

The Audit Findings (ISA 260) Report for Burnley Borough Council (Draft)

DRAFT

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

18 September 2015

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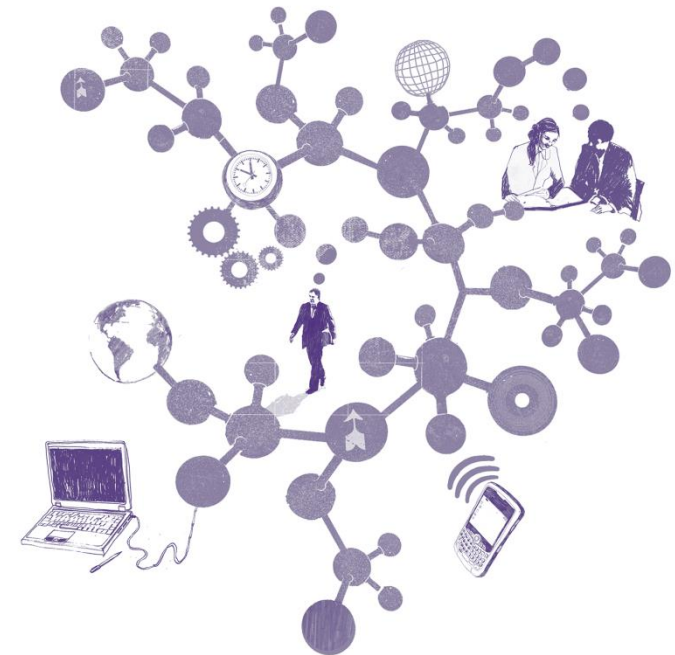
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September 2015

Dear Sirs

Audit Findings for Burnley 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 Audit and Standards Committee), as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management and will be presented to the Audit and Standards Committee on the 23 September 2015.

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

Karen Murray

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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

We anticipate providing an unqualified opinion on the financial statements and an unqualified value for money conclusion

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Burnley Borough Council's (the 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 Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the 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

In the conduct of our audit we have not had to alter or change our planned audit approach, which we communicated to you in our Audit Plan dated 2 March 2015.

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

- obtaining and reviewing the final management letter of representation
- review of final version of the Annual Governance Statement; and
- updating our post balance sheet events review, to the date of signing the opinion

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

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

- the Council produced good quality draft financial statements
- the Council's working papers were of an excellent standard
- due to the prompt and efficient response of finance staff to our queries we were able to carry out our fieldwork within a 3 week timeframe

We have not identified any non trivial adjustments affecting the affecting the Council's reported financial position, however the draft financial statements for the year ended 31 March 2015 recorded net expenditure of £20,710k, whilst the audited financial statements record net expenditure of £20,670k. This change relates to a trivial understatement of Council Tax Income that finance staff identified and chose to amend.

We did identify:

- a misstatement which overstated both cash and creditors by £1,683k, but which had no overall impact on net expenditure
- a small number of minor amendments were agreed to improve the presentation of the financial statements.

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

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We have completed our review of the Council's submission of the WGA return and have no issues which we wish to highlight for your attention

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

Our work has not identified any control weaknesses which we wish to highlight for your attention.

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 Director of Resources.

Acknowledgment

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

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

01. Executive summary

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The draft accounts were prepared to a good standard and there are no material misstatements identified as a result of our audit. We anticipate providing an unqualified opinion on the financial statements.

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 Audit Committee on 11 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 not made any changes to our Audit Plan as previously communicated to you on 11 March 2015.

Audit opinion

Our proposed audit opinion is set out in Appendix A.

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>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<p>We have undertaken the following work:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management including: <ul style="list-style-type: none"> - Provision for Business rate Appeals; - Valuation of net Pension Liability. • testing of journal entries • review of unusual significant transactions 	<p>Our audit work has not identified any evidence of 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>

Under ISA240 there is also a presumed significant risk that revenue may be misstated due to the improper recognition of revenue. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Burnley Borough Council, we determined that the risk of fraud is not significant because there is little incentive to manipulate revenue recognition and opportunities to manipulate revenue recognition are very limited.

We determined that the risk of fraud arising from revenue recognition could be rebutted, however we continued to carry out testing of material income streams to address the inherent risk.

Our audit work has not identified any material issues in respect of revenue recognition.

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.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	We have undertaken the following work in relation to this risk: <ul style="list-style-type: none"> • undertaken walkthrough of the key controls to assess whether those controls are designed effectively • performed substantive testing of a sample of operating expenses and creditors to ensure valid spend and correct classification. • undertaken testing of year end cut-off and after date payments. 	Our audit work has not identified any significant issues in relation to the risk identified.
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	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 designed effectively • performed substantive testing of a sample of employees' remuneration for the year to confirm existence, accuracy and classification of payroll expenditure. • reviewed monthly payroll reconciliations to confirm that payroll totals are accurately and completely recorded in the general ledger. 	Our audit work has not identified any significant issues in relation to the risk identified.




Audit findings against other risks (continued)

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare expenditure</p>	<p>Welfare benefit expenditure improperly computed (Housing Benefit misstated)</p>	<p>We have undertaken the following work in relation to this risk:</p> <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 are designed effectively <p>Following the above work we concluded that there was no 'reasonably possible' risk of material misstatement arising from the welfare benefit payment process.</p> <p>The following further work was undertaken in relation to welfare expenditure and as part of the programme of work for certification of the Council's Housing Benefit Claim:</p> <ul style="list-style-type: none"> • reconciliation of the welfare benefits expenditure system to the general ledger and financial statements • reconciliation of welfare benefit income to grant claim and cash received • substantive testing of a sample of welfare benefit payments • substantive testing to ensure the welfare benefits system is operating within the correct parameters and rates • analytical review. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

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
Revenue recognition	<p>The Council's policy on revenue recognition are set out in the following accounting policies</p> <ul style="list-style-type: none"> • Accruals of Expenditure and Income • Government Grants and Contributions • Revenue recognition 	<ul style="list-style-type: none"> • The Council's policy is appropriate and consistent with the relevant accounting framework – the Local Government Code of Accounting Practice • The accounting policies are properly disclosed • Judgements on recognition are clearly set out and are appropriate 	 Green
Estimates and judgements	<p>Key estimates and judgements include:</p> <ul style="list-style-type: none"> • useful life of capital equipment • pension fund valuations and settlements • debt impairment • business rate appeals • PPE valuations. 	<ul style="list-style-type: none"> • The Council's policies and judgements are reasonable and appropriately disclosed. Note 2 sets out critical judgements in accounting policies and Note 4 sets out assumptions made about future and other major sources of estimation uncertainty. • The Council has appropriately relied on the work of experts for material estimates of asset revaluations, business rate appeals and pension fund revaluations. 	 Green
Other accounting policies	<p>We have reviewed the Council's policies against the requirement of the CIPFA Code and accounting standards.</p>	<ul style="list-style-type: none"> • Our review of accounting policies has not highlighted any issues which we wish to bring to your attention. 	 Green

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

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 discussed the risks of fraud with management and the Audit Committee to inform our risk assessment. We received assurances that there were no significant frauds that could impact on our audit opinion. 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"> We are not aware of any 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.
4.	Disclosures	<ul style="list-style-type: none"> Our review found no non-trivial omissions 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 the Council's bank HSBC for bank balances and short term investments and from PWLB for Loans. We have not yet received a response from RBS for a non material short term investment and will undertake alternative procedures if this confirmation cannot be obtained.
7.	Going Concern	<ul style="list-style-type: none"> Our work has not identified any indication that the accounts should not be prepared on a going concern basis. The Council's wider financial position has been reviewed by us as part of our financial resilience review to inform our VFM conclusion and is included in the following section of this report.

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

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	Impact on total net expenditure £000
1 Transfers between bank accounts are accounted for using the accounts payable system. Due to an isolated manual accounting error in the final week of the year, account balances for creditors and cash were equally overstated in the draft accounts by £1.68m.	Nil impact	£1,683 offsetting overstatements in the cash and creditors balances	Nil impact
Overall impact	£nil	£nil	£nil

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- Related Parties	-	-	The transactional values reported in the Related Parties note to the accounts had not been updated for 2014/15. This was revised and subjected to audit.
2 Disclosure- Contingent Liabilities	-	-	The Council disclosed a contingent liability for unlodged business rates appeals existing at 31 March 2015. In the 2014 Autumn Statement however, the Chancellor announced that no backdated appeals could be made after this date. Therefore no contingent liability existed at this date. As such, the disclosure has been removed.
3 Disclosure- Collection Fund Statement	-	-	The 2013/14 comparator values disclosed were not analysed between council tax and business rates, as is the case for 2014/15 making comparability difficult. These have now been separately analysed.
4 Disclosure- Accounting Policies	-	-	To adhere to the CIPFA Code, the Council must disclose its accounting policies in relation to revenue recognition. Accounting policies were disclosed for all material revenue streams except revenue from taxation. We recommended the policy is expanded.
5 Disclosure- narrative improvements and typographical errors	-	-	We have agreed a small number of other minor amendments to improve the overall presentation and disclosure of the financial statements supporting notes and accounting policies.

Section 3: Value for Money

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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 Value for Money (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

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted that the Council has good financial planning and review processes in place, and a track record of delivering financial plans and savings. However it will face significant challenges from 2017/18 onwards as funding reductions continue.

The Council's Change Programme which introduces major transformational change will be an essential part of ensuring a financially sustainable council of the future.

We have not identified any significant weaknesses that impact on our VfM conclusion.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council has good leadership in place for prioritising services and delivering spending reductions and a track record of delivering efficiencies through partnership working.

We have not identified any significant weaknesses that impact on our VfM conclusion.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, 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 year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating 2014-15	RAG rating 2013-14
Key Indicators of performance	<p>The Council has delivered within budget for 2014/15 with an underspend of £10k and it transferred £1,022k to earmarked reserves. The Council currently holds a general fund balance of £2.4m and earmarked reserves of £7.4m.</p> <p>The Council continues to have good liquidity and the amount of borrowing remains well below the value of long term assets (excluding heritage assets).</p>	Green	Green
Strategic financial planning	<p>The MTFS sets out the financial risk over the next 3 years and is updated in response to new information in line with good practice. The Council has ensured an annually balanced budget with a prudent approach in managing funding reductions and in its use of reserves in supporting the annual budget strategy.</p> <p>The Council previously recognised that the levels of savings needed in the future could not be delivered without strategic changes in the way services are delivered. As part of ensuring financial sustainability of the Council, it is undertaking a Change Programme and has recently approved the appointment of a strategic commercial partner to secure significant savings over the period of the contract and deliver on a number of strategic objectives. This is commendable action with the Council taking such a tough decision and is a key part of the solution in shaping services and ensuring the sustainability of the Council going forward. The Council has a clear vision to deliver efficient services within a reduced funding base which provides a firm and proactive foundation in preparing for future financial pressures. However, the Council should ensure appropriate risk mitigation arrangements are in place during the transition and transformation period.</p> <p>The Chancellors statement on grant reduction of between 25% and 40% on unprotected departments (including DCLG) indicates that further tough decisions will be required on retained services. Environmental factors that adversely impact the Council's financial position consequently remain strong for the foreseeable future.</p> <p>The Council recognises the uncertainties inherent in longer term financial planning, especially in a year that included a General Election, Summer Budget and an Autumn Statement. The Council will be monitoring the Chancellor's announcement in the Autumn Spending Review and updating the risks to the MTFS accordingly. An updated MTFS that outlines a range of financial planning scenarios has been prepared for consideration by Scrutiny and the Executive recognising the uncertainties of the current environment leading up to the preparation of the Budget 2016/17 and beyond. This provides a framework for outlining budget setting principles and assist in formulating savings to meet budget gaps.</p>	Amber	Amber

Theme	Summary findings	RAG rating 2014-15	RAG rating 2013-14
Financial governance	<p>Through the business planning and budget setting processes the Council's financial position and its financial performance are understood, monitored and managed at all levels of the organisation.</p> <p>There is good integration between business and financial planning and the Change Programme provides a medium term framework for the delivery of service transformation which is intended to secure a financially sustainable Council in the future.</p> <p>There is clear reporting at appropriate levels and the Council has a good track record overall of performing in line with budgets.</p>	Green	Green
Financial control	<p>The Council manages budgets well and has a good track record of delivering financial plans.</p> <p>The Council has an effective business planning and budget setting process and maintaining spend within overall budget is seen as a priority.</p> <p>The Council has an experienced finance team and the main financial systems provide reliable and timely financial monitoring information to enable the Council to identify and manage financial risks. The financial statements are prepared to a good standard. Future organisational changes will deliver significant savings in back office costs and also result in significant culture change and changes to roles and responsibilities. The Council will need to monitor the impact of these changes.</p> <p>The Council has an effective in-house internal audit function which reviews financial systems. Internal Audit plans are approved by the Audit Committee and in addition, quarterly progress reports against the Plan are presented by Internal Audit to the Audit and Standards (formerly Audit) Committee.</p>	Green	Green
Prioritising resources	<p>There is good leadership provided on prioritising resources and delivering spending reductions. Management and members have shown they are willing to take difficult decisions as evidenced through the service transformations being implemented under the Change Programme.</p>	Green	Green
Improving efficiency & productivity	<p>The Council has a record of achieving planned savings. The Council needs to ensure this continues going forward when addressing the future savings needed.</p> <p>The Council seeks to understand its costs and to identify opportunities for cost reductions and efficiencies, particularly through partnership working. It also plans to secure significant future saving in future through the appointment of a strategic commercial partner to deliver several 'back office' services.</p>	Green	Green

Section 4: Fees, non-audit services and independence

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Fees, non-audit services and independence

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

Fees

	Per Audit plan £	Actual fees £
Council audit	67,423	67,423
Grant certification on behalf of Audit Commission/PSAA	12,900	12,900
Total audit fees	80,323	80,323

Fees for other services

Service	Fees £
Audit related services	
• RGF grants 2014	7,600
Non audit related services	Nil

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.

Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited, as the successor to the Audit Commission in this area.

Section 5: Communication of audit matters

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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.

	Audit Plan	Audit Findings
Our communication plan		
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		✓

Appendices

Appendix A: Audit opinion

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BURNLEY BOROUGH COUNCIL

Opinion on the financial statements

We have audited the financial statements of Burnley Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise The Movement in Reserves Statement, The Comprehensive Income and Expenditure Statement, The Balance Sheet, The Cash Flow Statement, The Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014-15.

This report is made solely to the members of Burnley Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and the auditor

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Director of Resources; and the overall presentation of the financial statements..

In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Burnley Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources**Respective responsibilities of the Authority and the auditor**

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

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Burnley Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Karen Murray
Director, for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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23 September 2015



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