



Audit Completion Report

Rossendale Borough Council – year ended 31 March 2019

December 2024

Rossendale Borough Council
Futures Park
Bacup
OL13 0BB

3rd December 2024

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

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 08 March 2019.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 01.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986 776.

Yours faithfully

Alastair Newall

Forvis Mazars LLP

Contents

- 01** Executive summary
- 02** Audit approach
- 03** Significant findings
- 04** Value for Money arrangements

- A** Appendix A: Draft management representation letter
- B** Appendix B: Draft audit report
- C** Appendix C: Confirmation of our independence

01

Executive Summary

Executive summary

The scope of our audit and implications of the backstop arrangements

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 08 March 2019. Since then, Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2018/19 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We anticipate concluding that the Council does have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, except in relation to its relationship with Rossendale Leisure Trust. Further detail on our Value for Money work is provided in section 4 of this report.

Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council financial statements, we do not anticipate reporting to the NAO on the Council's Whole of Government Accounts submission. The NAO have signed off the 2018/19 Whole of Government Accounts and we do not anticipate any further work will be required.

Wider powers

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 to consider any objection made to the accounts.

02

Audit Approach

Audit Approach

Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our provisional materiality at the planning stage of the audit was set at £775k using a benchmark of 2% of gross operating expenditure.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 08 March 2023.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit, which are summarised below.

Significant risks

Significant risks identified:

- Valuation of Land and Buildings
- Valuation of Investment Properties
- Management override of controls
- Defined benefit pension asset/liability valuation

Although we are unable to provide any assurance over the areas of risks we have identified, where matters

have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

03

Significant findings

Significant findings

Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

The basis of our disclaimer of opinion is the introduction of the backstop arrangements which require the Council to publish its audited 2018/19 financial statements by 13 December 2024.

The audit report will not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Significant delays in the production of draft accounts supported by appropriate working papers.

We have written to management and TCWG regarding instances of fraud and non-compliance with laws and regulations during the year. We are yet to receive a response to our letters. We have not undertaken any further work in these areas and do not provide assurance that the financial statements are free from material error

Significant difficulties during the audit

We have reported to the Accounts and Audit Committee previously that we have experienced significant difficulties when carrying out our audit work. These issues began with the delay in the predecessor auditor issuing their opinion on the Council's 2017/18 accounts until July 2022. This resulted in us agreeing with the Council to stop our audit work on the 2018/19 accounts to enable the Council to focus on completing the 2017/18 audit. By the time the 2017/18 audit was completed the Council had experienced significant turnover of finance staff with the consequential loss of corporate knowledge, and this significantly impacted our ability to complete audit work on the outstanding audit years. The turnover of staff also significantly impacted on the Council's ability to produce its draft accounts, causing delays in publishing the 2020/21, 2021/22 and 2022/23 accounts.

Although we have carried out limited substantive work on the 2018/19 accounts, we have performed a review of the financial statements and carried out basic checks which include casting, consistency and comparison to prior year accounts. This work has identified a significant number of material discrepancies throughout the accounts as well as material differences between the reported Cash at Bank balance and the balance in the Council's bank reconciliation.

Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit and Accounts Committee.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report

Other observations on internal control

We also report to you, our observations on the Council internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit and Accounts Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Summary of amendments to the financial statements

The Council's S151 Officer, Chief Finance Officer, authorised the Council's draft financial statements for issue on 10/06/2019.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit and Accounts Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

There have been no amendments made to the financial statements

Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standard require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements.

The audit procedures that we were able to complete identified several instances where there were material differences between the opening balances disclosed in the financial statements for the year ended 31 March 2019 and the closing balances disclosed in the financial statements for the year ended 31 March 2018. The existence of these material differences would have made it necessary for us to modify our opinion on the financial statements if we had not disclaimed our opinion.

04

Value for Money

Value for Money arrangements

Our approach to Value for Money

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 conclusion, and sets out the 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 a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

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

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<ul style="list-style-type: none"> • Constitution in place which is available on the Council website. • Council plan in place for the period and regularly updated. • No data quality issues in respect of performance information that we are aware of. • Regular reporting to TCWG of performance and financial information which includes variances. • Medium Term Financial Plan (MTFP) in place (2018-2023) which is updated annually. Quarterly reporting is taken to Cabinet which sets out the position on the MTFP, including impact on future years. • Regular and timely reporting to members. • Risk register and management arrangements are in place. Risks are reported to Audit and Accounts Committee along with regular reporting by internal audit. • Annual Governance Statement is prepared and reviewed by members. 	Yes

Value for Money arrangements

Our approach to Value for Money continued

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<ul style="list-style-type: none"> • Financial and performance reports records progress against financial targets. • The need to transform services to reduce costs is recognised. • MTFP is updated annually as part of the budget setting and quarterly monitoring reports are reported which include savings targets and potential risks. • Asset register in place along with the Capital Plan. • HR policies and procedures in place. 	Yes
Working with partners and other third parties	<ul style="list-style-type: none"> • Council plan is in place for the period, and available on the Council website. • There are some good examples of partnership working in place to reduce costs and improve service delivery. • There is no signed agreement between the Council and Rossendale Leisure Trust, exposing the Council to risk of financial loss and reducing its ability to manage and control leisure services delivered by the Trust. • The Council has written procedures in place for procuring products and services. 	Yes except for the weakness relating to arrangements with Rossendale Leisure Trust

Value for Money arrangements

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money 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. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk, being financial sustainability over the medium term. Subsequently we have identified a further risk of significant weakness in arrangements, being the relationship with Rossendale Leisure Trust. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<p>Arrangements to deliver Financial Sustainability over the medium term</p> <p>The Council's medium term financial strategy and budget for 2018/19 sets out the financial challenges it faces. The Council's initial 2018/19 budget indicated an underlying deficit of £851k. Members approved the use of £795k 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 have reviewed 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 have also review the arrangements in place to monitor progress delivering the budget and related savings plans.</p> <p>Findings: The budget for the year was taken to Cabinet in February 2019. This set a budget for net expenditure of £10,070k, of which savings required were £1,380k and £492k had been identified. The Medium Term Financial Plan (MTFP) was largely balanced, there was a planned use of reserves however the earmarked reserves were significant and more than sufficient to cover the additional use of them to support overspends. The budget report is sufficiently detailed and includes a number of assumptions that are clearly set out to members. Quarterly monitoring reports are presented to Cabinet giving an updated position of the Council against the financial targets.</p>	<p>We have updated our knowledge of the arrangements that the Council has in place, and our work has mitigated the risk that we identified at the planning stage.</p> <p>We conclude that for 2018/19 the Council had proper arrangements in place for delivery financial sustainability over the medium term.</p>

Value for Money arrangements

Significant Value for Money risks continued

Risk	Work undertaken	Conclusion
<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 have reviewed the arrangements the Council has in place with Rossendale Leisure Trust and sought to obtain any formal agreements and contracts that clearly define responsibilities.</p> <p>We have also reviewed details of any outstanding debtor balance owed to the Council from the Trust and any corresponding impairment assessments.</p> <p>Findings: The Council has had a close working relationship with Rossendale Leisure Trust for a number of years. We have sought to obtain and review all formal contracts and agreements in place but have not been provided with such documentation. Our understanding is that there were no outstanding debts in March 2019 between the Council and the Trust. However, the lack of a signed operating agreement exposes the Council to a risk of financial loss and does not assist their management and control of the Leisure Trust's service delivery.</p>	<p>We conclude that for 2018/19 the Council does not have proper arrangements in place in respect of its relationship with Rossendale Leisure Trust.</p>

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an 'except for' conclusion highlight that except for the weakness in arrangements with Rossendale Leisure Trust, the Council has proper arrangements in place for the 2018/19 financial year.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

Appendix A: Draft management representation letter

TO BE PROVIDED ON CLIENT LETTERHEAD

One St Peter's Square
Manchester
M2 3DE

[Date]

Dear Alastair,

Rossendale Borough Council - Audit for Year Ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Rossendale Borough Council the 'Council' for the year ended 31 March 2019. I note that you intend to intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2018/19 in relation to the Council's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

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

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Signed

Appendix B: Draft audit report

The draft report will be provided at the conclusion of the audit.

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Contact

Forvis Mazars

Alastair Newall

Director

Tel: +44 (0)161 238 9243

Alastair.newall@mazars.com

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Audit Completion Report

Rossendale Borough Council – year ended 31 March 2020

December 2024

Rossendale Borough Council
Futures Park
Bacup
OL13 0BB

3rd December 2024

Dear Committee Members,

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As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 01.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986 776.

Yours faithfully

Alastair Newall

Forvis Mazars LLP

Contents

- 01** Executive summary
- 02** Audit approach
- 03** Significant findings
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- A** Appendix A: Draft management representation letter
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The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We anticipate concluding that the Council does have proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources, except in relation to its relationship with Rossendale Leisure Trust and key financial controls in their financial reporting processes. Further detail on our Value for Money work is provided in section 4 of this report.

Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council financial statements, we do not anticipate reporting to the NAO on the Council's Whole of Government Accounts submission. The NAO have signed off the 2019/20 Whole of Government Accounts and we do not anticipate any further work will be required.

Wider powers

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 to consider any objection made to the accounts. No such correspondence from electors has been received.

02

Audit Approach

Audit Approach

Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our provisional materiality at the planning stage of the audit was set at £819k using a benchmark of 2% of gross operating expenditure.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 25 September 2024.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit, which are summarised below.

Significant risks

Significant risks identified:

- Valuation of Land and Buildings
- Valuation of Investment Properties
- Management override of controls
- Defined benefit pension asset/liability valuation

Enhanced risks / areas of significant management judgement

Enhanced risks identified:

- Expected credit loss of financial assets

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

03

Significant findings

Significant findings

Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

The basis of our disclaimer of opinion is the introduction of the backstop arrangements which require the Council to publish its audited 2019/20 financial statements by 13 December 2024.

The audit report will not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have made statutory recommendations from our 2019/20 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Recommendations under paragraph 2 of Schedule 7 of the Local Audit and Accountability Act 2014

Our audit work has identified material unexplained discrepancies between the closing balances reported in the Council's draft accounts for the 2018/19 financial year and the opening balances reported in the draft accounts for the 2019/20 financial year. Similar unexplained discrepancies were present in the subsequent draft accounts up to and including the 2023/24 financial year. In addition, the Council has not been able to provide evidence that it reconciled its bank statements with the balances recorded in its general ledger during the 2019/20, 2020/21, 2021/22, and 2022/23 financial years.

We recommend the Council should resolve and correct the discrepancies between its draft financial statements from the 2018/19 to 2023/24 financial years before the end of the 2024/25 financial year.

We also recommend the Council should

- carry out a bank reconciliation at 31 March 2020, 2021, 2022 and 2023,
- from April 2023 onwards reconcile its bank statements with the balances recorded in the general ledger on a monthly basis for each month,
- complete each month's bank reconciliation within one month of the month end, and
- report its compliance with this control to each meeting of the Audit & Accounts Committee.

These recommendations will be sent to the Secretary of State for Housing, Communities and Local Government. The Council is required to consider the recommendations at a meeting held before the end of the period of one month beginning with the day on which the recommendations were sent to them. At that meeting the Council must decide what action, if any, to take in response to the recommendations. The Council is required to publicise the meeting and, subsequently, the decision taken at the meeting.

Significant findings continued

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Significant delays in the production of draft accounts supported by appropriate working papers; and
- Appropriate key financial controls being implemented by the Council.

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

We have written to management and TCWG regarding instances of fraud and non-compliance with laws and regulations during the year. We are yet to receive a response to our letters. We have not undertaken any further work in these areas and do not provide assurance that the financial statements are free from material error

Significant difficulties during the audit

We have reported to the Accounts and Audit Committee previously that we have experienced significant difficulties when carrying out our audit work. These issues began with the delay in the predecessor auditor issuing their opinion on the Council's 2017/18 accounts until July 2022. This resulted in us agreeing with the Council to stop our audit work on the 2018/19 accounts to enable the Council to focus on completing the 2017/18 audit. By the time the 2017/18 audit was completed the Council had experienced significant turnover of finance staff with the consequential loss of corporate knowledge, and this significantly impacted our ability to complete audit work on the outstanding audit years. The turnover of staff also significantly impacted on the Council's ability to produce its draft accounts, causing delays in publishing the 2020/21, 2021/22 and 2022/23 accounts.

Although we have carried out no substantive work on the 2019/20 accounts, we have performed a review of the financial statements and carried out basic checks which include casting, consistency and comparison to prior year accounts. This work has identified a significant number of material discrepancies throughout the accounts as well as material differences between the reported Cash at Bank balance and the balance in the Council's bank reconciliation.

Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit and Accounts Committee.

We have not identified any significant deficiencies in the Council's internal controls as at the date of this report.

Other observations on internal control

We also report to you, our observations on the Council internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit and Accounts Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Summary of amendments to the financial statements

The Council's S151 Officer, Chief Finance Officer, authorised the Council's draft financial statements for issue on 31/01/2020.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit and Accounts Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

There have been no amendments made to the financial statements

Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standard require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements.

The audit procedures that we were able to complete identified several instances where there were material differences between the opening balances disclosed in the financial statements for the year ended 31 March 2020 and the closing balances disclosed in the financial statements for the year ended 31 March 2019. The existence of these material differences would have made it necessary for us to modify our opinion on the financial statements if we had not disclaimed our opinion.

Value for Money arrangements work

Value for Money arrangements

Our approach to Value for Money

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 conclusion, and sets out the 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 a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

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

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Sub-criteria	Commentary	Arrangements in place?
Informed decision making	<ul style="list-style-type: none"> • Constitution in place which is available on the Council website. • Council plan in place for the period and regularly updated. • No data quality issues in respect of performance information that we are aware of. • Regular reporting to TCWG of performance and financial information which includes variances. • Medium Term Financial Plan (MTFP) in place (2019-2024) which is updated annually. Quarterly reporting is taken to Cabinet which sets out the position on the MTFP, including impact on future years. • Regular and timely reporting to members. • Risk register and management arrangements are in place. Risks are reported to Audit and Accounts Committee along with regular reporting by internal audit. • Annual Governance Statement is prepared and reviewed by members. • Discussions with management has highlighted that monthly bank reconciliations were not performed throughout the year. 	Yes- except for the weakness relating to key financial controls.

Value for Money arrangements

Our approach to Value for Money continued

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<ul style="list-style-type: none">• Financial and performance reports records progress against financial targets.• The need to transform services to reduce costs is recognised.• MTFP is updated annually as part of the budget setting and quarterly monitoring reports are reported which include savings targets and potential risks.• Asset register in place along with the Capital Plan.• HR policies and procedures in place.	Yes
Working with partners and other third parties	<ul style="list-style-type: none">• Council plan is in place for the period, and available on the Council website.• There are some good examples of partnership working in place to reduce costs and improve service delivery.• There is no signed agreement between the Council and Rossendale Leisure Trust, exposing the Council to risk of financial loss and reducing its ability to manage and control leisure services delivered by the Trust.• The Council has written procedures in place for procuring products and services.	Yes except for the weakness relating to arrangements with Rossendale Leisure Trust

Value for Money arrangements

Significant Value for Money risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money 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. In our Audit Strategy Memorandum, we reported that we had identified two significant Value for Money risks. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken	Conclusion
<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 have reviewed 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 have also review the arrangements in place to monitor progress delivering the budget and related savings plans.</p> <p>Findings: The budget for the year was taken to Cabinet in February 2020. This set a budget for net expenditure of £9,931k, of which savings required were £1,211k and £700k had been identified. The Medium Term Financial Plan (MTFP) was largely balanced, there was a planned use of reserves however the earmarked reserves were significant and more than sufficient to cover the additional use of them to support overspends. The budget report is sufficiently detailed and includes a number of assumptions that are clearly set out to members. Quarterly monitoring reports are presented to Cabinet giving an updated position of the Council against the financial targets.</p>	<p>We have updated our knowledge of the arrangements that the Council has in place, and our work has mitigated the risk that we identified at the planning stage.</p> <p>We conclude that for 2019/20 the Council had proper arrangements in place for delivery financial sustainability over the medium term.</p>

Value for Money arrangements

Significant Value for Money risks continued

Risk	Work undertaken	Conclusion
<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 have reviewed the arrangements the Council has in place with Rossendale Leisure Trust and sought to obtain any formal agreements and contracts that clearly define responsibilities.</p> <p>We have also reviewed details of any outstanding debtor balance owed to the Council from the Trust and any corresponding impairment assessments.</p> <p>Findings: The Council has had a close working relationship with Rossendale Leisure Trust for a number of years. We have sought to obtain and review all formal contracts and agreements in place but have not been provided with such documentation. Our understanding is that there were no outstanding debts in March 2020 between the Council and the Trust. However, the lack of a signed operating agreement exposes the Council to a risk of financial loss and does not assist their management and control of the Leisure Trust's service delivery.</p>	<p>We conclude that for 2019/20 the Council does not have proper arrangements in place in respect of its relationship with Rossendale Leisure Trust.</p>
<p>Key financial controls</p> <p>As part of our ongoing work with the Council, we have noted that monthly bank reconciliations were not performed throughout 2019/20.</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.</p>	<p>We have held discussions with management regarding the internal controls and processes in place during 2019/20.</p> <p>Findings: Monthly bank reconciliations were not completed during the year. An exercise has been performed subsequently reconciling the bank to the ledger as at 31 March 2020, this was completed in 2023/24 and has not been subject to audit.</p>	<p>We conclude that for 2019/20 the Council does not have proper arrangements in place in respect of its key financial controls.</p>

Our overall Value for Money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an 'except for' conclusion highlight that except for the weakness in arrangements with Rossendale Leisure Trust and key financial controls, the Council has proper arrangements in place for the 2019/20 financial year.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

Appendix A: Draft management representation letter

TO BE PROVIDED ON CLIENT LETTERHEAD

One St Peter's Square
Manchester
M2 3DE

[Date]

Dear Alastair,

Rossendale Borough Council - Audit for Year Ended 31 March 2020

This representation letter is provided in connection with your audit of the financial statements of Rossendale Borough Council the 'Council' for the year ended 31 March 2020. I note that you intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2019/20 in relation to the Council's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

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

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Signed

Appendix B: Draft audit report

The draft report will be provided at the conclusion of the audit.

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Contact

Forvis Mazars

Alastair Newall

Director

Tel: +44 (0)161 238 9243

Alastair.newall@mazars.com

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Audit Completion Report

Rossendale Borough Council – year ended 31 March 2021

December 2024

Rossendale Borough Council
Futures Park
Bacup
OL13 0BB

3rd December 2024

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 September 2024.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 01.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986 776.

Yours faithfully

Alastair Newall

Forvis Mazars LLP

Contents

- 01** Executive summary
- 02** Audit approach
- 03** Significant findings
- 04** Value for Money

- A** Appendix A: Draft management representation letter
- B** Appendix B: Draft audit report
- C** Appendix C: Confirmation of our independence

01

Executive Summary

Executive summary

The scope of our audit and implications of the backstop arrangements

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 September 2024. Since then, Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2020/21 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 4 of this report.

Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council financial statements, we do not anticipate reporting to the NAO on the Council's Whole of Government Accounts submission. The NAO have signed off the 2020/21 Whole of Government Accounts and we do not anticipate any further work will be required.

Wider powers

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 to consider any objection made to the accounts. No such correspondence from electors has been received.

02

Audit Approach

Audit Approach

Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our provisional materiality at the planning stage of the audit was set at £819k using a benchmark of 2% of gross operating expenditure.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 25 September 2024.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit, which are summarised below.

Significant risks

Significant risks identified:

- Valuation of Land and Buildings
- Valuation of Investment Properties
- Management override of controls
- Defined benefit pension asset/liability valuation

Enhanced risks / areas of significant management judgement

Enhanced risks identified:

- Expected credit loss of financial assets

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

03

Significant findings

Significant findings

Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

The basis of our disclaimer of opinion is the introduction of the backstop arrangements which require the Council to publish its audited 2020/21 financial statements by 13 December 2024.

The audit report will not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit. However, a statutory recommendation was issued in 2019/20 which applies to 2020/21.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Significant delays in the production of draft accounts supported by appropriate working papers; and
- Appropriate key financial controls being implemented by the Council.

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

We have written to management and TCWG regarding instances of fraud and non-compliance with laws and regulations during the year. We are yet to receive a response to our letters. We have not undertaken any further work in these areas and do not provide assurance that the financial statements are free from material error.

Significant difficulties during the audit

We have reported to the Accounts and Audit Committee previously that we have experienced significant difficulties when carrying out our audit work. These issues began with the delay in the predecessor auditor issuing their opinion on the Council's 2017/18 accounts until July 2022. This resulted in us agreeing with the Council to stop our audit work on the 2018/19 accounts to enable the Council to focus on completing the 2017/18 audit. By the time the 2017/18 audit was completed the Council had experienced significant turnover of finance staff with the consequential loss of corporate knowledge, and this significantly impacted our ability to complete audit work on the outstanding audit years. The turnover of staff also significantly impacted on the Council's ability to produce its draft accounts, causing delays in publishing the 2020/21 accounts.

Although we have carried out no substantive work on the 2020/21 accounts, we have performed a review of the financial statements and carried out basic checks which include casting, consistency and comparison to prior year accounts. This work has identified a significant number of material discrepancies throughout the accounts as well as material differences between the reported Cash at Bank balance and the balance in the Council's bank reconciliation.

Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit and Accounts Committee.

The statutory recommendation which was issued for the 2019/20 year is applicable for the 2020/21 audit. This statutory recommendation highlights significant deficiencies in the Council's internal controls for financial reporting and bank reconciliations.

Other observations on internal control

We also report to you, our observations on the Council internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit and Accounts Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Summary of amendments to the financial statements

The Council's S151 Officer, Chief Finance Officer, authorised the Council's draft financial statements for issue on 20/06/2023.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit and Accounts Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

Management have made no amendments made to the financial statements.

Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standard require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements.

The audit procedures that we were able to complete identified several instances where there were material differences between the opening balances disclosed in the financial statements for the year ended 31 March 2021 and the closing balances disclosed in the financial statements for the year ended 31 March 2020. The Council has not completed its work to establish the correct balances and we are therefore unable to conclude the extent of the material misstatements. The existence of these material differences would have made it necessary for us to modify our opinion on the financial statements if we had not disclaimed our opinion.

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money arrangements work

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **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.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report following the signed audit report.

Status of our work

We have completed our work in respect of the Council arrangements for the year ended 31 March 2021 and have identified four significant weaknesses in arrangements and have made associated recommendations. We reported our commentary on the Council's VFM arrangements, including the significant weaknesses and recommendations in our report to the Audit & Accounts Committee in March 2024. The commentary will be incorporated in our Auditor's Annual Report to be issued once we have issued our signed audit report.

Our audit report will confirm that we have matters to report in respect of significant weaknesses.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

Appendix A: Draft management representation letter

TO BE PROVIDED ON CLIENT LETTERHEAD

One St Peter's Square
Manchester
M2 3DE

[Date]

Dear Alastair,

Rossendale Borough Council - Audit for Year Ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Rossendale Borough Council the 'Council' for the year ended 31 March 2021. I note that you intend to intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2020/21 in relation to the Council's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

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

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Signed

Appendix B: Draft audit report

The draft report will be provided at the conclusion of the audit.

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Contact

Forvis Mazars

Alastair Newall

Director

Tel: +44 (0)161 238 9243

Alastair.newall@mazars.com

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Audit Completion Report

Rossendale Borough Council – year ended 31 March 2022

December 2024

Rossendale Borough Council
Futures Park
Bacup
OL13 0BB

3 December 2024

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2022

We are pleased to present our Audit Completion Report for the year ended 31 March 2022. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 September 2024.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 01.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986 776.

Yours faithfully

Alastair Newall

Forvis Mazars LLP

Contents

- 01** Executive summary
- 02** Audit approach
- 03** Significant findings
- 04** Value for Money

- A** Appendix A: Draft management representation letter
- B** Appendix B: Draft audit report
- C** Appendix C: Confirmation of our independence

01

Executive Summary

Executive summary

The scope of our audit and implications of the backstop arrangements

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2021/22 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 September 2024. Since then, Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2021/22 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 4 of this report.

Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council financial statements, we do not anticipate reporting to the NAO on the Council's Whole of Government Accounts submission. The NAO have signed off the 2021/22 Whole of Government Accounts and we do not anticipate any further work will be required.

Wider powers

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 to consider any objection made to the accounts. No such correspondence from electors has been received.

02

Audit Approach

Audit Approach

Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our provisional materiality at the planning stage of the audit was set at £795k using a benchmark of 2% of gross operating expenditure.

There have been no changes to the materiality levels we communicated in the Audit Strategy Memorandum.

Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 25 September 2024.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit, which are summarised below.

Significant risks

Significant risks identified:

- Valuation of Land and Buildings
- Valuation of Investment Properties
- Management override of controls
- Defined benefit pension asset/liability valuation

Enhanced risks / areas of significant management judgement

Enhanced risks identified:

- Expected credit loss of financial assets

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

03

Significant findings

Significant findings

Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

The basis of our disclaimer of opinion is the introduction of the backstop arrangements which require the Council to publish its audited 2021/22 financial statements by 13 December 2024.

The audit report will not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2021/22 audit. However, a statutory recommendation was issued in 2019/20 which applies to 2021/22.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Significant delays in the production of draft accounts supported by appropriate working papers; and
- Appropriate key financial controls being implemented by the Council.

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

We have written to management and TCWG regarding instances of fraud and non-compliance with laws and regulations during the year. We are yet to receive a response to our letters. We have not undertaken any further work in these areas and do not provide assurance that the financial statements are free from material error.

Significant difficulties during the audit

We have reported to the Accounts and Audit Committee previously that we have experienced significant difficulties when carrying out our audit work. These issues began with the delay in the predecessor auditor issuing their opinion on the Council's 2017/18 accounts until July 2022. This resulted in us agreeing with the Council to stop our audit work on the 2018/19 accounts to enable the Council to focus on completing the 2017/18 audit. By the time the 2017/18 audit was completed the Council had experienced significant turnover of finance staff with the consequential loss of corporate knowledge, and this significantly impacted our ability to complete audit work on the outstanding audit years. The turnover of staff also significantly impacted on the Council's ability to produce its draft accounts, causing delays in publishing the 2021/22 accounts.

Although we have carried out no substantive work on the 2021/22 accounts, we have performed a review of the financial statements and carried out basic checks which include casting, consistency and comparison to prior year accounts. This work has identified a significant number of material discrepancies throughout the accounts as well as material differences between the reported Cash at Bank balance and the balance in the Council's bank reconciliation.

Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit and Governance Committee.

The statutory recommendation which was issued for the 2019/20 year is applicable for the 2021/22 audit. This statutory recommendation highlights significant deficiencies in the Council's internal controls for financial reporting and bank reconciliations.

Other observations on internal control

We also report to you, our observations on the Council internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit and Governance Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Summary of amendments to the financial statements

The Council's S151 Officer, Chief Finance Officer, authorised the Council's draft financial statements for issue on 28/09/2023.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit and Governance Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

Management have made no amendments made to the financial statements.

Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standard require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements.

The audit procedures that we were able to complete identified several instances where there were material differences between the opening balances disclosed in the financial statements for the year ended 31 March 2022 and the closing balances disclosed in the financial statements for the year ended 31 March 2021. The Council has not completed its work to establish the correct balances and we are therefore unable to conclude the extent of the material misstatements. The existence of these material differences would have made it necessary for us to modify our opinion on the financial statements if we had not disclaimed our opinion.

04

Value for Money

Value for Money

Approach to Value for Money

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **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.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report following the signed audit report.

Status of our work

We have completed our work in respect of the Council arrangements for the year ended 31 March 2022 and have identified four significant weaknesses in arrangements and have made associated recommendations. We reported our commentary on the Council's VFM arrangements, including the significant weaknesses and recommendations in our report to the Audit & Accounts Committee in March 2024. The commentary will be incorporated in our Auditor's Annual Report to be issued once we have issued our signed audit report.

Our audit report will confirm that we have matters to report in respect of significant weaknesses.

Appendices

A: Draft management representation letter

B: Draft audit report

C: Confirmation of our independence

Appendix A: Draft management representation letter

TO BE PROVIDED ON CLIENT LETTERHEAD

One St Peter's Square
Manchester
M2 3DE

[Date]

Dear Alastair,

Rossendale Borough Council - Audit for Year Ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Rossendale Borough Council the 'Council' for the year ended 31 March 2021. I note that you intend to intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

Fraud and error

I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2020/21 in relation to the Council's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment

Covid-19

I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

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

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Signed

Appendix B: Draft audit report

The draft report will be provided at the conclusion of the audit.

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Contact

Forvis Mazars

Alastair Newall

Director

Tel: +44 (0)161 238 9243

Alastair.newall@mazars.com

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 Completion Report

Rossendale Borough Council – year ended 31 March 2023

December 2024

Rossendale Borough Council
Futures Park
Bacup
OL13 0BB

3rd December 2024

Dear Committee Members,

Audit Completion Report – Year ended 31 March 2023

We are pleased to present our Audit Completion Report for the year ended 31 March 2023. The purpose of this document is to summarise our audit conclusions. The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on the 25 September 2024.

As a result of the legislative backstop arrangements introduced by the amendments to the Accounts and Audit Regulations 2015, we are unable to complete the audit as originally planned, in advance of the backstop date of 13 December 2024. We provide more information on the legislative backstop arrangements and its implications for the audit and our audit report, in section 01.

We will continue to work closely with you and management to take the necessary steps to rebuild assurance over future accounting periods. We will report further details to you on the rebuilding process in the coming months. In line with the guidance issued by the National Audit Office, as endorsed by the Financial Reporting Council, we hope to return to a standard audit cycle where we are able to obtain sufficient, appropriate evidence in order to issue an unmodified audit opinion in as short a period as practicable.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 07909 986 776.

Yours faithfully

Alastair Newall

Forvis Mazars LLP

Contents

- 01** Executive summary
- 02** Audit approach
- 03** Significant findings
- 04** Value for Money

- A** Appendix A: Draft management representation letter
- B** Appendix B: Draft audit report
- C** Appendix C: Confirmation of our independence

01

Executive Summary

Executive summary

The scope of our audit and implications of the backstop arrangements

Our audit of the financial statements

The detailed scope of our work as your appointed auditor for 2022/23 is set out in the National Audit Office's (NAO) Code of Audit Practice ('the Code'). Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ("the 2014 Act") and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards") and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

The scope of our work, including identified significant audit risks, and other key judgement areas, was outlined in our Audit Strategy Memorandum, which we presented to you on 25 September 2024. Since then, Government has introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations require the Council to publish its audited 2022/23 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we are required to provide our audit report in sufficient time to enable the Council to meet these responsibilities, whether the audit is completed or not.

Auditing standards require auditors to consider whether they have obtained sufficient appropriate assurance that the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Where the auditor determines they have been unable to obtain sufficient appropriate assurance, they must consider the implications of this on their audit report.

As a result of the backstop arrangements, we have determined that there is insufficient time to complete our audit procedures so as to obtain sufficient appropriate evidence, and, in our view, the effects of the resulting lack of assurance is pervasive to the financial statements as a whole. As a result, we intend to issue a disclaimer of opinion on the Council's financial statements.

When an opinion is disclaimed the auditor does not express an opinion on the financial statements and, consequently, no assurance is provided on the financial statements. Members will note that the form and content of this report differs substantially from the report which they will have seen in previous years. We provide more details on this in section 3.

Internal control recommendations and misstatements

Despite our intention to issue a disclaimer of opinion, where matters come to our attention through the course of our audit, we may be required to report these to you. Section 3 sets out any internal control recommendations we have made and any misstatements identified in the draft financial statements and how these have been addressed by management.

Value for Money arrangements

The amendments to the Accounts and Audit Regulations do not affect our responsibilities in relation to the Council's Value for Money arrangements. We have identified significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 4 of this report.

Whole of Government Accounts

As a result of the backstop arrangements and our intention to issue a disclaimer of opinion on the Council financial statements, we anticipate reporting to the NAO that we are unable to complete the mandatory audit procedures specified in their Group Audit Instructions. We are awaiting confirmation from the NAO of when and how this should be reported to the NAO.

Wider powers

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 to consider any objection made to the accounts. No such correspondence from electors has been received.

02

Audit Approach

Audit Approach

Changes since we issued our Audit Strategy Memorandum

Section 1 of this report explains the implications of the backstop arrangements introduced by the recent amendments to the Accounts and Audit Regulations and confirms that we intend to issue a disclaimer of opinion on the Council's financial statements. As a result, we have not completed our planned procedures to respond to the significant and enhanced risks which we previously reported to you.

Materiality

We are required to determine materiality and report this to you, irrespective of whether we are disclaiming our opinion.

Our provisional materiality at the planning stage of the audit was set at £819k using a benchmark of 2% of gross operating expenditure.

Based on the final financial statement figures and further analysis provided, the final overall materiality we applied was £810k (final performance materiality: £490k; final clearly trivial threshold: £25k).

Summary of Risks

There have been no changes to the risks identified which we communicated in our Audit Strategy Memorandum, issued on 25th September 2024.

Whilst we planned our audit to address the risks of material misstatement we identified at the planning stage, we will not have completed our work in advance of the backstop date and as such do not provide any assurance over individual areas of the financial statements or the financial statements as a whole, nor do we provide assurance over any of the risks we identified at the planning stage of the audit, which are summarised below.

Significant risks

Significant risks identified:

- Valuation of Land and Buildings
- Valuation of Investment Properties
- Management override of controls
- Defined benefit pension asset/liability valuation

Enhanced risks / areas of significant management judgement

Enhanced risks identified:

- Expected credit loss of financial assets

Although we are unable to provide any assurance over the areas of risks we have identified, where matters have come to our attention during the course of the audit that we consider to be important to bring to your attention, we have included these in section 3 of this report.

03

Significant findings

Significant findings

Background and modification of the audit opinion

As we outlined earlier in this report, as a result of the backstop arrangements, we have not been able to complete sufficient audit procedures to enable us to provide an unmodified opinion on the Council financial statements. As we have determined that the pervasive effects, or potential pervasive effects on the financial statements of the lack of sufficient appropriate assurance are pervasive, we will be issuing a disclaimer of opinion. This means we are expressing no opinion on the financial statements.

The basis of our disclaimer of opinion is the introduction of the backstop arrangements which require the Council to publish its audited 2022/23 financial statements by 13 December 2024.

The audit report will not report on other matters that would usually appear in an unmodified audit report. These include:

- the use of the going concern assumption in the preparation of the financial statements; and
- the consistency of the other information presented with the financial statements.

Although we are disclaiming our audit opinion, auditing standards require us to report matters to you that have come to our attention during the course of our audit, which we include in this section of this report.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2022/23 audit. However, a statutory recommendation was issued in 2019/20 which highlights matters equally applicable to 2022/23.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such objections have been raised.

Significant matters discussed with management

During our audit we communicated the following significant matters to management:

- Delays in the production of draft accounts supported by appropriate working papers

As part of our audit, we sought and obtained information from management in relation to actual or suspected non-compliance with laws and regulations, and any actual or suspected fraud which could materially impact upon the financial statements.

We have written to management and TCWG regarding instances of fraud and non-compliance with laws and regulations during the year. We are yet to receive a response to our letters. We have not undertaken any further work in these areas and do not provide assurance that the financial statements are free from material error

Significant difficulties during the audit

We have reported to the Accounts and Audit Committee previously that we have experienced significant difficulties when carrying out our audit work. These issues began with the delay in the predecessor auditor issuing their opinion on the Council's 2017/18 accounts until July 2022. This resulted in us agreeing with the Council to stop our audit work on the 2018/19 accounts to enable the Council to focus on completing the 2017/18 audit. By the time the 2017/18 audit was completed the Council had experienced significant turnover of finance staff with the consequential loss of corporate knowledge, and this significantly impacted our ability to complete audit work on the outstanding audit years. The turnover of staff also significantly impacted on the Council's ability to produce its draft accounts, causing delays in publishing the 2020/21, 2021/22 and 2022/23 accounts.

Although we have carried out no substantive work on the 2022/23 accounts, we have performed a review of the financial statements and carried out basic checks which include casting, consistency and comparison to prior year accounts. This work has identified a significant number of material discrepancies throughout the accounts as well as material differences between the reported Cash at Bank balance and the balance in the Council's bank reconciliation.

Our observations on internal control

As part of our planning procedures, we obtained an understanding of Council's internal control environment and control activities relevant to the preparation of the financial statements, which was sufficient to plan our audit and to determine the nature, timing and extent of our audit procedures. Although our audit was not designed to express an opinion on the effectiveness of Council's internal controls, we are required to evaluate any deficiencies in internal control that come to our attention, even though we intend to issue a disclaimer of opinion.

A deficiency in internal control exists if:

- a control is designed, implemented, or operated in such a way that it is unable to prevent, detect, and/or correct potential misstatements in the financial statements; or
- a necessary control to prevent, detect, and/or correct misstatements in the financial statements on a timely basis is missing

The purpose of our audit, as originally planned before the backstop arrangements came into force, was to express an opinion on the financial statements. The matters reported in this section of our report are limited to those deficiencies and other control recommendations that we have identified through the audit procedures we were able to complete before the backstop date. If we had performed more extensive procedures on internal control, we might have identified more deficiencies to report or concluded that some of the reported deficiencies need not in fact have been reported. Our comments in this section should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Significant deficiencies in internal control

A significant deficiency in internal control is one which, in our professional judgement, has the potential for financial loss, damage to reputation, or a loss of information which may have implications on the achievement of business strategic objectives. Our view is that observations categorised as a significant deficiency are of sufficient importance to merit the attention of the Audit and Accounts Committee.

The statutory recommendation which was issued for the 2019/20 year is applicable for the 2022/23 audit. This statutory recommendation highlights significant deficiencies in the Council's internal controls for financial reporting and bank reconciliations.

Other observations on internal control

We also report to you, our observations on the Council internal controls where, in our professional judgement, there is a need to strengthen internal control or enhance business efficiency that do not constitute significant deficiencies in internal control but which we view as being important for consideration by management.

We do not have any other internal control observations to bring to your attention as at the date of this report.

Whether internal control observations merit attention by the Audit and Accounts Committee and/or management is a matter of professional judgment, taking into account the risk of misstatement that may arise in the financial statements as a result of those observations.

Summary of amendments to the financial statements

The Council's S151 Officer, Chief Finance Officer, authorised the Council's draft financial statements for issue on 31/01/2024.

Although we intend to issue a disclaimer of opinion, we still report any amendments which management have made to the draft financial statements, identified either through the audit procedures that we have undertaken, or separately by management.

This information is provided to the Audit and Accounts Committee for information and to support it to discharge its responsibilities. It is important for members to note that, given we are issuing a disclaimer of opinion, we provide no assurance over the material accuracy of the amendments that have been made to the draft financial statements which are summarised in this section.

Amendments to the financial statements

Management have made no amendments made to the financial statements.

Unadjusted misstatements

When we issue a disclaimer of opinion as a result of the backstop arrangements, auditing standard require us to consider whether we are aware of any matter that would have otherwise required a modification to our opinion. Such matters may include, for example, material misstatements that have been identified which have not been amended by management in the final financial statements.

The audit procedures that we were able to complete identified several instances where there were material differences between the prior year balances disclosed in the financial statements for the year ended 31 March 2023 and the closing balances disclosed in the financial statements for the year ended 31 March 2022. The Council has not completed its work to establish the correct balances and we are therefore unable to conclude the extent of the material misstatements. The existence of these material differences would have made it necessary for us to modify our opinion on the financial statements if we had not disclaimed our opinion.

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money arrangements

We are required to consider 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 and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services;
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks; and
- **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.

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

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We have completed our work in respect of the Council arrangements for the year ended 31 March 2023 and have identified four significant weaknesses in arrangements and have made associated recommendations. We reported our commentary on the Council's VFM arrangements, including the significant weaknesses and recommendations in our report to the Audit & Accounts Committee in March 2024. The commentary will be incorporated in our Auditor's Annual Report to be issued once we have issued our signed audit report.

Our audit report will confirm that we have matters to report in respect of significant weaknesses.

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Appendix A: Draft management representation letter

TO BE PROVIDED ON CLIENT LETTERHEAD

One St Peter's Square
Manchester
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[Date]

Dear Alastair,

Rossendale Borough Council - Audit for Year Ended 31 March 2023

This representation letter is provided in connection with your audit of the financial statements of Rossendale Borough Council the 'Council' for the year ended 31 March 2023. I note that you intend to intend to issue a disclaimer of opinion in respect of your audit. I understand I am still required to provide the representations set out in this letter so you can complete your audit in accordance with relevant auditing standards.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code, as amended by the Code Update and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which I am aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as s151 officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council's financial position, financial performance and cash flows.

Accounting estimates, including those measured at current and/or fair value

I confirm that the methods, significant assumptions and the data used by the Council in making the accounting estimates, including those measured at current and/or fair value, are appropriate to achieve recognition, measurement or disclosure that is in accordance with the applicable financial reporting framework.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code, as amended by the Code Update and applicable law.

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I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.

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I acknowledge my responsibility as s151 Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error and I believe I have appropriately fulfilled those responsibilities.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
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I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, analysts, regulators or others.

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I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code, as amended by the Code Update and applicable law.

I have disclosed to you the identity of the Council's related parties and all related party relationships and transactions of which I am aware.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of the property, plant and equipment and intangible assets below their carrying value at the balance sheet date. An impairment review is therefore not considered necessary.

Charges on assets

All the Council's assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Future commitments

The Council has no plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

Service Concession Arrangements

I am not aware of any material contract variations, payment deductions or additional service charges in 2022/23 in relation to the Council's service concession arrangements that you have not been made aware of.

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code, as amended by the Code Update and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Impacts of Russian Forces entering Ukraine

I confirm that I have carried out an assessment of the potential impact of Russian Forces entering Ukraine on the Council, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment

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I confirm that I have carried out an assessment of the potential impact of the Covid-19 Virus pandemic on the business, including the impact of mitigation measures and uncertainties, and that the disclosure in the Annual Report and the subsequent events note to the financial statements fairly reflects that assessment.

Brexit

I confirm that I have carried out an assessment of the impact of the United Kingdom leaving the European Union, including the impact of the Trade and Cooperation Agreement, and that the disclosure in the Annual Report fairly reflects that assessment.

Going concern

To the best of my knowledge there is nothing to indicate that the Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Annual Governance Statement

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

Narrative Report

The disclosures within the Narrative Report fairly reflect my understanding of the Council's financial and operating performance over the period covered by the financial statements.

Arrangements to achieve economy, effectiveness and efficiency in Use of Resources (Value for Money arrangements)

I confirm that I have disclosed to you all findings and correspondence from regulators for previous and ongoing inspections of which I am aware. In addition, I have disclosed to you any other information that would be considered relevant to your work on value for money arrangements.

Yours faithfully,

Signed

Appendix B: Draft audit report

The draft report will be provided at the conclusion of the audit.

Appendix C: Confirmation of our independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We alert the Committee that 2022/23 is Alastair Newall's fifth audit year and ordinarily under PSAAs terms of appointment this would be his final year as your Key Audit Partner. However PSAA have agreed to an extension to include the 2023/24 audit year.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Contact

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