

Rossendale Borough Council
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OL13 0BB

6 December 2024

Rossendale Borough Council

Annual Audit Letter 2018/19 and 2019/20

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Rossendale Borough Council (the Council) for the years ended 31 March 2019 and 31 March 2020. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The table below summarises our responsibilities.

Area of responsibility	Summary
Audit of the financial statements	Our auditor's reports for years ended 31 March 2019 and 31 March 2020 issued on 6 December 2024 included our disclaimer of opinion on the financial statements.
Value for money conclusion	Our auditor's report concluded that except for matters highlighted we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the years ended 31 March 2019 and 31 March 2020.
Reporting to the group auditor	The National Audit Office signed their opinion on the 2018/19 and 2019/20 Whole of Government Accounts group audit before we issued our audit report on the Council's financial statements. Consequently we were not required to provide information to the NAO in respect of their group audit.
Statutory reporting	Our auditor's report confirmed that we did use our powers under s24 of the 2014 Act to issue written recommendations to the Council for the year ended 31 March 2020. The report confirmed that we did not exercise any other special powers of the auditor under sections 28, 29 or 31 of the 2014 Act.

Forvis Mazars LLP is the UK firm of Forvis Mazars, an integrated international advisory and accountancy organisation. 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.

We are 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.

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Audit of the financial statements

The detailed scope of our work as your appointed auditor for 2018/19 and 2019/20 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 our audit has been conducted in accordance with International Standards on Auditing (UK) ("auditing standards").

The Government introduced measures intended to resolve the local government financial reporting backlog. Amendments to the Accounts and Audit Regulations required the Council to publish its audited 2018/19 and 2019/20 financial statements and accompanying information on or before 13 December 2024. In accordance with the Code, we were 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 determined there was insufficient time to complete our audit procedures 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 issued a disclaimer of opinion on the Council's financial statements for 2018/19 and 2019/20. 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.

Value for Money conclusion

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (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; and
- working with partners and other third parties.

Our auditor's report stated that that, except for matters reported below, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019 and 31 March 2020.

Rosendale Leisure Trust (the Trust) operates the Council's leisure facilities. We were not provided with evidence of a formal agreement between the Council and Trust governing the services being delivered and payments for those services. During 2018/19 and 2019/20 the Council paid the Trust's staff and non-staff costs and was reimbursed by the Trust for those costs. The absence of a contractual agreement exposes the Council to risks of financial loss should the Trust be unable to reimburse the costs to the Council. This matter is evidence of the Council not having proper arrangements for working with partners and other third parties.

Furthermore, the Council did not reconcile its bank statements with the balances recorded in its general ledger during 2019/20. The lack of completed bank reconciliations is a significant deficiency in the Council's control framework and is evidence of the Council not having proper arrangements for informed decision making.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our

judgement, require reporting action to be taken. We have the power 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.

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. We did not receive any such objections or questions.

We raised recommendations under paragraph 2 of Schedule 7 of the Local Audit and Accountability Act 2014 as set out below.

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.

Yours sincerely



Alastair Newall
Key Audit Partner