

The Audit Findings for Rossendale Borough Council

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

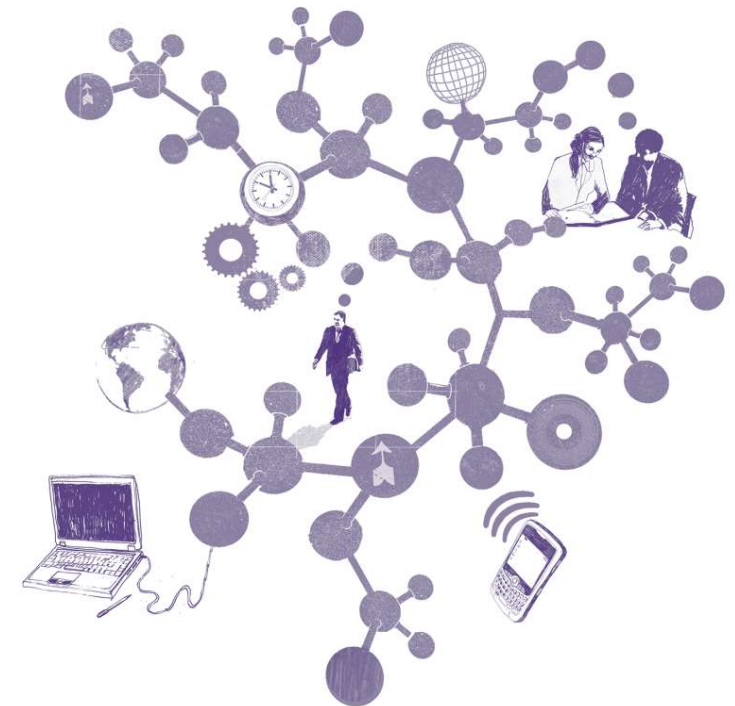
Year ended 31 March 2015

25 September 2018

Robin Baker
Engagement Lead
T 0161 214 6399
E robin.j.baker@uk.gt.com

Simon Hardman
Engagement Manager
T 0161 234 6379
E simon.hardman@uk.gt.com

Sophia Iqbal
In Charge Auditor
T 0161 234 6372
E sophia.s.iqbal@uk.gt.com



Cllr Marriott
Rossendale Borough Council
Futures Park
Bacup
Rossendale
OL13 0BB

25 September 2018

Dear Cllr Marriott

Audit Findings for Rossendale Borough Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Rossendale Borough Council, the Audit and Accounts Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

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

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Yours sincerely

Robin Baker
Director

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.
Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. Please see grant-thornton.co.uk for further details.

Contents

Section	Page
1. Executive summary	4
2. Audit findings	8
3. Value for Money	23
4. Fees, non-audit services and independence	26
5. Communication of audit matters	28

Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Rossendale Borough Council's (the Council) Group and Council financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Code of Audit Practice we are required to report whether, in our opinion, the Group and Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

As Members will be aware the audit opinion for 2014/15 has been significantly delayed. Our audit commenced as planned in 2015 however it soon became clear that the problems associated with the Council's Empty Homes programme and the clawback of Homes and Communities Agency (HCA) grant funding meant there was a material uncertainty affecting the Council's draft financial statements. There is also an ongoing police investigation.

Significant progress has now been made with the Empty Homes Programme and clarifying the associated clawback of HCA grant monies. Importantly the Council has now reached an agreed position with the HCA, where the amounts of grant at risk is below materiality, which has enabled management to finalise the production of a revised set of 2014/15 financial statements and we have been able to recommence our audit.

In the conduct of our audit we have followed the approach and assessment of risks set out in our Audit Plan dated 28 February 2015. In addition we have undertaken further work on the adjustments and disclosures contained within the revised financial statements and considered the implications for our audit arising from the Internal Audit investigation into the Empty Homes Programme.

Our audit is now largely complete although we are finalising our work in the following areas:

- completing a final review of the revised version of the financial statements and a final technical check of the revised accounting entries for the Empty Homes Programme
- obtaining and reviewing the final management letter of representation
- review of the final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion, and
- completing work on the Council's Whole of Government Accounts return.

Further details are set out in section two of this report.

Executive summary

Key issues arising from our audit

Financial statements opinion

At this stage, and subject to the satisfactory completion of the outstanding tasks set out above including the technical review, we anticipate providing an unqualified opinion in respect of the revised financial statements.

The key messages arising from our audit of the Group and Council's financial statements are:

- A number of significant adjustments have been made to the initial draft financial statements to reflect the changes associated with the Empty Homes Programme and the collapse of the Council's original contractor. In particular HCA grant income has decreased by £3,058k, expenditure has increased by £711k and provisions of £2,713k have been created to reflect the Council's ongoing liabilities.
- The Council duplicated an additional payment of £955k made to the Pension Fund in non-distributed costs. The misstatement has now been corrected.
- The Council's accounts have been updated in respect of the audited Rossendale Transport accounts which have now been received.

We have identified numerous adjustments affecting the Council's reported financial position (details are recorded in section 2 of this report). The draft financial statements for the year ended 31 March 2015 recorded net expenditure of £2,828k whereas the revised financial statements now record net expenditure of £4,825k. The overall increase in net expenditure of £1,997k reflects both increased costs associated with the Empty Homes Programme and the correction of the Pension Fund misstatement.

In addition to the increase in net expenditure there has been a decrease in the Council's Earmarked Reserves of £2,445k. We also identified a number of adjustments to improve the presentation of the financial statements.

Further details are set out in section two of this report.

Empty Homes Programme

In November 2015 the Council's Internal audit provider published its report from its review of the Empty Homes Programme. The report highlighted widespread and serious failings in the Council's procedures including a failure to consider and assess risk. The report highlighted that normal management controls had been 'over-looked or over-ridden' and there was a lack of adequate supervision of the lead officer who was responsible for the Empty Homes scheme.

The Council accepted the findings of the report and has since taken action to rectify the identified failings, has also made progress in implementing the Empty Homes scheme and improve its procedures. Whilst action has been taken to address the issues identified our view is that for 2014/15 there were clearly significant weaknesses in the Council's overall management arrangements for managing its affairs and also clear evidence that key internal controls were not operating effectively.

As noted above we understand there is also an ongoing police investigation. As a result of the ongoing police investigation we are not able to issue the certificate of completion of the audit.

Value for Money conclusion

We have largely completed our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for 2014/15. As noted above the Internal audit investigation into the Empty Homes Programme highlighted widespread deficiencies in the Council's oversight and management of what is a key corporate project. The adjustments to the accounts have resulted in a significant increase in net expenditure and a reduction in the level of available reserves. Management has been unable to finalise the financial statements for some considerable time due to the uncertainty over the level of HCA grant funding that would be retained.

At this stage, and subject to any final representation, our intention is to issue a qualified 'adverse' VfM conclusion indicting that the Council did not have adequate arrangements in place in 2014/15 to deliver value for money in the use of resources.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

As has already been identified the Internal Audit investigation into the Empty Homes programme identified that controls were over-ridden and not effective. In particular there was no assessment of risk and ineffective reporting to members. In our view these findings clearly identify that there were significant deficiencies in the Council's internal controls in place at the time.

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance and Property Services.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by officers and Members during what has been a difficult and challenging audit.

Grant Thornton UK LLP
September 2018

Section 2: Audit findings

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audits and Accounts Committee on 17 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have addressed the risks and issues set out in our Audit Plan which was presented to you in March 2015. In addition we have considered the various issues arising from the investigation into the Empty Homes Programme and considered the changes management have made to the draft financial statements. As a result of the scale of the revisions to the accounts we have had to undertake significant additional audit procedures over an above those initially envisaged when we presented our original Audit Plan. We will be seeking an additional fee to cover the cost of the additional procedures that have had to be undertaken.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

During our planning work, we determined overall materiality to be £0.751m. However, during the course of the audit we have reduced this to £0.594m, due to the amendment made to the accounts.

We also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulated effect of such amounts would have a material impact on the financial statements. We have defined the amount below which misstatements would be clearly trivial to be £0.030m.

Audit report

We are currently finalising the wording of our audit report and will share this with management in due course..

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p>	<ul style="list-style-type: none"> • review and testing of revenue recognition policies • testing of material revenue streams • review of unusual significant transactions 	<p>Additional audit procedures have been completed on grant income following the issues arising from the Empty Homes programme. Income has been reduced by £xxx as a result of the clawback of grant by the HCA. Discussions are continuing with the HCA to ensure that there are no further clawback of grant.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls is present in all entities.</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management • testing of journal entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of additional management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • undertaken walkthrough of the key controls to assess whether those controls were in line with our documented understanding • tested the year-end reconciliation of the accounts payable system to the general ledger • gained an understanding of management's accrual process and tested significant accruals • reviewed in-year and post year end payments to identify whether the transactions had been recorded in the correct financial year 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accrual understated	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle • tested the year-end reconciliation of the payroll system to the general ledger • completed a month-by-month trend analysis on payroll costs to identify any unusual fluctuations. • sample tested payroll calculations and employment records including senior officer remuneration. 	Our audit work has not identified any significant issues in relation to the risk identified.
Property, Plant and Equipment and associated Capital transactions	A number of audit adjustments were made to the 2013/14 accounts for PPE related issues.	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • reviewed the year end capital accounting transactions through testing of Property, Plant and Equipment transactions • Reviewed the processes for valuing the Council's assets. 	Our audit work has not identified any significant issues in relation to the risk identified.

New issues and risks identified during the course of the audit

This section provides commentary on new issues and risks which were identified during the course of the audit and were not previously communicated in the Audit Plan

	Issue	Commentary
1.	<p>Empty Homes Programme and the HCA In November 2015 the Council’s Internal audit provider published its report from its review of the Empty Homes Programme. The report highlighted widespread and serious failings in the Council’s procedures including a failure to consider and assess risk. The report highlighted that normal management controls had been ‘over-looked or over-ridden’ and there was a lack of adequate supervision of the lead officer who was responsible for the Empty Homes scheme.</p> <p>The Council’s original external provider was placed into administration and the operation of the revolving loans scheme had to be brought in-house. Investigations identified that some of the original grant had not been properly defrayed and further detailed work has been undertaken with the HCA to agree an amount that should be clawed back.</p>	<p>We have undertaken significant additional audit procedures in relation to the changes that have been made to the draft financial statements in relation to the Empty Homes Programme. In particular we have:</p> <ul style="list-style-type: none"> • held discussions with representatives from the Council and the Homes and Communities Agency • discussed the expected entries with management • Engaged our technical team who have reviewed the proposed revised entries • Test checked the revised entries that have been included in the amended financial statements. <p>Before concluding the audit we will make further enquiries of the HCA to ensure that we are aware of any further adjustments to the grant position. We will also continue to liaise with officers and the HCA as the financial position affecting the scheme is finalised.</p>



Group audit scope and risk assessment

ISA (UK&I) 600 requires that as Group auditors we obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA 600	Risks identified	Work completed	Assurance gained & issues raised
Rossendale Transport Ltd	Yes	Targeted	Recorded debtors not valid Allowance for doubtful accounts not adequate	We are able to rely on the work performed by the external auditor (KPMG) of Rossendale Transport Ltd	Our audit work has not identified any issues. The entries in the council's revised accounts have been updated to reflect the signed audited financial statements for Rossendale Transport Ltd.

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
<p>Revenue recognition</p>	<ul style="list-style-type: none"> Government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that the Council will comply with the conditions attached to the payments, and the grants or contributions will be received. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. 	<ul style="list-style-type: none"> Revenue recognition policies are in line with the requirements of the Code of Practice on Local Authority Accounting 2014/15 and accounting standards The main elements of the Council's revenue is predictable and there is minimal judgement required from the Council We have undertaken substantive testing of grants and other revenues. In particular we have considered the material adjustments relating to the HCA grant income that have been discussed above. The problems with the Empty Homes scheme resulted in the policy not being complied with in the initial financial statements. 	
<p>Estimates and judgements</p>	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> useful life of capital equipment pension fund valuations and settlements asset revaluations, depreciation and impairments provisions and accruals, including bad debt provisions, and fair value of financial instruments 	<ul style="list-style-type: none"> The Council's policies on estimates and judgements are reasonable and appropriately disclosed. The Council has appropriately relied on the work of experts for asset revaluations, pension fund valuations and financial instrument fair values. The Council has continued with its policy of revaluing land and buildings assets on a rolling basis over a five year period. We have reviewed the revaluations completed for 2014/15 and have reviewed management's consideration of the reasonableness of the valuations for those assets in a class that have not been re-valued this year. We are satisfied that there is no indication that the carrying value of these assets is materially different from their fair value. 	



Assessment

 Marginal accounting policy which could potentially attract attention from regulators


 Accounting policy appropriate and disclosures sufficient

 Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management has a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	

Assessment

 Marginal accounting policy which could potentially attract attention from regulators

 Accounting policy appropriate but scope for improved disclosure

 Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. The Internal audit investigation into the Empty Homes programme resulted in a referral to the police in relation to the failure of the Council's external provider. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> The Empty Homes programme investigation highlighted that the Council may have claimed grant in advance of need. We understand that the HCA are not currently pursuing this matter further. We are not aware of any other significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council. We are seeking specific assurances that we have been provided with all relevant information in relation to the ongoing investigations into the Empty Homes programme.
4.	Disclosures	<ul style="list-style-type: none"> As highlighted above we have agreed a number of amendments to the disclosures included in the financial statements.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmations from relevant third parties as required.

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration and Operating Expenses as set out on page.

As highlighted earlier this report the Internal audit investigation into the Empty Homes programme identified significant deficiencies in the operation of the Council's internal control procedures in 2014/15. Action has been taken by the Council to address the identified deficiencies.

The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements 2014/15

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000
1 An additional payment within IAS 19 was included within Non Distributed accounts	-955	
2 A creditor for NDR transitional relief balance was included in the accounts	-51	
3 NDR appeals provision was recalculated, the central government levy was reduced for 50% off the increase	-90	
4 Retained business rates has been amended by Rossendale's share of the increase in provision	180	
5 Housing general fund gross expenditure has been increased due to the increase in costs for the Council in relation to HCA	711	
6 Housing general fund gross income has decreased due to the properties which have been maintained in the GL in relation to HCA	3,058	
7 Other income has increased to include the loan repayment's from tenants and owners as well as an increase in the deferred capital receipt in relation to HCA	-856	

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements 2014/15

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000
8 Creditors balance has been reduced by the government levy and removal of the transitional grant creditor		-141
9 Long term provisions has increased due to the increase in the NDR appeals provisions		180
10 Short term provisions has increased due to the increased costs in relation to HCA		1851
11 Short term capital grants receipts in advance		1761
12 Earmarked reserves has been amended by the reduction in government levy the removal of the transitional grant creditor, and the increased provision		-2445
13 Capital adjustment account		-1783
14 Deferred capital receipts		757
15 Collection Fund adjustment account has been adjusted due to the increase in appeals		-180

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management.

Impact of adjusted misstatements 2013/14

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000
1 Housing general fund gross expenditure has been decreased as it included income incorrectly in relation to HCA as well as to reverse a deferred capital receipts debtor.	-901	
2 Housing general fund gross income has decreased by replacing the grant in relation to HCA	1,991	
3 Other income has increased to include the loan repayments from tenants and owners as well as an increase in the deferred capital receipt in relation to HCA	-333	
4 Creditors balance has been reduced by the government levy and removal of the transitional grant creditor		-37
5 Short term capital grants receipts in advance		-671
6 Earmarked reserves has been amended ****		-197
7 Grants unapplied		271
8 Capital adjustment account		564
9 Deferred capital receipts		-333

Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Disclosure	362	Property, plant and equipment Note 17	The revaluation reserve has decreased by £362k and the revaluation to the provision of services has increased by £362k
2 Disclosure		Note 21b	The note has been amended and now agrees to respective figures in the asset register
3 Disclosure		Note 22	The accounts have not been updated for 2014/15 values
4 Disclosure	90	Note 30	Short term debtors was adjusted and this amendment was not carried through to the impairment losses table
5 Disclosure	126	Note 8	The income figure for Trading operations was missing from the table
6 Disclosure	-	Note 5	The 2014/15 figures within this note have been updated currently showed 2013/14
7 Disclosure	299	Note 24a	The figure for cash and cash equivalents has been amended to agree to the balance sheet.
8 Disclosure		Note 12	Acting chief executive expenses were incorrectly split The table on page 38 has been amended
9 Disclosure	955 180	Note 15	This note has been decreased to show the pension contribution amendment A further amendment was made for the NDR appeals increase

Misclassifications & disclosure changes

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

	Adjustment type	Value £'000	Account balance	Impact on the financial statements
10	Disclosure	51 90	Note 32	Transitional Relief was included in creditors incorrectly this was amended 90 relates to the government ley re business rates appeals
11	Disclosure	33	180	Provisions have increased for the additional increase in appeals provision
12	Disclosure	51	Note 10	Grants note has been amended to show transitional relief grant
13	Disclosure	51 90	Note 34	Income has increased to include the NDR transitional relief Utilised grant has decreased re NDR Levy
14		955	Note 38	Pension adjustment
15		141	Note 38	Change in transitional relief creditor and NDR levy for DCLG
16	Disclosure	51	Note 40	Government grants for the Place Directorate has been amended. Other service expenses has increased by this amount.
17	Disclosure		Collection Fund Note 7	The multiplier for 2014/15 has been amended for the correct year.
18	Disclosure		Collection fund Note 1, 2 and 4	The business rates figure on provisions have been amended to reflect the change in appeals provision
19	Disclosure		Group amounts	The figures for 2014/15 have been amended to reflect the audited accounts for Rossendale transport.
20	Disclosure			Various notes in the accounts have been amended to improve the readability of the accounts

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

We have largely completed our review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources for 2014/15. As noted above the Internal audit investigation into the Empty Homes Programme highlighted widespread deficiencies in the Council's oversight and management of what is a key corporate project. The adjustments to the accounts have resulted in a significant increase in net expenditure and a reduction in the level of available reserves. Management has been unable to finalise the financial statements for some considerable time due to the uncertainty over the level of HCA grant funding that would be retained.

Overall VfM conclusion

At this stage, and subject to any final representation, our intention is to issue a qualified 'adverse' VfM conclusion indicting that the Council did not have adequate arrangements in place in 2014/15 to deliver economy, efficiency and effectiveness in the use of resources.

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Fees, non-audit services and independence

We confirm below our fees charged for the audit.

Fees

	Per Audit plan £	Actual fees £
Council audit	61,061	TBD
Grant certification on behalf of Audit Commission	10,670	10,670
Total audit fees	71,731	TBD

As indicated above we will be seeking an additional fee to cover the work that we have been required to undertake on the Empty Homes Programme and agreeing the revised accounting entries.

Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓
Matters in relation to the Group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	✓	✓



© 2015 Grant Thornton UK LLP. All rights reserved.

'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires. Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk