess classification; understanding what is an 'unconditional right'; whether to determine classification based on an entity's right versus discretion and expectation; and dealing with settlements after the reporting date.

The October 2022 amendments specify how covenants should be taken into account in the classification of a liability as current or non-current. Only covenants with which an entity is required to comply with by the reporting date affect the classification as current or non-current. Classification is not therefore affected if the right to defer settlement of a liability for at least 12 months is subject to compliance with covenants at a date after the reporting date. These amendments also clarify the disclosures about the nature of covenants, so that users of financial statements can assess the risk that non-current debts accompanied by covenants may become repayable within 12 months.

Amendments to IAS 16 Leases: Lease Liability in Sale and Leaseback (Issued September 2022)

The amendments include additional requirements to explain how to subsequently measure the lease liability in a sale and leaseback transaction, specifically how to include variable lease payments.

For further information, please refer to our blog article: [Amendments to IFRS 16 Leases – Lease Liability in a Sale and Leaseback](#)

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued May 2023)

The amendments introduce changes to the disclosure requirements around supplier finance arrangements with the intention of providing more detailed information to help users analyse and understand the effects of such arrangements.

The amendments provide an overarching disclosure objective to ensure that users of financial statements are able to assess the effects of such arrangements on an entity's liabilities and cash flows, as well as some additional disclosure requirements relating to the specific terms and conditions of the arrangement, quantitative information about changes in financial liabilities that are part of the supplier financing arrangement, and about an entity's exposure to liquidity risk.

For further information, please refer to our blog article: [IASB publishes final amendments on supplier finance arrangements](#)

Appendix B: Current year updates, forthcoming accounting & other issues

New standards and amendments (continued)

Effective for accounting periods beginning on or after 1 January 2023

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies (Issued February 2021)

The amendments set out new requirements for material accounting policy information to be disclosed, rather than significant accounting policies. Immaterial accounting policy information should not be disclosed as accounting policy information taken in isolation is unlikely to be material, but it is when the information is considered together with other information in the financial statements that may make it material.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Issued February 2021)

The amendment introduces a new definition for accounting estimates and clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events.

IFRS 17 Insurance Contracts (issued May 2017) and Amendments to IFRS 17 Insurance Contracts (Issued June 2020)

IFRS 17 is a new standard that will replace IFRS 4 *Insurance Contracts* (IFRS 4). The standard sets out the principles for the recognition, measurement, presentation and disclosure about insurance contracts issued, and reinsurance contracts held, by entities.

Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Financial Instruments (Issued December 2021)

The amendments address potential mismatches between the measurement of financial assets and insurance liabilities in the comparative period because of different transitional requirements in IFRS 9 and IFRS 17. The amendments introduce a classification overlay under which a financial asset is permitted to be presented in the comparative period as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset in the comparative period. The classification overlay can be applied on an instrument-by-instrument basis.

IFRS 17 Insurance Contracts has not yet been adopted by the FReM. Adoption in the FReM is expected to be from April 2025; early adoption is not permitted.

Appendix C: Consultations on measures to tackle the local government financial reporting and audit backlog

As we outline in the introduction to this report, there are a number of consultations currently taking place that may have implications for: the format and content of the Council's financial statements, the work we are required to undertake under the Code of Audit Practice and the timetable for the publication of the audited statements of account.

In this Appendix, we summarise the proposals in each of the consultations for information.

DLUHC consultation on addressing the local audit backlog in England

This [consultation](#) proposes a range of measures aimed at 'clear the backlog and put the system on a sustainable footing' and outlines two key phases of recovery up to 2027/28. A key aspect of the proposals is to require Category 1 bodies, such as the Council, to publish audited financial statements by a series of backstop dates. This proposal will be put in place by amending the Accounts and Audit Regulations 2015. For statements of account for financial years up to and including 2022/23, this would mean audited accounts will need to be published by 30 September 2024 unless a pre-defined exemption criteria has been met (such as there being an outstanding objection to the accounts at the backstop date).

The consultation sets out other proposals including:

- Publishing a list of bodies and audit firms which do not meet the statutory deadline for publishing audited statements of account; and
- Setting out 'backstop' dates for each financial year up to and including 2027/28.

In including a statutory backstop date for the publication of audited statements of account, the consultation makes it clear that the DLUHC expects that this will give rise to auditors issuing modified audit reports where they have not been able to complete their work on the financial statements.

The consultation has closed and the government recently published their proposals – see page 9 for more information

NAO consultation on draft amendments to the Code of Audit Practice

This [consultation](#) has been launched alongside DLUHC's consultation on amendments to the Accounts and Audit Regulations 2015 and seeks to introduce measures that support more timely auditor reporting. The principal changes to the Code of Audit Practice being proposed are to:

- Require the auditor to issue an opinion on the financial statements by the 'backstop' date outlined in the amended Accounts and Audit Regulations 2015, whether this opinion is modified or not (subject to a number of exemptions);
- Allow the auditor to apply a reduced scope of work in relation to VFM arrangements work for outstanding audits up to and including 2022/23; and
- Require the auditor to publish the Auditor's Annual Report by 30 November each year from the 2023/24 audit year, and for this report to provide a summary of progress on the audit at the time of issue (even if the audit is not complete).

The consultation has closed but the outcome is currently unknown.

Contact

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Forvis Mazars LLP is the UK firm of Forvis Mazars Global, a leading global professional services network. Forvis Mazars LLP is a limited liability partnership registered in England and Wales with registered number OC308299 and with its registered office at 30 Old Bailey, London, EC4M 7AU. Registered to carry on audit work in the UK by the Institute of Chartered Accountants in England and Wales. Details about our audit registration can be viewed at www.auditregister.org.uk under reference number C001139861. VAT number: GB 839 8356 73

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