

Governance Committee

Tuesday, 23rd May, 2023, 6.00 pm

Shield Room, Civic Centre, West Paddock, Leyland PR25 1DH

Supplementary Agenda

I am now able to enclose, for consideration at the above meeting of the Governance Committee, the following information:

- | | |
|--|------------------------|
| <p>6 Internal Audit Annual Report and Opinion 2022-23 – Appendix D</p> <p>Report of the Head of Audit and Risk – Appendix D to the report now attached.</p> <p>Urgent Items to the Agenda</p> <p>Following agreement by the Chair, and approval by the Mayor in accordance with Part 4C, paragraph 5.5 of the Constitution, the following urgent items have been added to the agenda:</p> | <p>(Pages 3 - 14)</p> |
| <p>9 External Audit Progress Report and Sector Update</p> <p>Report by Grant Thornton attached.</p> | <p>(Pages 15 - 30)</p> |
| <p>10 Audit Plan 2022-23</p> <p>Report by Grant Thornton attached.</p> <p>Governance Committee are asked to agree the proposed work programme and the proposed fee in line with the first bullet point on page 4 of the report:</p> <p>“As a firm, we are absolutely committed to audit quality and financial reporting the local government sector. Our Proposed work and fee, as set out further in our Audit plan, is for agreement by Governance Committee.</p> | <p>(Pages 31 - 58)</p> |

The breakdown of the fee is detailed on page 23 of the report.

Chris Sinnott
Chief Executive

Electronic agendas sent to Members of the Governance Committee

South Ribble Council

Final
Internal Audit Report

Water Management 2022/2023

Audit Assurance: Limited
Auditor: Linsey Roberts
Date Issued: 15.5.2023



Cert No: 20128
ISO 9001



WORKING TOGETHER

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Reason for the Audit & Scope	
1	<p>Water management refers to the development, monitoring and management of water sites and areas that are the responsibility of the Council.</p> <p>This also encompasses the consideration of liability risks of the Council responsible for land on which a water feature site exists; those risks being to the public, employees, contractors and service providers working on or near water. The principle is that water areas are maintained and managed in as safe an order as is practically possible.</p> <p>The review is included in the 2022/23 Annual Audit Plan approved by the Governance Committee in September 2022.</p>

Audit Objectives	
2	The overall objective of the audit was to provide an opinion of the adequacy, application and reliability of the key internal controls put in place by management to ensure that the identified risks are being sufficiently managed.
3	The audit also assessed the effectiveness of the various other sources of assurances using the three lines of defence methodology.

Audit Assurance	
4	Water Management at South Ribble Borough Council has not been reviewed by Internal Audit previously.
5	The Head of Internal Audit is required to provide the Governance Committee with an annual audit opinion on the effectiveness of the overall control environment operating within the Council and to facilitate this each individual audit is awarded a controls assurance rating. This is based upon the work undertaken during the review and considers the reliance we can place on the other sources of assurance.
6	Appendix A shows the risks that have been tested for Water Management and the assurance opinion awarded to each. Our evaluation of the reliance we can place on the three lines of defence is also shown.
7	<p>Our work established that there is evidence of awareness of the risks posed by the activities that are undertaken around areas of water. Some risk management measures are in place to reduce the risk to the public and employees/contractors working on-site, for instance Neighbourhood Officer site inspections and lifeline checks are carried out.</p> <p>Neighbourhood Officers are experienced and there is good evidence of team working to identify and address site issues/hazards. In addition, work is currently in progress to identify and document all areas of water, reviewing sufficiency of current on-site safety signage/equipment (renewing and improving as required).</p> <p>However, the following significant management issues related to the management of water sites were identified:</p> <ul style="list-style-type: none"> The Council does not have a water management/safety policy in place, setting out the reasoning behind the provision of access to the water areas, the legal/statutory obligations and how risks are managed. There is a lack of documented evidence to support that a risk-based approach is in place with regards to the frequency of inspections, categorisation of maintenance and defects to ensure remedial action is taken in accordance to the level of risk;

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

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- A comprehensive list of water sites is not in place, so we are therefore unable to provide assurance that all water bodies have been identified and are being actively inspected. Whilst water bodies are listed on the database currently in use, there are known issues with this system as identified in the Neighbourhood Records report issued by Internal Audit in 2021.
- Site risk assessments that inform the nature and frequency of inspection for each site are not in place for all areas of water. It is important that local knowledge is used to identify/document/manage the hazards specific to each area, for instance times of heavy use, impact of the weather, previous incidents and anti-social behaviour issues etc.
- There is a lack of guidance/operating procedures for the Neighbourhood Officers undertaking site inspections, for instance what is included, definitions, recording the result and subsequent action to take if a defect is identified.
- Supervisory monitoring is not carried out to confirm that the inspection regime is working as intended.

To reduce the likelihood of harm to employees and to ensure that the Council meets its obligations under the Health & Safety at Work Act 1974, it needs to ensure that any Health and Safety risks have been identified and suitable safe systems of work have been adopted.

Whilst a generic working near water risk assessment is in place, further work is required as the risks and controls are not site specific and are not reflective of the individual conditions and the full range of hazardous activities undertaken for each body of water. Furthermore, volunteers lone working arrangements have not been assessed at the Longton Brickcroft Nature Reserve.

The Service is currently in a period of transition with the imminent implementation of Alloy Asset Management System. All assets, including water bodies are currently being identified and will be plotted on the system. The introduction of this system will improve agile working and automate the inspection and maintenance regime, however until this is fully implemented the risks identified above remain.

As these highlight significant risks in relation to lack of policy, risk assessment, health & safety, and could lead to potential negative repercussions for the Council. a **Limited** assurance rating has been awarded for this review. The action plan at Appendix B provides further details of the findings and risks identified.

Control Rating Key

Full – the Authority can place complete reliance on the controls. No control weaknesses exist.

Substantial - the Authority can place sufficient reliance on the controls. Only minor control weaknesses exist.

Adequate - the Authority can place only partial reliance on the controls. Some control issues need to be resolved.

Limited - the Authority cannot place sufficient reliance on the controls. Substantive control weaknesses exist

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Risk and Controls	Control Evaluation
Risk 1 – Relevant policies and procedures are not communicated effectively to employees, leading to confusion re roles & responsibilities	
Policy/Strategy is in place and approved	Action 1
Flood Risk Management is adequately managed	Working as intended
Policy/Strategy is up to date, owned and reviewed regularly	Action 1
Policy/Strategy is suitable/fit for purpose (Legislation)	Action 1
Policy/Strategy is accessible/staff awareness of policy	Action 1
Procedure/working practices are in place	Actions 2, 3
Risk 2 – Legal and statutory requirements may not be being met due to ineffective management of water sites.	
Policy/Strategy is suitable/fit for purpose (Legislation)	Action 1
All open water sites have been identified	Action 4
Inspection programme in place	Actions 5, 6, 7
Comprehensive records are maintained	Action 2, 4, 5, 6, 7
Supervisory checks undertaken	Action 8
Health & Safety (employees and volunteers)	Action 9,10,11
Signage has been considered for each site	Action 5
Rescue Equipment	Action 5
Fishing club use managed and licensed	Working as intended
Risk 3 – A failure to recognise all existing water site assets meaning that some may fall into disrepair or become dangerous	
Procedure/working practices are in place	Actions 2, 3
All open water sites have been identified	Action 4
New site identification	Working as intended
Inventories are in place to manage assets at each site	Action 2,4,5,6,7
Inspection programme in place	Actions 5, 6, 7
Risk 4 – A lack of maintenance of water areas to prevent them from becoming hazardous	
Procedure/working practices are in place	Actions 2, 3
Responsibilities are clearly defined	Action 1, 3,5,6,7
Inspection programme in place	Actions 6, 7
Regular/planned maintenance and reactive maintenance	Action 7
Comprehensive records are maintained	Action 2, 4, 5, 6, 7
Supervisory checks undertaken	Action 8
Risk 5 - Potential lack of adequate staff training for appropriate roles covering water areas	
Supervisory checks undertaken	Action 8
Training matrix helps identify any gaps	Working as intended
Officers are First Aid trained	Working as intended
Risk 6 - Inadequate insurance cover meaning that the Council's legal obligations cannot be met	
Insurance policy in place	Working as intended
Awareness of risk management requirements	Action 1, 2, 3, 5,9,12
Risk 7 - Risks for each water site have not been identified, recorded and monitored adequately – including health and safety risks, injury risks and emergency procedures	
Inventories are in place to manage assets at each site	Action 2,4,5,6,7
Health & Safety (employees and volunteers)	Action 8
Safe Systems of Work are operational	Action 8
Lone Working arrangements are in place	Action 11
Signage requirements have been considered for each site	Action 5
Rescue equipment requirements have been considered for each site	Action 5
Officers are First Aid trained	Working as intended
Open Water specific risk register in place	Action 12

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

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AUDIT ASSURANCE

Three Lines of Defence

Audit Area	1 st Line	2 nd Line	3 rd Line	Internal Audit opinion
Water Management	Management		Internal Audit	Reliance cannot be placed on the first line of defence as there is a lack of an overarching water management policy, supported by site specific risk assessments which direct and evidence that sufficient safety systems in place. Improvements to employee/volunteer health and safety risk assessments are also required.

Risk and Control Evaluation

Risks Examined	Full	Substantial	Adequate	Limited
Risk 1 – Relevant policies and procedures are not communicated effectively to employees, leading to confusion as to roles and responsibilities				✓
Risk 2 – Legal and statutory requirements may not be being met due to ineffective management of water sites.				✓
Risk 3 – A failure to recognise all existing water site assets meaning that some may fall into disrepair or become dangerous				✓
Risk 4 – A lack of maintenance of water areas to prevent them from becoming hazardous				✓
Risk 5 - Potential lack of adequate staff training for appropriate roles covering water areas		✓		
Risk 6 - Inadequate insurance cover meaning that the Council's legal obligations cannot be met			✓	
Risk 7 - Risks for each water site have not been identified, recorded and monitored adequately – including health and safety risks, injury risks and emergency procedures				✓
OVERALL AUDIT OPINION				✓

In accordance with the Public Sector Internal Audit Standards, internal audit has been the subject of an independent external assessment, which concluded that the 'internal audit activity conforms to the Standards'

MANAGEMENT ACTION PLAN

NO.	FINDING	AGREED ACTION	OFFICER & DATE
Policy/Procedures			
1	<p>There is a lack of evidence to support that the Council has sufficient risk-based arrangements in place to maintain and manage water areas that are its responsibility.</p> <p>The Council should approve and implement a water management/safety policy. This should set out the legal requirements, expected standards and procedures for the management of risk. Moreover, it should provide a direct link to the maintenance and inspection arrangements, thus evidencing that water areas are managed in as safe an order as is practically possible.</p> <p>Once approved, the Policy should be shared openly with the operational team to ensure awareness and the operation of robust arrangements to safeguard officers and the public.</p>	<p>Head of Neighbourhoods and Waste will develop and implement a water management/safety policy.</p> <p>Draft policy will be written by the <i>end of July 23</i> and circulated to other stakeholders (for instance Legal Services, Health and Safety, Property Services) to sense check/feedback.</p> <p>Approval will be obtained from Members <i>by the end of September 23</i>.</p> <p>Post policy approval working practices/procedures and supervisory checks will be aligned to the Policy and training provided to employees <i>by the end of October 2023</i>.</p>	Barry Elder October 2023
2	<p>Neighbourhood Officers are responsible for the various Friends Groups that support the Council to carry out maintenance of the parks and open spaces (including areas of water). Whilst there is an onboarding volunteers process and pre-activity safety briefings are provided this is not documented/evidenced. Moreover, arrangements are not compliant with the requirements of the Council's Volunteer Policy.</p>	<p>Head of Neighbourhoods and Waste will develop Friends Group procedures that comply with the Council's Volunteer Policy, this will involve:</p> <ul style="list-style-type: none"> • Initial check to establish if the Council's Volunteer Policy is under review so that any changes can be reflected in arrangements. • Review and update procedures. 	Barry Elder August 2023

		<ul style="list-style-type: none"> • Develop a behaviours code of conduct. • Implement an activity attendance register which will be signed off by participants to evidence receipt of safety briefing, which covers risks/controls and safe working procedures. 	
3	<p>Inspections are carried out to identify, report and enable action to be carried out if hazardous issues are identified. Also, a separate inspection is carried out and recorded regarding lifelines that are located next to areas of water. Experienced Neighborhood Officers are responsible for carrying out these inspections and new staff are trained 'on the job'. However, written procedures and guidance have not been compiled and a record of 'on the job' training is not available.</p> <p>It is important that inspection procedures/guidance/training is documented to provide clear standards, to provide consistency and to evidence the Council's inspection process supplementing information captured within the inspection forms.</p>	<p>Head of Neighbourhoods and Waste will develop written procedures/flow chart for the inspection process and lifeline checks and these will be updated to align with the Policy once it is implemented.</p> <p>Induction programme will be developed for new starters; on the job training will be documented and competency signed-off.</p>	Barry Elder August 2023
Site Identification			
4	<p>It is essential that the Council maintain a core record of all open water sites that it is responsible to clearly identify location and condition and help identify any risks associated with them.</p> <p>Currently there is no comprehensive list of water sites, however within the next few months this will be rectified as there is a project in progress to implement the Alloy Asset Management System (by August 23). All areas of water will be plotted on the Alloy system. Additionally, because the Council's mapping system hasn't been maintained work is in progress to update the Council's mapping system. Together this should mean that the Council has an</p>	Head of Neighbourhoods and Waste will ensure that all water sites are captured in the Alloy Asset Management System.	Barry Elder August 2023

	accurate record of all water sites that can be linked to inspection records, signs/safety equipment locations and rectification/maintenance work requests.		
Inspection Regime			
5	<p>Water site risk assessments that inform the nature and frequency of inspection, and the level of monitoring required at each site should be in place.</p> <p>Our review identified that a completed/documented risk assessment has not been undertaken for all areas of water. Furthermore, a review of available generic risk assessments (contained in Management Plans) and the Penwortham reservoir risk assessment identified a lack of sufficient detail.</p> <p>Management should undertake/document a detailed risk assessment for each area of water to inform the nature/frequency of inspections and the assessment criteria and rationale to support other additional safety measures required (signs, lifelines, lifebuoy, fencing), thus evidencing that sufficient arrangements are in place.</p>	<p>Head of Neighbourhoods and Waste will develop a water site risk assessment template, which will align with the water management/safety policy, by the end of October 23.</p> <p>Rolling programme of water site risk assessments to commence November 23 and will be completed by January 2024. Risk assessments will be reviewed at agreed time interval thereafter (as per the Policy), unless changes to conditions/site/use necessitate an earlier review.</p>	Barry Elder January 2024
6	<p>Our review identified that inspections are carried out on a site basis; if the site includes areas of water this is included in the assessment.</p> <p>Testing identified that inspections are carried out, hazards identified, and work completed to rectify hazards or it is referred for action, this information is documented. However, due to lack of supporting evidence we are unable to provide any assurance that the inspections are completed at the expected due date.</p>	<p>As an interim measure the Head of Neighbourhoods and Waste will:</p> <ul style="list-style-type: none"> Configure (by the end of August 23) the Alloy Asset Management System to include Neighbourhood Officer site inspections on a 3-monthly basis, and lifeline checks will be carried out on a weekly basis. 	Barry Elder August 2023

	<p>In addition, there is no planned maintenance and inspection routines in place for the recently acquired Penwortham Reservoir.</p> <p>There is a risk that the Council may struggle to demonstrate that it is meeting its responsibilities as landowner under the Occupiers Liability Act by not ensuring sites are assessed and inspected on a regular basis, and that sufficient evidence of inspections is retained.</p>	<ul style="list-style-type: none"> Continue to carry out ad-hoc grounds maintenance work and introduce Neighbourhood site inspections at Penwortham reservoir. <p>Post Policy approval Head of Neighbourhoods and Waste will update Alloy Asset Management System to reflect the agreed frequency of Neighbourhood Officer site inspections/lifeline checks.</p> <p>Post completion of the Penwortham site risk assessment and following the Director of Commercial Service's development of the site management plan, the maintenance programme/inspection routines will be updated in the Alloy Asset Management System.</p>	
7	<p>There is no documented policy/procedure/guidance regarding the categorization of reported defects including timescales for addressing hazards identified during an inspection.</p> <p>Whilst testing found that works are completed, inspection records don't currently reflect that any consideration has been given to determining how quickly works should be completed dependent upon the level of risk.</p> <p>It is understood that the Alloy Asset Management System can be configured to categorize defects with aligned timescales.</p>	<p>Management Action 1 refers.</p> <p>Also, the Head of Neighbourhoods and Waste will ensure the Alloy Asset Management System is configured to categorise defects by the end of August 2023. Following approval of the Policy any changes will be updated in the Alloy Asset Management System immediately.</p>	Barry Elder August 2023
Management			
8	<p>Whilst it was apparent that the Neighbourhood Manager would be aware if an inspection had not been recorded in the database, no further supervisory checks are carried out to ensure that the</p>	<p>Head of Neighbourhoods and Waste will introduce a programme of periodic Neighbourhood Officer Inspection supervisory checks by the end of June 23. The</p>	Barry Elder August 2023

	<p>inspection programme is being robustly carried out and defects are being correctly identified.</p> <p>A programme of periodic supervisory checks should be introduced to ensure that standards are maintained, and a consistent approach applied across all sites by all officers.</p>	<p>programme will include periodic supervisor level site checks to ensure that standards are maintained, and a consistent approach applied across all sites by all officers. In addition, the Neighbourhood Manager will carry out periodic site checks.</p> <p>Supervisory checks will be recorded in the Alloy Asset Management System by the end of August 23.</p>	
Health & Safety			
9	<p>Working near water is an inherent risk and safety measures should be adopted to safeguard officers and volunteers from harm. Risk assessments are essential to help identify specific site risks and provide officers with the tools to help manage this risk.</p> <p>A review of the available risk assessments for working near water highlighted further work is required as the risks and controls are not site specific and are not reflective of the individual conditions and the full range of hazardous activities undertaken for each body of water.</p> <p>In addition, testing identified that the Service does not have Safe systems of work (SSOW) in place in relation to working near water. Adopting robust SSOW for employees working in or around water will help demonstrate that the Council is meeting its responsibility under the Health & Safety at Work Act 1974.</p>	<p>The Neighbourhoods Service will work with the Health & Safety team to assess the requirements for each site-specific risk assessment and safe systems of working near water. This will consider individual conditions and the full range of hazardous activities undertaken for each body of water. The review will be aligned with the migration to the new HARRIET (Hazard Assessment, Risk Review, Identification and Evaluation Tool) system.</p>	<p>Barry Elder March 2024</p>
10	<p>Volunteer activity and event risk assessments are developed by the Neighbourhood Officers, a review of a sample of risk assessments identified:</p> <ul style="list-style-type: none"> There is a mixture of manual and electronic forms. All risk assessments should be retained electronically as they can then 	<p>Head of Neighbourhoods and Waste will ensure that:</p> <ul style="list-style-type: none"> Volunteer activity and event risk assessments are all electronically recorded. Wildlife Trust 'Watch Group' responsibilities (between the Council and the Wildlife Trust) are clearly understood/documentated by the end of May 23. 	<p>Barry Elder June 2023</p>

	<p>be readily accessed for future events/shared by officers and cannot be destroyed by fire/water or lost.</p> <ul style="list-style-type: none"> • Wildlife Trust risk register does not meet the Council's standards. Since events involve vulnerable individuals (children) and are led by Council staff the Council's template should be used. • Task based and school visit risk assessments need to be reviewed as they are currently in an old-style format. 	<ul style="list-style-type: none"> • Council's risk assessment template documentation to be completed. 	
11	<p>All employers have a legal duty to ensure the safety of their employees and volunteers whilst they are at work, this includes ensuring that lone workers are as safe as possible. During our review it was highlighted that lone working arrangements need to be improved for the Neighbourhood Officer (based at Longton Brickcroft), action was taken to address this (Solo Protect device). However, on occasions visitor centre volunteers may also work alone on weekends and their lone working arrangements have not yet been considered.</p> <p>The Neighbourhood Manager should carry out a lone working risk assessment for volunteers at Longton Brickcroft. Also, to further strengthen lone working arrangements a formal procedure needs to be developed within the Service outlining the arrangements to be followed to manage the risks of working alone keeping officers and volunteers healthy and safe.</p>	<p>The Head of Neighbourhoods and Waste will ensure visitor centre volunteer lone working risk assessment is completed and documented by the end of June 23. This may involve issuing Solo Protect device to the volunteers.</p> <p>The Head of Neighbourhoods and Waste will ensure lone working arrangements are formalised in a procedure to reflect the needs of the service (employees and volunteers).</p>	Barry Elder September 2023
Risk Management			
12	<p>An open water specific register should be drafted to ensure that the unique risks associated with managing water sites across the borough are adequately captured, monitored and regularly reviewed. This should be added to the Grace risk management system to ensure the information is kept up to date.</p>	<p>The Head of Neighbourhoods and Waste will complete a water specific risk register in Grace to assess the risks associated with managing water sites.</p>	Barry Elder July 2023

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South Ribble Borough Council Audit Progress Report and Sector Update

Year ending 31 March 2023

May 2023



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Authority or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

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Introduction

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This paper provides the Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications <https://www.grantthornton.co.uk/en/services/public-sector-services/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at May 2023

Financial Statements Audit

We completed our initial planning for the 2022/23 audit in March and April 2023. We expect to receive your draft financial statements in August 2023.

In May, we have issued our detailed audit plan, setting out our proposed approach to the audit of the Authority's 2022/23 financial statements.

We will report our work in the Audit Findings Report and aim to give our opinion on the Statement of Accounts by 30 November 2023.

The Accounts and Audit Regulations 2015 were amended by SI 2021 No. 263. The Department for Levelling Up, Housing and Communities (DLUHC) previously introduced secondary legislation to extend the deadline for publishing audited local authority accounts to 30 November 2022 for the 2021/22 accounts.

This was enacted by The Accounts and Audit (Amendment) Regulations 2022 (SI 2022 No. 708) that came into force on 22 July 2022. The deadline for publishing audited local authority accounts for 2021/22 was extended to 30 November 2022 and thereafter changed to 30 September for years up to 2027/28.

Officers have advised us that the draft financial statements are likely to be available for audit in August. The deadline for the preparation of draft accounts for 22/23 is the end of May 2023 however the ongoing impact of the pandemic, the complexity of accounting requirements and capacity in the finance team mean that we have agreed with officers to commence the audit on a later timescale. This means we will not complete the audit by the target date of the end of September but will work with officers to complete the audit towards the end of November if possible.

Value for Money

The new Code of Audit Practice (the "Code") came into force on 1 April 2020 for audit years 2020/21 and onwards. The most significant change under the new Code was the introduction of an Auditor's Annual Report, containing a commentary on arrangements to secure value for money and any associated recommendations, if required.

The new approach is more complex, more involved and is planned to make more impact.

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies auditors are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation. The extended deadline for the issue of the Auditor's Annual Report is now no more than three months after the date of the opinion on the financial statements. We have issued our Auditor's Annual Report 2021/22 in May 2023.

Progress at May 2023 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions (DWP). The certification work for the 2021/22 claim began in January. DWP extended the deadline for reporting the findings of this work to 31 January 2023. We have liaised with DWP and we expect to complete our work and report to DWP by 31 May 2023.

Meetings

We met with Finance Officers as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We have also met with your Chief Executive to obtain and update on emerging issues and challenges for the Council.

We have also provided training to your finance team with a view to helping the audit progress smoothly this year. This included detail around the standard of audit evidence required. We continue to liaise with finance officers to try to ensure an efficient audit for 2022/23.

Events

We provide a range of workshops, along with network events for members and publications to support the Authority. Your officers were invited to our Accounts Workshop in January and February 2023, where we highlighted financial reporting requirements for local authority accounts and gave insight into elements of the audit approach.

Further details of the publications that may be of interest to the Authority are set out in our Sector Update section of this report.

Audit Fees

Audit Fees

During 2017, PSAA awarded contracts for audit for a five year period beginning on 1 April 2018. 2022/23 is the fifth year of that contract. Since that time, there have been a number of developments within the accounting and audit profession. Across all sectors and firms, the Financial Reporting Council (FRC) has set out its expectation of improved financial reporting from organisations and the need for auditors to demonstrate increased scepticism and challenge and to undertake additional and more robust testing.

Our work in the Local Government sector in the period 2018/19 to 2021/22 has highlighted areas where financial reporting, in particular, property, plant and equipment and pensions, needs to improve. There is also an increase in the complexity of Local Government financial transactions and financial reporting. This combined with the FRC requirement that all Local Government audits are at or above the “few improvements needed” (2A) rating means that additional audit work is required.

We have reviewed the impact of these changes on both the cost and timing of audits. We have discussed this with your s151 Officer including any proposed variations to the Scale Fee set by PSAA Limited, and have communicated fully with the Audit Committee.

As a firm, we are absolutely committed to meeting the expectations of the FRC with regard to audit quality and local government financial reporting.

Additional fees for 2021-22

Our audit of the financial statements took longer than anticipated or planned for. This is primarily due to additional audit work which was undertaken in response to new issues identified during the audit as reported in the Audit Findings Report 2021-22. We are therefore proposing an additional fee of £10,450 in relation to the 2021-22 audit.

The reasons for the additional fee are:

- Group accounts – there are transactions and balances reported in the accounts for South Ribble Leisure Limited which, when consolidated, have a material impact to Council’s Statement of Accounts. Therefore, management prepared a revised draft Statement of Accounts including group financial statements which required additional audit procedures to assure specific items in the subsidiary accounts and the consolidation process
- Infrastructure assets - following the introduction of the Statutory Instrument in December 2022 and amendments to the CIPFA Code, we performed additional procedures and technical review of accounting for infrastructure assets resulting in amendments to the financial statements
- Pensions – misstatements were identified in the accounting and valuation of the pension assets and liabilities arising from the combination of subsidiary company and lump sum payment of employer contributions which required management to commission the actuary to revise the IAS19 report and resulted material adjustments required to the financial statements
- Land & building assets not revalued – there were misstatements identified in the accounting for Minimum Revenue Provision and Capital Financing which required consultation with our financial reporting technical team and resulted in material adjustments to the draft Statement of Accounts
- Valuation expert - due to the complexity and estimation uncertainty in relation to valuations of land and buildings and investment property, we consulted with internal property valuations expert to verify the appropriateness of significant assumptions and key inputs to the valuations

Audit Deliverables

2022/23 Deliverables

Audit Plan

We are required to issue a detailed audit plan to the Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2022/23 financial statements and to report on the Authority's value for money arrangements in the Auditor's Annual Report

Planned Date

May 2023

Status

Completed

Audit Findings Report

The Audit Findings Report will be reported to the November Audit Committee.

November 2023

Not yet due

Auditors Report

This includes the opinion on your financial statements.

November 2023

Not yet due

Auditor's Annual Report

This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.

November 2023

Not yet due

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local
government

Delayed publication of audited local authority accounts

In December 2022 there were over 600 local audit opinions outstanding. This means that many stakeholders can't rely on audited accounts to inform decision making – a significant risk for governance and control.

Local authority accounts are becoming increasingly complex as accounting standards evolve and local authorities enter more and more innovative financing arrangements and income generation projects. A significant challenge in managing local audits is the differing needs of various stakeholders. The local government sector, central government and regulators need to agree on the purpose of local audit and find a consensus on improving efficiency in publishing accounts. Grant Thornton has produced a report that explore the reasons for delayed publication of audited local authority accounts.

Table 1 below illustrates the declining performance against the target date for publication of audited accounts in recent years.

Table 1 Audited accounts published by target date over the last six years

Financial year	Deadline for publication of unaudited accounts	Target date for publication of audited accounts	% audited accounts published by target date (all firms average)	% audited accounts published by target date (Grant Thornton audits)
2016/17	30 June 2017	30 September 2017	95	97
2017/18	31 May 2018	31 July 2018	87	91
2018/19	31 May 2019	31 July 2019	58	65
2019/20	1 September 2020	30 November 2020	45	54
2020/21	1 August 2021	30 September 2021	9	12
2021/22	1 August 2022	30 November 2022	12	20

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Delayed publication of audited local authority accounts

What more can be done?

All key stakeholders in the local audit system will need to continue their efforts to secure improvement and a return to high levels of compliance with timely publication of audited accounts. The report explores several of the causes of delay and steps which might be taken to reduce the incidence of delays.

These steps relate to systems leadership, holding both authorities and auditors to account for their performance, a continued focus on the quality of accounts preparation and audit, and the effective engagement between auditors and audited bodies.

The report makes 20 recommendations for improving timeliness in publishing audited accounts.

The report also sets out a checklist which management and the audit committee should consider. The report recommends DLUHC, CIPFA or the FRC set out expectations for the system as a whole.

[Click here for full report](#)

About time?

Exploring the reasons for delayed publication of audited local authority accounts

March 2023



Local government procurement and contract management

Background

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector¹. Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall.

We reviewed a large number of reports, inspections and interventions issued by a number of firms, including 53 Annual Auditor Reports issued by Grant Thornton UK LLP. To help build on existing good practice, in this report we highlight some common themes for members and officers to consider:

This report considers a selection of issues we identified under each theme and makes recommendations both to local authorities and, in one case, to central government. The report presents a good practice checklist for local authority members and officers to reflect on.

The analysis sets out five key themes for ensuring good practice:

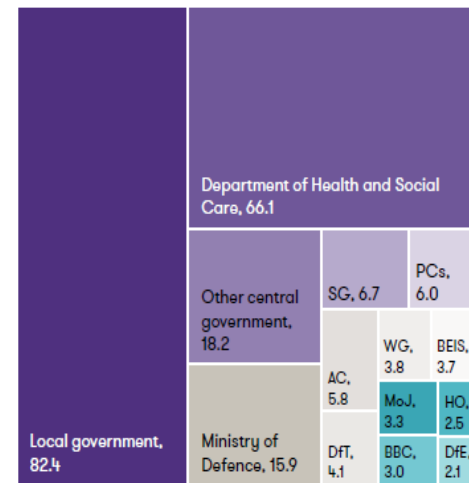
- Strategic planning
- Internal control
- Time, technical expertise, and people
- Commercial awareness
- Contract management

[full report here](#)

More than a third of all UK government spending on goods and services is spent by local government, so it's important councils have effective arrangements for procurement and contract management

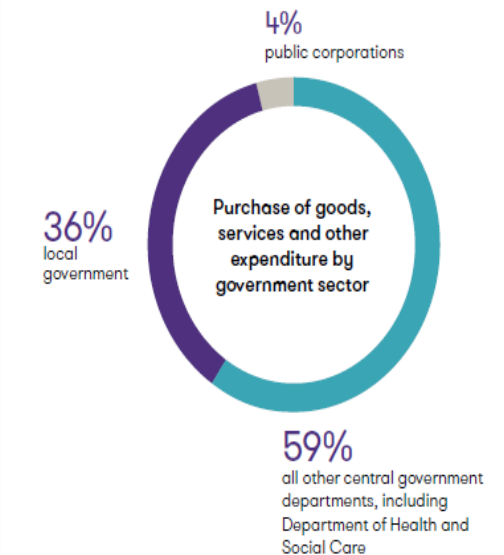
UK public spending

Public spending on goods and services, £ billions - analysis by segment and department²



- PCs Other Public Corporations
- DfT Department for Transport
- WG Welsh Government
- HO Home Office
- DfE Department of Education
- SG Scottish Government
- AC Academies
- MoJ Ministry of Justice
- BBC British Broadcasting Corporation
- BEIS Department of Business, Industry Strategy

Goods, services and other expenditure by segment⁴



Agenda Item 9

¹ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
² Cabinet Office, Transforming Public Procurement: Government response to consultation, December 2021
³ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022
⁴ HM Treasury, Whole of Government Accounts: year ended 31 March 2020, June 2022

SEND deficits kept off budgets for another three years

The government has allowed councils to keep deficits on spending for children with special educational needs and disabilities off their balance sheets for a further three years.

The government's local government finance policy statement published on 12th December 2022 says that the statutory override for the Dedicated Schools Grant (DSG) will be extended for the next three years, from 2023-24 to 2025-26.

Councils use the high needs funding block of the DSG to fund Send provision. But for many authorities, the cost of this has been outstripping the amounts provided by tens of millions of pounds, leading to a total deficit estimated at more than £2bn.

The statutory override means that any DSG deficits are not included in council's main revenue budgets. Before today's announcement, it had been due to expire in 2023. Last year, Matt Dunkley, chair of the Association of Directors of Children's Services' resources and sustainability policy committee, said: "We think the cumulative high needs block deficits of local authorities are approximately £2.3bn."

In June, the government launched the £85m Delivering Better Value in Send programme, that involves specialist advisors probing 55 councils' financial data to try and cut their DSG deficits. The Chartered Institute of Public Finance and Accountancy, a partner in the programme, said the scheme would provide "project management, change management and financial modelling capacity".

The programme is running alongside the Department for Education's 'safety valve' support scheme that offers bailouts for the councils with the largest Send spending deficits, in return for them implementing stringent reforms.

About 40 councils are expected to receive safety valve funding, meaning that the two programmes together will include about two thirds of councils with responsibility for Send. Also in June, the then children's minister Will Quince wrote a letter to council chief executives warning that a "significant number of councils are "running services that are not sustainable, and instead jeopardise the longevity of that crucial support".



Stonewall Gold Employer: GT's LGBTQIA+ inclusion journey

Background

15 Feb 2023, Stonewall, Europe's largest charity for Lesbian, Gay, Bi, Trans, and Queer (LGBTQIA+) rights, launched its widely anticipated Top 100 Employers List – recognising us for our work in supporting LGBTQIA+ colleagues to be the best versions of themselves at work and awarding us Gold Employer, the highest award.

We're proud to announce that we've ranked among the UK's leading employers from the public, private, and third sectors in the Stonewall Workplace Equality Index (WEI). We've also been recognised as a Gold Employer. Overall, we've ranked 38th in the latest WEI results, and 26th in the private sector, and 9th in the financial services sector.

Sustainability: Finance at the heart of decision making

In November 2022 CIPFA published an article on public sector specific response to climate change. Below is an extract from CIPFA's website:

“Role of the finance profession

Finance and accounting professionals need to move beyond simply measuring and reporting the impact of climate change, environmental regulation, supply chain pressure and rising energy costs. They must focus on understanding those implications and integrating them into financial management and business planning. The ability to integrate climate risks into overall operational risks is a major challenge. The finance profession will need to be able to collect data from different professions (scientists, valuation experts, biologists, meteorologists etc) and be able to understand but also challenge assumptions and projections. The importance of effective communication to both internal and external stakeholders must not be underestimated. Climate reporting should result in decision makers having all the information necessary to be effective, to measure progress and to hold those responsible to account.

Opportunities and risks must be identified and stress tested using various scenarios, including temperature rises of 2C and more. The impact of collapsed ecosystems must not be ignored – from rising sea levels to food scarcity and the mass migration of people whose land is no longer inhabitable. We need honesty, transparency and above all leadership to tackle the climate issues that exist and lie ahead.

Conclusion

The current focus on net zero emissions by 2050 misses the point that climate change is already happening. There is an urgent need for adaptation measures to be introduced that allow the UK to live with higher temperatures, wetter winters and warmer, drier summers. At the moment we are severely under prepared. This is a call for urgent action from government, both at central and local level. The IPCC recommended threshold of limiting temperature rises to 1.5C is **set to be broken**. Temperature rises above 2.5C will mean ecosystems will collapse which will have severe repercussions on our society as a whole. CIPFA and ICAEW share the view that the finance function has an important role to play in combating climate change. We would like to see the finance profession taking the lead for the public sector in its efforts to tackle climate change”.

[Click here for link to the article](#)



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South Ribble Borough Council audit plan

Year ending 31 March 2023

South Ribble Borough Council
23 May 2023



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Key matters



National context

For the general population, rising inflation rates, in particular for critical commodities such as energy, food and fuel, is pushing many households into poverty and financial hardship, including those in employment. At a national government level, recent political changes have seen an emphasis on controls on spending, which in turn is placing pressure on public services to manage within limited budgets.

Local Government funding continues to be stretched with increasing cost pressures due to the cost of living crisis, including higher energy costs, increasing pay demands, higher agency costs and increases in supplies and services. Local authority front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience. At a local level, councils are also essential in driving strong and inclusive local economies, through their economic development functions and measures like increasing the supply of affordable housing, integrating skills and employment provision, and prioritising vulnerable households to benefit from energy saving initiatives. Access to these services remains a key priority across the country, but there are also pressures on the quality of services. These could include further unplanned reductions to services and the cancellation or delays to major construction projects such as new roads, amenities and infrastructure upgrades to schools, as well as pothole filling.

Our recent value for money work has highlighted a number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we will take account of this context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

In a report published in January 2023 the NAO have highlighted that since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. The NAO outline a number of reasons for this and proposed actions. In our view, it is critical to early sign off that draft local authority accounts are prepared to a high standard and supported by strong working papers.

Key matters



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out further in our Audit Plan, is for agreement by the Governance Committee.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our value for money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness.
- We will review matters identified through our previous audit work on the financial statements and the Value for Money work and we will consider progress against previously agreed recommendations
- We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other audited bodies to support consistent and accurate financial reporting across the sector.
- We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We have identified a significant risk in regards to management override of controls – refer to page 8

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of South Ribble Borough Council ('the Council') for those charged with governance.

Respective responsibilities

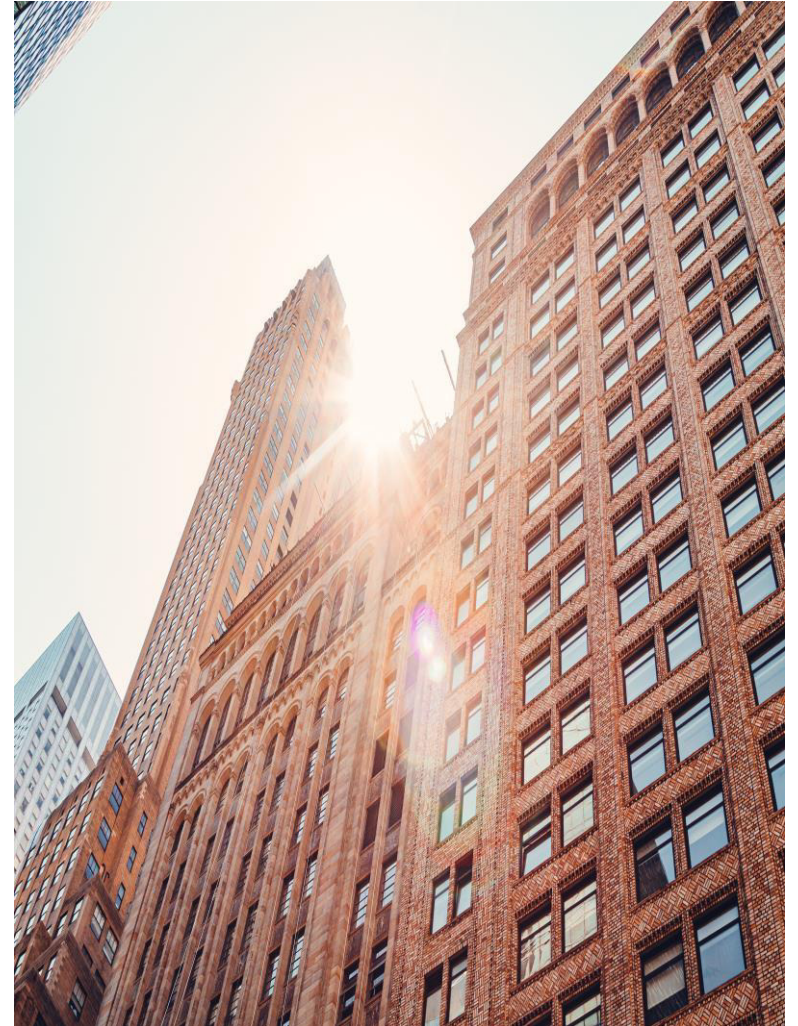
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Governance Committee of your responsibilities. 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 audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of controls
- Valuation of land and buildings and investment properties
- Valuation of net pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of South Ribble Leisure Limited

Materiality

We have determined planning materiality to be £0.923m (PY £0.922m) for the group and £0.922m (PY £0.922m) for the Council, which equates to 1.9% of your prior year gross operating costs for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. We do not consider a reduction in performance materiality is required at this time.

Clearly trivial has been set at £0.046m (PY £0.046m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness at this point. However, we will need to update our risk assessment once we have finalised out work on the 21-22 Auditor's Annual Report..

New Auditing Standards

There are two auditing standards which have been significantly updated this year. These are ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statements). We provide more detail on the work required later in this plan.

Planning enquiries

As part of our planning risk assessment procedures we have engaged with the Governance Committee and made enquiries regarding the risk of fraud. We would appreciate a prompt response to these enquires in due course.

Audit logistics

Our final visit will take place August to November. Our key deliverables are this Audit Plan, our Audit Findings Report and Auditor's Annual Report.

Our proposed fee for the audit will be £74,660 (PY: £75,747) for the Council, subject to the Council delivering a good set of financial statements and working papers.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Risk of fraud related to revenue recognition	Group and Council	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including South Ribble Borough Council mean that all forms of fraud are seen as unacceptable. <p>We therefore do not consider this to be a significant risk.</p>	As we do not consider this to be a significant risk for the Council we will not be undertaking any specific work in this area other than our normal audit procedures.
Risk of fraud related to expenditure recognition	Group and Council	<p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition.</p> <p>We have considered the risk of improper expenditure recognition and do not consider this to be a significant risk of material misstatement at this time.</p>	As we do not consider this to be a significant risk for the Council we will not be undertaking any specific work in this area other than our normal audit procedures.

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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) 315)

Significant risks identified

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group and Council	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. .</p> <p>We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which is one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate the design effectiveness of management controls over journals • analyse the journals listing and determine the criteria for selecting high risk unusual journals • test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence • evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions

‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either 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) 315)

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the defined benefit pension fund net liability	Group and Council	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements</p> <p>The pension fund net liability of £31.649m (2021-22) is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the liability.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtain assurances from the auditor of Lancashire Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Management should expect engagement teams to challenge management in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land & buildings and investment properties	Council	<p>The Council revalues its land and buildings on a five-yearly basis to ensure the carrying value in the financial statements is not materially different from current value at the financial statements date. This valuation of £27.588m (2021-22) represents a significant estimate by management in the financial statements.</p> <p>The valuation of land and buildings is a key accounting estimate which is derived, depending on the valuation methodology, from assumptions that reflect market observations and the condition of the asset at the time. However, the valuation methodology for land and buildings is specified in detail in the CIPFA Code and the sector is highly regulated by RICS, therefore we will focus our audit attention on assets that have large and unusual changes and/or approaches to the valuation of land and buildings, as a significant risk requiring special audit consideration.</p> <p>All investment properties should be valued and reported at fair value under relevant accounting principles. Again, this valuation of £11.159m (2021-22) represents a significant estimate by management in the financial statements due to the size of the numbers involved compared to Council's materiality and the sensitivity of this estimate to changes in key assumptions.</p> <p>We have identified valuation of land and buildings, including investment properties, as a significant risk, which was one of the most significant assessed risks of material misstatement. The risk will be pinpointed as part of our final accounts work. We will report an updated risk assessment for valuation of land and buildings in our Audit Findings Report.</p>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • discuss with the valuer the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the Council's asset register • evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to 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	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
South Ribble Borough Council	Yes		Management override of controls Valuation of land and buildings & investment properties Valuation of net pension fund liability	Full scope audit performed by Grant Thornton UK LLP
South Ribble Leisure Ltd	No		Management override of controls Valuation of net pension fund liability	Specified audit procedures relating to risks of material misstatement of the group financial statements including leisure income and expenditure.

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2022/23 financial statements, consider and decide upon any objections received in relation to the 2022/23 financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 [the Act].
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
 - issuing an advisory notice under section 29 of the Act
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Progress against prior year audit recommendations

We identified the following issues in our 2021/22 audit of the Council's financial statements, which resulted in two recommendations being reported in our 2021/22 Audit Findings Report. We will review progress with the implementation of our recommendations as part of our audit.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
To be reviewed	<p>Land & building assets held at historical cost</p> <p>We identified several land and building assets on the assets register which are held at historical cost which is not appropriate under the CIPFA Code. Upon review and through inquiries of management, we have established there are some items which are a component of other buildings on the asset register and therefore double-counted.</p> <p>There is a risk that land & building assets are misstated in the asset register through double-counting or the valuation of such items is inaccurate.</p> <p>We recommended the Council should review the accounting treatment for capital expenditure which forms a component of an existing property asset to consider whether componentisation is appropriate and ensure the assets are subject to revaluation in accordance with the CIPFA Code.</p>	We will follow this up as part of our 22-23 financial statement work.
To be reviewed	<p>Infrastructure assets</p> <p>From our review of useful lives applied to infrastructure assets, we identified that the basis for determining appropriate useful lives for different types of assets should be reviewed. The accounting policies include a range of 5-60 years for infrastructure assets however, there are additional sub-categories which should be assessed individually e.g. footpaths and bridleways, drainage, parks.</p> <p>There is risk that inappropriate useful lives are applied to assets which could result in a material error in the net book value and accumulated depreciation.</p> <p>We recommended the Council should review the basis for estimating useful lives for infrastructure assets, considering the guidance in the CIPFA Bulletin and ensure the accounting policies are compliant with the requirements of the CIPFA Code.</p>	We will follow this up as part of our 22-23 financial statement work.

Progress against prior year audit recommendations

Assessment

Issue and risk previously communicated

Update on actions taken to address the issue

To be reviewed

Cash to bank reconciliation

Our review and testing of the year-end reconciliation of cash balances in the accounting ledger to the bank account has identified that the reconciliation only includes the Council's main bank account however, there are other bank accounts which should also be reconciled and reviewed at year-end.

As part of our procedures we have reconciled the cash balances to the bank account, obtained direct confirmation from the banks and verified items that cleared in the bank after the reporting date. Therefore, we are satisfied the cash balance is not materially misstated.

We raised a similar recommendation in 2020-21 (see page 29) and management have started reviewing the cash to bank reconciliation process to ensure it covers all applicable cash balances in the account, and ensure it is fit for purpose as an effective check on the year-end balance.

We will follow this up as part of our 22-23 financial statement work.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
1	<p>Determination</p> <p>We have determined financial statement materiality based on a proportion of the gross expenditure of the group and Council for the financial year. Materiality at the planning stage of our audit is £0.923m for the group and £0.922m for the Council, which equates to 1.9% of gross expenditure for the prior period.</p>	<p>We determine planning materiality in order to:</p> <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements – assist in establishing the scope of our audit engagement and audit tests – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements
2	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements.</p>	<p>An item may be considered to be material by nature where it may affect instances when greater precision is required.</p> <ul style="list-style-type: none"> – We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p>Other communications relating to materiality we will report to the Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.046m (PY £0.046m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Governance Committee to assist it in fulfilling its governance responsibilities.</p>

IT audit strategy

In accordance with ISA [UK] 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on page 18.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Civica Financials	Financial reporting	<ul style="list-style-type: none"> ITGC assessment (design and operating effectiveness)
iTrent	Payroll	<ul style="list-style-type: none"> Review of Service Auditor Reports - ITGC assessment (design and operating effectiveness) and Complementary user entity controls testing

Changes to auditing standards – ISA (UK) 315

This is an overview of the key changes to audit methodology arising from ISA (UK) 315 (Revised July 2020), effective for periods beginning on or after December 15, 2021.

Auditors are required to identify controls within a business process for significant transactions and balances, including journals. ISA 315 also extends the identification of controls to include identification of the risks arising from the use of IT, and the general IT controls (ITGCs) that address those risks, and auditors will be required to perform walkthrough testing of these controls to confirm they are implemented.

Key Elements of ISA (UK) 315	Impact on audit
IT environment	More information required about IT infrastructure and processes – liaison likely to be needed with IT staff
Considering IT risks related to internal controls relevant to the audit.	Additional walkthrough testing of IT general controls that address risks arising from use of IT
Relevant Journal Entry Controls	Additional walkthrough testing of IT general controls relating to journals
Understanding the entity's information system & business process understanding	Potential for additional business processes to require documentation
Control reliance	Potential for increased sample sizes in some areas



Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2023

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023 . The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Our risk assessment regarding your arrangements to secure value for money has not identified any risks of significant weakness at this point. However, we will need to update our risk assessment once we have finalised out work on the 21-22 Auditor's Annual Report.

We will continue our review of your arrangements, including reviewing your Annual Governance Statement, before we issue our auditor's annual report.

Audit logistics and team



Georgia Jones, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

Matt Derrick, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.

Mehboob Koorowlay, Audit Incharge

Key audit contact responsible for the day to day management and delivery of the audit work.

Audited body responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audits. Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to ensure that you:

- produce draft financial statements of good quality by the agreed timetable you have agreed with us, including all notes, the Narrative Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards including ISA 315 Revised

In 2017, PSAA awarded a contract of audit for South Ribble Borough Council to begin with effect from 2018/19. The fee agreed in the contract was £33,821. Since that time, there have been a number of developments, particularly in relation to the revised Code and ISA's which are relevant for the 2022/23 audit. For details of the changes which impacted on years up to 2021/22 please see our prior year Audit Plans.

The major change impacting on our audit for 2022/23 is the introduction of ISA (UK) 315 (Revised) - Identifying and assessing the risks of material misstatement ('ISA 315'). There are a number of significant changes that will impact the nature and extent of our risk assessment procedures and the work we perform to respond to these identified risks. Key changes include:

- Enhanced requirements around understanding the Council's IT Infrastructure, IT environment. From this we will then identify any risks arising from the use of IT. We are then required to identify the IT General Controls ('ITGCs') that address those risks and test the design and implementation of ITGCs that address the risks arising from the use of IT.
- Additional documentation of our understanding of the Council's business model, which may result in us needing to perform additional inquiries to understand the Council's end-to-end processes over more classes of transactions, balances and disclosures.
- We are required to identify controls within a business process and identify which of those controls are controls relevant to the audit. These include, but are not limited to, controls over significant risks and journal entries. We will need to identify the risks arising from the use of IT and the general IT controls (ITGCs) as part of obtaining an understanding of relevant controls.
- Where we do not test the operating effectiveness of controls, the assessment of risk will be the inherent risk, this means that our sample sizes may be larger than in previous years.

These are significant changes which will require us to increase the scope, nature and extent of our audit documentation, particularly in respect of your business processes, and your IT controls. We will be unable to determine the full fee impact until we have undertaken further work in respect of the above areas. However, for an authority of your size, we estimate an initial increase of £3,000. We will let you know if our work in respect of business processes and IT controls identifies any issues requiring further audit testing. There is likely to be an ongoing requirement for a fee increase in future years, although we are unable yet to quantify that.

The other major change to Auditing Standards in 2022/23 is in respect of ISA 240 which deals with the auditor's responsibilities relating to fraud in an audit of financial statements. This Standard gives more prominence to the risk of fraud in the audit planning process. We will let you know during the course of the audit should we be required to undertake any additional work in this area which will impact on your fee.

Taking into account the above, our proposed work and fee for 2022/23, as set out below, is detailed overleaf and has been agreed with the Director of Finance.

Audit fees

	Actual Fee 2021/22	Proposed fee 2022/23
South Ribble Borough Council Audit	£75,747	£74,660
Total audit fees (excluding VAT)	£75,747	£74,660

Assumptions

In setting the above fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements.

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Audit fees – detailed analysis

Scale fee published by PSAA 2022/23	£40,660
<i>Issues not included in the above</i>	
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of revised ISAs 540	£2,100
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
Additional procedures to address other local risk factors (VFM significant weaknesses)	£6,000
Group audit procedures	£4,500
Enhanced audit procedures for Infrastructure	£2,650
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund- reliefs testing	£750
Increased audit requirements of revised ISAs 315/ 240	£3,000
Lower materiality	£2,500
Total proposed audit fees 2022/23 (excluding VAT)	£74,660

All variations to the scale fee will need to be approved by PSAA

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the group and Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group and Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Housing Benefits Subsidy Grant	23,633	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £23,633 in comparison to the total fee for the audit of £74,660 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings	
Respective responsibilities of auditor and management/those charged with governance	•		<p>ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.</p> <p>This document, the Audit Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.</p> <p>We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.</p> <p>Respective responsibilities</p> <p>As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.</p> <p>The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	•		
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•	
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	•	•	
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	•	•	
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a	
Significant findings from the audit		•	
Significant matters and issue arising during the audit and written representations that have been sought		•	
Significant difficulties encountered during the audit		•	
Significant deficiencies in internal control identified during the audit		•	
Significant matters arising in connection with related parties		•	
Identification or suspicion of fraud(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•	
Non-compliance with laws and regulations		•	
Unadjusted misstatements and material disclosure omissions		•	
Expected modifications to the auditor's report, or emphasis of matter		•	



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