

# The Audit Findings for South Ribble Borough Council

Year ended 31 March 2023



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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management and the Governance Committee.

*Georgia Jones*

Name: Georgia Jones

For Grant Thornton UK LLP

Date: February 2024

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.

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# 1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of South Ribble Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

## Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work has been undertaken on site and remotely during August to November. Our findings are summarised on pages 6 to 21.

To date, we have identified adjustments to the financial statements that have resulted in a £13.978m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

This is our final report including additional adjustments to the financial statements and unadjusted misstatements.

Our work is complete subject to the following outstanding matters;

- Review of the adjustments to the draft accounts in relation to land & building revaluations
- final review of the work completed by the engagement lead
- receipt of management representation letter see appendix G; and
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is complete and our commentary on the Council's arrangements is included in our Auditor's Annual Report (AAR).

We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

# 1. Headlines

## Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (‘the Code’), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council’s overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council’s arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work and our detailed commentary is set out in the separate Auditor’s Annual Report, which is presented alongside this report.

In August 2023, we issued our Auditor’s Annual Report 2021-22 which reported the findings and recommendations from our VFM work. We identified a significant weakness in the 2021-22 work in relation to the Council’s governance arrangements for procurement with, and, onboarding of external contractors. We updated our risk assessment as we consider this risk is relevant for 2022-23.

We have considered and included references to the Council’s actions to address this significant weakness (which have mainly been carried out in 2023/24) in our report. However, because this report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23, we have therefore repeated the key recommendations we made in our 2021/22 Report. Our 21/22 Auditor’s Annual Report was issued in August 2023 and the Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

Our findings are set out in the value for money arrangements section of this report (Section 3).

## Statutory duties

The Local Audit and Accountability Act 2014 (‘the Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.

## Significant matters

We have experienced some delays in obtaining sufficient audit evidence to complete the review of IT General Controls, although we acknowledge that this was partially due to limitations of the systems and policies in place during the period under review. We have also encountered difficulties in obtaining the necessary supporting evidence to substantiate the key inputs for property revaluations. We are satisfied we have now obtained the required information.

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# 1. Headlines

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## National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

We would like to thank everyone at the Council for their support in working with us to progress the audit.

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## National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

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# 2. Financial Statements

## Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and the Governance Committee.

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

## Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of the component of the group based on a measure of materiality considering each as a percentage of the Council's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of transactions of the leisure company was required
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

## Conclusion

We are nearing completion of our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance Committee meeting on 06 February 2024, as detailed in Appendix H. These outstanding items are detailed on page 3.

### Acknowledgements

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

## 2. Financial Statements



### 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.

Materiality benchmarks remain the same as reported in our audit plan in May 2023.

We set out in this table our determination of materiality for South Ribble Borough Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	923,000	922,000	We have used planning materiality which equates to around 1.9% of your gross operating expenditure for 2021/22 (1.8% of your gross operating expenditure for 2022/23). This is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure.
Performance materiality	691,000	691,000	Assessed as 75% of financial statements materiality and based on our knowledge of the Authority and consideration of previous audit findings and adjustments.
Trivial matters	46,000	46,000	Assessed as 5% of financial statements materiality
Lower materiality for senior officer remuneration	n/a	n/a	The senior officer remuneration disclosure in the Remuneration Report has been identified as an area of focus with no materiality set, due to the sensitive nature of the balance and the keen interest by users of the financial statements.



## 2. Financial Statements: Significant risks

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.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary	Relevant to Council and Group
<p><b>Risk of fraud related to revenue recognition</b></p> <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"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including South Ribble Borough Council mean that all forms of fraud are seen as unacceptable.</li> </ul> <p>Therefore and as reported in our Audit Plan, we do not consider this to be a significant risk. Whilst not a significant risk, we have performed audit procedures and testing of material revenue items.</p> <p>Our testing is completed and our procedures to sample test income have not identified any matters to report and have not identified any matters that would lead to a change in our risk assessment.</p>	
<p><b>Risk of fraud related to expenditure recognition</b></p> <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>As reported in our Audit Plane, we have considered the risk of improper expenditure recognition and do not consider this to be a significant risk of material misstatement.</p> <p>Whilst not a significant risk, we have performed audit procedures and testing of material revenue items.</p> <p>Our testing is complete and our procedures to sample test expenditure have not identified any matters to report and have not identified any matters that would lead to a change in our risk assessment.</p>	
<p><b>Management override of controls</b></p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override 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 have:</p> <ul style="list-style-type: none"> <li>• evaluated the design and implementation of management controls over journals</li> <li>• analysed the journals listing and determined the criteria for selecting high risk unusual journals</li> <li>• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li> <li>• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness</li> </ul> <p>We have not identified any changes to accounting policies or the estimation process.</p> <p>Our testing is complete, we have not identified any issues to report.</p> <p>In our prior year audit, we identified that there were no automated controls on the Civica finance system to prevent members of staff approving their own journals and there are no limits on authorisation of journals. We reported a recommendation and journal authorisation controls have now been implemented from February 2023 – see appendix C</p>	



## 2. Financial Statements: Significant risks

### Risks identified in our Audit Plan

#### Valuation of land & buildings and investment properties

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 £32.789m (£27.953m, 2021-22) represents a significant estimate by management in the financial statements.

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.

All investment properties should be valued and reported at fair value under relevant accounting principles. Again, this valuation of £10.742m (£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.

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.

### Commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- discussed with the valuer the basis on which the valuation was carried out
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- tested 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.
- reviewed management's assessment of the risk of impairment of Assets Under Construction

We have made a number of inquiries to the valuer and Council officers in relation to the key data inputs and assumptions applied in the valuations. We observed, in some instances, the supporting documentation was not available and/or not up to date or the information provided to the valuer was inaccurate. For example, when reviewing evidence to substantiate rental income, we identified the Council has several properties occupied by tenants with expired leases. We have reported a recommendations for improvement in Appendix B.

An assessment of assets not revalued in year has been undertaken, to provide assurance that the carrying value is not materially different to the current value at year end. The assessment indicated that there is difference of £0.238m between the current value and carrying value.

We have also undertaken our own procedures in this area including comparison with industry indices and a substantive review of the desktop valuations. We are awaiting responses to queries raised with the external valuer.

The audit team's review of the accounting for revaluations in 2022-23 identified that valuation movements had been allocated incorrectly between the CIES and revaluation reserve. Upon review, it was identified this was a result of a formulae error in the asset register which also affected the 2021-22 workings. Management recalculated the valuation movements for both 2021-22 and 2022-23 and determined the overall impact is a misclassification of valuation increases between the revaluation reserve and CIES (reversal of previous impairment). We also identified an understatement of land & buildings net book value as a result of inconsistencies in the accounting for accumulated depreciation. These misstatements have been adjusted in the final accounts assets have increased £1.065m for 2022-23. The impact for 2021-22 is £0.042m which is trivial.

Our work is substantially complete and, to date, we have not identified any other matters in respect of valuation of land and buildings and investment properties.

## 2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and Group
<p><b>Valuation of pension fund net surplus</b></p> <p>The Council's pension fund net surplus, 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 surplus is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>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/surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>- updated 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;</li> <li>- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;</li> <li>- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;</li> <li>- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;</li> <li>- tested 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;</li> <li>- undertaken 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</li> <li>- obtained 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.</li> </ul> <p>The Council recognised the full pension surplus and a net pension asset of £12.485m in the draft accounts presented for audit. We recommended that the Council undertook or obtained an IFRIC 14 assessment to determine the extent to which the pension surplus should be recognised as a net pension asset.</p> <p>In October 2023, the Council commissioned the actuary to undertake an IFRIC 14 assessment of the pension surplus and this determined that an asset ceiling should be applied to reduce the net asset to nil. There is an unfunded defined benefit liability of £2.558m that should have been recognised under IAS19 in the draft 2022-23 accounts. This relates to termination benefits made on a discretionary basis upon early retirement in respect of members of the pension scheme. Previously this balance had been included within the overall pension fund liability amount. With the move to a pension fund asset position this amount should have been accounted for separately as a liability on the Authority's balance sheet.</p> <p>The draft accounts have been updated to include the two adjustments and additional narrative disclosure added to the pensions notes.</p> <p>Additionally, the assessment determined that an asset ceiling should be applied to the pension surplus arising in the South Ribble Leisure Ltd accounts which are consolidated into the group accounts. The net pension asset of £0.248m has been reduced to nil.</p> <p>We have received final assurance letter from the pension fund auditor. Our work is now complete, we have no further matters to report.</p>	

## 2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
<p><b>Cyber Security</b></p> <p>We note that the Council does not have a formal policy covering cyber risk.</p>	<p>1 in 3 UK entities suffer from a cyber breach every month, so it's more a case of 'when' an attack happens, not 'if'.</p> <p>High profile cyber-attacks undermine trust in an organisation and shatter hard won reputations and consumer trust. Over 80% of the cyber-attacks we read about could have been prevented through good simple cyber hygiene. Understanding and managing cyber risk is fundamental to any business's growth journey.</p>	<p><b>Auditor view</b></p> <p>We recommend that the Council proactively looks at its cyber preparedness and puts in place appropriate policies/safeguards.</p> <p><b>Management response</b></p> <p>Cyber Security officer recently hired and working on implementing and improving security policies. Information Security Framework and Patching Policy have been completed and further changes planned to improve user creation and deletion.</p>
<p><b>IT Control deficiencies</b></p> <p>We have reviewed the IT General Controls for the in-scope financial systems. Our review identified some deficiencies in the processes in place during the period under review:</p> <ul style="list-style-type: none"> <li>Evidence of requests and approvals of changes to privileged user access is not retained for more than 30 days</li> <li>There are no periodic reviews of user access</li> <li>Our review identified cases where user access was not removed on a timely basis</li> <li>The Council did not have a formal change management policy in place until March 2023 and details of changes to IT applications implemented during the period under review was not readily available</li> </ul>	<p>We have encountered some delays in obtaining sufficient audit evidence to complete this review.</p> <p>We have included summary of IT controls findings in Appendix J.</p>	<p><b>Auditor view</b></p> <p>We recommend that the Council reviews the security &amp; access management procedures and change management processes and and puts in place appropriate policies and controls in line with best practice.</p> <p><b>Management response</b></p> <p>Cyber Security officer recently hired and working on implementing and improving security policies. Information Security Framework and Patching Policy have been completed and further changes planned to improve user creation and deletion.</p>

## 2. Financial Statements – Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
South Ribble Borough Council	Grant Thornton	<p>The Group accounts were provided for audit on 12 October 2023</p> <p>We reviewed the Council’s procedures and consolidation calculations for the consolidation of South Ribble Leisure Ltd with the Council’s accounts. No issues were identified.</p> <ul style="list-style-type: none"> <li>• We have obtained sufficient assurances over any material balances and transactions outside the group boundary.</li> <li>• We completed a review of the group consolidation process and there are no issues identified that need reporting to the Governance Committee.</li> </ul>	<ul style="list-style-type: none"> <li>• Our group audit work is now completed and we have not identified any issues to report as a result of our findings.</li> <li>• We are satisfied that the Group accounts after taking account intercompany transactions, are not materially misstated.</li> </ul>
South Ribble Leisure Ltd	Not applicable	<p>Risks identified as per our audit plan were:</p> <ul style="list-style-type: none"> <li>- Management override of controls</li> <li>- Valuation of Pension Fund Liability</li> </ul> <ul style="list-style-type: none"> <li>• We have completed a review of the group consolidation process and there are no issues identified that need reporting to the Audit Committee.</li> <li>• We have substantively tested a sample of the income and expenditure transactions in the leisure company</li> </ul>	Our work is complete. We have no findings to report to date

## 2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £32.789m	Other land and buildings includes specialised assets such as leisure centres which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.	<p>We have</p> <ul style="list-style-type: none"> <li>undertaken an assessment of management's experts</li> <li>reviewed the completeness and accuracy of the underlying information used to determine the estimate</li> <li>reviewed the impact of any changes to valuation method</li> <li>checked the consistency of estimate against near neighbours</li> <li>agreed the reasonableness of the increase/decrease in estimate</li> <li>reviewed the adequacy of disclosure of estimate in the financial statements.</li> </ul>	Light purple
Investment Properties – £10.742m	<p>The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged Sanderson Weatherall to complete the valuation of properties as at 31 March 2023 on a five yearly cyclical basis. 74% of total assets were revalued during 2022/23.</p> <p>Management have considered the year end value of non-valued properties and the potential valuation change in the assets revalued at 31 March 2023. This has been supported by a desktop review of assets by Sanderson Weatherall.</p> <p>Management identified material changes to the valuation of properties. Where applicable, the identified assets were subject to a full revaluation.</p> <p>Management's assessment of assets not revalued (£8.349m) has identified no material change to the properties value as at 31 March 2023.</p>	<p>The valuation method remains consistent with the prior year.</p> <p>The Valuer has prepared their valuations in accordance with RICS Valuation – Global Standards.</p> <p>As reported on page 9, we encountered some difficulty in obtaining evidence from the estates team to substantiate the key inputs to the valuations and identified some inaccuracies in the information that had been supplied to external valuer. We have reported a recommendation for improvement in Appendix B.</p> <p>An assessment of assets not revalued in year by management has been undertaken, to provide assurance that the carrying value is not materially different to the current value at year end. The assessment indicated that there is difference of £0.238m between the current value and carrying value.</p> <p>We have also undertaken our own procedures in this area including comparison with industry indices and a substantive review of the desktop valuations. We are awaiting responses to queries raised with the external valuer.</p> <p>Our work is substantially complete and we have not identified any other matters in respect of valuation of land and buildings and investment properties.</p>	

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment																								
<p><b>Net pension surplus – £12.485m</b></p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p>	<p>The Council's [total] net pension liability at 31 March 2023 is £12.485m comprising the Lancashire Pension Fund Local Government Scheme and £2.558m of unfunded defined benefit pension scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability (surplus), small changes in assumptions can result in significant valuation movements.</p> <p>There has been a £48.283m net actuarial gain during 2022/23.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>Assessment of management's expert</li> <li>Assessment of actuary's approach taken, detail work undertaken to confirm reasonableness of approach</li> <li>Use of PwC as auditors expert to assess actuary and assumptions made by actuary – use table to compare with Actuary assumptions</li> </ul> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>4.8%</td> <td>4.7 - 4.8%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.8%</td> <td>2.8%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>4.2%</td> <td>3.2 - 5.2%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>22.8 / 21.5</td> <td>22.4-24.3 / 21.0-22.6</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>25.6 / 23.8</td> <td>25.3-26.6 / 23.5-24.7</td> <td>●</td> </tr> </tbody> </table> <p>We have also reviewed:</p> <ul style="list-style-type: none"> <li>the completeness and accuracy of the underlying information used to determine the estimate</li> <li>the impact of any changes to valuation method</li> <li>Reasonableness of the Council's share of LPS pension assets.</li> <li>Reasonableness of increase/decrease in estimate</li> <li>Adequacy of disclosure of estimate in the financial statements</li> </ul> <p>We have also obtained assurances from the auditor of the Local Government Pension scheme.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	4.8%	4.7 - 4.8%	●	Pension increase rate	2.8%	2.8%	●	Salary growth	4.2%	3.2 - 5.2%	●	Life expectancy – Males currently aged 45/65	22.8 / 21.5	22.4-24.3 / 21.0-22.6	●	Life expectancy – Females currently aged 45/65	25.6 / 23.8	25.3-26.6 / 23.5-24.7	●	Light purple
Assumption	Actuary Value	PwC range	Assessment																								
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Salary growth	4.2%	3.2 - 5.2%	●																								
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### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Provisions for NNDR appeals - £1.737m	<p>The Council are responsible for repaying a proportion of successful rateable value appeals. South Ribble's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) for the 2010 listing and previous success rates.</p> <p>Whilst earlier outstanding appeals have fallen, the Council has included an estimate for appeals in from 2017-18 to 2022-23 of approximately 3.0 per cent. The provision has decreased £0.614m from 31 March 2022.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>reviewed the appropriateness of the underlying information used to determine the estimate</li> <li>reviewed the impact of any changes to valuation method</li> <li>checked the consistency of estimate against industry practice</li> <li>agreed the reasonableness of the increase in estimate</li> <li>reviewed the adequacy of disclosure of estimate in the financial statements.</li> </ul> <p>Our work in this area is ongoing and, to date, we have not identified any findings to report.</p> <p>A revaluation of the rateable value of business properties came into effect on 1 April 2023. Appeals in regards to the 2017 rating valuation list had to have been submitted by 31 March 2023; the list was "closed" after this date and further appeals are only possible by exception.</p> <p>We recommended the Council reviews the calculation of the appeals provision to ensure it adequately reflects this change. The revised provision has increased £0.308m from the draft accounts. This has not been adjusted in the final accounts on the basis of materiality and is included in the unadjusted misstatements in Appendix D.</p>	Light purple

### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

## 2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £0.358m	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The Council's policy for MRP for pre 2008 borrowing is a charge at the rate of 4% in accordance with the Regulatory Method.</p> <p>In the case of all capital spend finance by Prudential Borrowing; this is subject to MRP under the Asset Life Method - equal instalments charged over the estimated useful life of the asset. MRP is based on the estimated life of the assets, in accordance with the regulations.</p> <p>The year end MRP charge was £0.358m, a net increase of £0.060m from 2021/22.</p>	<p>We have examined:</p> <ul style="list-style-type: none"> <li>whether the MRP has been calculated in line with the statutory guidance</li> <li>whether the Council's policy on MRP complies with statutory guidance.</li> <li>Assessed whether any changes to the Council's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full council</li> <li>Reasonableness of the increase/decrease in MRP charge</li> </ul> <p>At 31 March 2023, the Council's MRP was £0.358m. At 31 March 2022 the MRP was £0.298m. The MRP represents 5.81% of the Council's overall Capital Financing Requirement. This has decreased from 8.49% at 31 March 2022.</p> <p>Across the sector, government have consulted on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. This is still being reviewed and government will issue a full response to the consultation in due course.</p>	Light purple









### Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious







## 2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
			Security management	Technology acquisition, development and maintenance	Technology infrastructure		
Civica	ITGC assessment (design and implementation only)					Management override of controls	
iTrent	ITGC assessment (design, implementation only)					No significant risk identified	

### Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

## 2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

<b>Issue</b>	<b>Commentary</b>
<b>Matters in relation to fraud</b>	We have previously discussed the risk of fraud with the Governance Committee. We have not been made aware of any other incidents in the period and no issues have been identified during the course of our audit.
<b>Matters in relation to related parties</b>	We are not aware of any related parties or related party transactions which have not been disclosed.
<b>Matters in relation to laws and regulations</b>	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
<b>Written representations</b>	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is set out at Appendix G
<b>Confirmation requests from third parties</b>	We requested from management permission to send confirmation requests to the Council's bankers. This permission was granted and the requests were sent and were returned with positive confirmation.
<b>Accounting practices</b>	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
<b>Audit evidence and explanations/significant difficulties</b>	We have experienced some delays in obtaining sufficient audit evidence to complete the review of IT General Controls, although we acknowledge that this was partially due to limitations of the systems and policies in place during the period under review. We have also encountered difficulties in obtaining the necessary supporting evidence to substantiate the key inputs for property revaluations. We have not encountered any other significant difficulties during the audit.

## 2. Financial Statements: other communication requirements



### Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> <li>the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities</li> <li>for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.</li> </ul> <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> <li>the nature of the Council and the environment in which it operates</li> <li>the Council's financial reporting framework</li> <li>the Council's system of internal control for identifying events or conditions relevant to going concern</li> <li>management's going concern assessment.</li> </ul> <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> <li>a material uncertainty related to going concern has not been identified</li> <li>management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.</li> </ul>

## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix H</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> <li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li> <li>• if we have applied any of our statutory powers or duties.</li> <li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li> </ul> <p>We have nothing to report on these matters</p>



## 2. Financial Statements: other responsibilities under the Code

Issue	Commentary
<b>Specified procedures for Whole of Government Accounts</b>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Detailed procedures are not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of South Ribble Borough Council when we issue the audit report.

# 3. Value for Money arrangements (VFM)

## Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



### Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.



### Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)



### Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

## Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



### Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



### Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



### Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

# 3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code, see Appendix H.

Risk of significant weakness	Conclusion	Outcome
In 2021-22, we identified a significant weakness in the Council's governance arrangements in relation to capacity of the procurement function, ensuring compliance with procurement procedure, onboarding of contractors onto the Council network and providing access to information.	We have considered and included references to the Council's actions to address this significant weakness (which have mainly been carried out in 2023/24) in our report. However, because our report looks at arrangements in place in 2022/23 and the significant weaknesses were present in 2022/23.	We have repeated the key recommendations we made in our 2021/22 Report. Our Auditor's Annual Report for 2021/22 was issued in August 2023 and the Council has made significant progress in addressing these significant weaknesses and implementing the recommendations in 2023/24.

# 4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

We confirm that we have implemented policies and procedures to meet the requirements of the 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.

Details of fees charged are detailed in Appendix F.

## Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).



# 4. Independence and ethics

## Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to November 2023, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
<b>Audit related</b>			
Certification of Housing Benefit Claim 2021-22	27,005	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 £27,005 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, we consider the safeguards are the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing Benefit Claim 2022-23	32,400	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 £32,400 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat, we consider the safeguards are the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Governance Committee. None of the services provided are subject to contingent fees.

# 4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Council or investments held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council, senior management or staff

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

# Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion
- I. Audit letter in respect of delayed VFM work

# A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
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 involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

## Respective responsibilities

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.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

## Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

## B. Action Plan – Audit of Financial Statements

We have identified two recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress of these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	<p><b>IT control environment</b></p> <p>Our review of the IT General Controls for the Council’s IT network and key finance applications identified several areas where we observed deficiencies in the processes in place or the expected control is ineffective or missing.</p> <p>This relates to the three areas of security management, management of changes to IT applications and management of schedule jobs and monitoring.</p> <p>We have included a detailed summary of findings in Appendix I.</p> <p>In addition, we note that the Council does not have a formal policy covering cyber risk.</p> <p>Maintaining robust and effective IT controls, supported by appropriate policies, is critical to protect the integrity of IT network and financial applications.</p>	<p>Review the Council’s IT and cyber security policies and procedures to ensure the appropriate IT general controls are implemented effectively.</p> <p><b>Management response</b></p> <p>Cyber Security officer recently hired and working on implementing and improving security policies. Information Security Framework and Patching Policy have been completed and further changes planned to improve user creation and deletion.</p>

## B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
<p><b>Medium</b></p>	<p><b>Management quality review of asset valuations and supporting documentation for key inputs</b></p> <p>We observed, in some instances, the supporting documentation was not available and/or not up to date or the information provided to the valuer was inaccurate. For example, when reviewing evidence to substantiate rental income, we identified the Council has several properties occupied by tenants with expired leases. We understand that a new property management system has been implemented in 2023-24.</p>	<p>Review the arrangements for managing property information to ensure that appropriate supporting documentation is retained for review, renewed on a timely basis and made available to the external valuers as necessary.</p> <p>Review the quality assurance processes to ensure adequate management review of valuations work is undertaken to check the work produced is in line with the agreed scope of work, incorporates the most up to date information and make sure any key judgements are appropriately documented.</p> <p><b>Management response</b> The management team agree with the recommendation. Action has already been taken to provide appropriate repositories for all supporting documentation required to undertake asset valuations.</p> <p>The Council has recently procured Civica Property Management, a Property/Asset Management system. The system is in the process of implementation, through this process all property information for each asset is being captured and uploaded onto the cloud-based system. Once live, the system will provide a one central repository for asset information which will be reviewed and renewed when required; information will be easily accessible and made available to external valuers.</p> <p>Following a recent procurement exercise, a new Property Valuer for the 2023/24 accounts has been appointed and a project group convened with nominated representatives across the Finance and Estates teams to work with them to deliver a more efficient and accurate valuation of PPE for 2023/24. The Estates team is now fully resourced and will review the valuation work to ensure that the work is undertaken in line with the scope of work.</p>

# C. Follow up of prior year recommendations

We identified the following issues in the audit of South Ribble Borough Council's 2021/22 financial statements, which resulted in three recommendations being reported in our 2021/22 Audit Findings report.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p><b>Land &amp; building assets held at historical cost</b></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 &amp; 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>	<p>We have reviewed the asset revaluations and assets not subject to full revaluation and we have not identified any further issues.</p>
✓	<p><b>Infrastructure assets</b></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>	<p>Management have checked the assets to ensure they were not covered by another valuation or were incorrectly classified, hence the movement of some of the values.</p> <p>Asset lives are based upon assumptions at the time expenditure is incurred but broadly the expenditure generally falls into the category of improvements to land in parks and open spaces including drainage, footpaths etc; management think it is reasonable to assume 10/20 year lives before the works are required again to maintain the same functionality.</p>

## Assessment

✓ Action completed

X Not yet addressed

# C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Cash to bank reconciliation</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We have reviewed the cash to bank reconciliation and identified that there are 3 call accounts not included as part of the reconciliation and we identified an understatement of £0.97m which is included as an unadjusted misstatement.</p>

## Assessment

- ✓ Action completed
- X Not yet addressed



# D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Pension surplus asset ceiling and recognition of unfunded liability	Remeasure of defined benefit liability/asset 15,043	Unfunded pension liability (2,558)  Pension net asset (12,485)	15,043	15,043
Adjustment for difference between estimated and actual employer pension contributions	-	Pension assets (496)  Pension liability 496	-	-
Misclassification of revaluation movements between CIES and revaluation reserve and depreciation	Surplus/Deficit on revaluation of PPE (1,065)	Land & buildings 1,065	(1,065)	(1,065)
<b>Overall impact</b>	<b>13,978</b>	<b>(13,978)</b>	<b>13,978</b>	<b>13,978</b>

## Impact of adjusted misstatements for group accounts

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000	Impact on general fund £'000
Pension surplus asset ceiling – South Ribble Leisure Ltd	Remeasure of defined benefit liability/asset 248	Pension net asset (248)	248	-
<b>Overall impact</b>	<b>248</b>	<b>(248)</b>	<b>248</b>	

# D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

## Misclassification and disclosure changes

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

Disclosure/issue/Omission	Details	Adjusted?
Accounts consistency	Updates made to references in the accounts and minor amendments to ensure consistency.	✓
Group accounts	The group financial statements and supporting notes have been added to the updated Statement of Accounts	✓
Cashflow Statement	The cashflow statement and relevant disclosure notes have been amended to incorporate the adjustments to debtors and creditors.	✓
Pension surplus asset ceiling	The disclosures have been updated to explain the application of the asset ceiling to the net pension asset.	✓
Audit fees	Updates made to disclose the full external audit costs in the accounts.	✓

## D. Audit Adjustments (continued)

### Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

<b>Detail</b>	<b>Comprehensive Income and Expenditure Statement £'000</b>	<b>Statement of Financial Position £' 000</b>	<b>Impact on total net expenditure £'000</b>	<b>Impact on general fund £'000</b>	<b>Reason for not adjusting</b>
Business rates appeals provision is overstated following the revised calculation	Provision expense 308	Provisions (308)	308	(308)	Not material
Understatement of cash accounts balance	Interest income (97)	Cash and cash equivalents 97	(97)	(97)	Not material
<b>Overall impact</b>	<b>211</b>	<b>(211)</b>	<b>211</b>	<b>(211)</b>	

## E. Fees and non-audit services

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

	Proposed audit fee
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
<b>Total proposed audit fees 2022/23 (excluding VAT)</b>	<b>£74,660</b>

## E. Fees and non-audit services

<b>Non-audit fees for other services</b>	<b>Proposed fee</b>	<b>Final fee</b>
Certification of Housing Benefit Claim 2022-23	32,400	tbc
<b>Total non-audit fees (excluding VAT)</b>	<b>£32,400</b>	<b>tbc</b>

The fees reconcile to the financial statements.

• fees per financial statements	£41,000
• Audit fee variation to PSAA scale fee	£34,000
• Housing Benefit Claim 2022-23	£32,000
• total fees per above	£107,000

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

# F. Auditing developments

## Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

**This impacts audits of financial statement for periods commencing on or after 15 December 2021.**

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: <ul style="list-style-type: none"> <li>the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures</li> <li>the identification and extent of work effort needed for indirect and direct controls in the system of internal control</li> <li>the controls for which design and implementation needs to be assess and how that impacts sampling</li> <li>the considerations for using automated tools and techniques.</li> </ul>
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>increased emphasis on the exercise of professional judgement and professional scepticism</li> <li>an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence</li> <li>increased guidance on management and auditor bias</li> <li>additional focus on the authenticity of information used as audit evidence</li> <li>a focus on response to inquiries that appear implausible</li> </ul>
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. <ul style="list-style-type: none"> <li>Consideration is also being given to the potential impacts on confidentiality and independence.</li> </ul>
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: <ul style="list-style-type: none"> <li>clarification of the requirements relating to understanding fraud risk factors</li> <li>additional communications with management or those charged with governance</li> </ul>
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

# G. Management Letter of Representation

## South Ribble Borough Council Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of South Ribble Borough Council and its subsidiary undertaking, South Ribble Leisure Ltd, for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the group and Council financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

### Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the group and Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the group and Council financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuation of land and buildings, valuation of investment property and the valuation of the net pension surplus. We are satisfied that the material judgements used in the

preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the group and Council financial statements:
  - a. there are no unrecorded liabilities, actual or contingent
  - b. none of the assets of the [group and ]Council has been assigned, pledged or mortgaged
  - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The group and Council financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

# G. Management Letter of Representation

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the group and Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

- a. the nature of the group and Council means that, notwithstanding any intention to cease the group and Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the group and Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the group and Council's ability to continue as a going concern need to be made in the financial statements

xv. The group and Council has complied with all aspects of ring-fenced grants that could have a material effect on the group and Council's financial statements in the event of non-compliance.

xvi. We have considered the year end value of land and building assets which have not been subject to external valuation and we are satisfied that the basis of valuation remains appropriate and assets are not materially misstated. We have not identified

any material changes to the properties.

## Information Provided

xix. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the group and Council's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xx. We have communicated to you all deficiencies in internal control of which management is aware.

xxi. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.



# G. Management Letter of Representation

- xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and Council, and involves:
  - a. management;
  - b. employees who have significant roles in internal control; or
  - c. others where the fraud could have a material effect on the financial statements.
- xxiii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxv. We have disclosed to you the identity of the group and Council's related parties and all the related party relationships and transactions of which we are aware.
- xxvi. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

## **Annual Governance Statement**

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

## **Narrative Report**

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

## **Approval**

The approval of this letter of representation was minuted by the Council's Governance Committee at its meeting on 28 November 2023

# H. Audit opinion

Our audit opinion is included below.

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

## Independent auditor's report to the members of South Ribble Borough Council

### Report on the audit of the financial statements

#### Opinion on financial statements

We have audited the financial statements of South Ribble Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2023 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report.

We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority or the group to cease to continue as a going concern.

In our evaluation of the Director of Finance's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's and group's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the group and the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Finance's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

# H. Audit opinion

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's and the group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

## Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

## Responsibilities of the Authority and the Director of Finance

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs.

# H. Audit opinion

In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003).

We enquired of management and the Governance Committee, concerning the group and Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:

- journal entries that impacted income and expenditure or posted during the accounts production;
- potential management bias in accounting estimates; and
- transactions outside the normal course of business.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on journals which impacted income and expenditure or posted during the accounts production,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings, the valuation of investment property and defined benefit pensions liability valuations, and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

# H. Audit opinion

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to the valuation of land and buildings, the valuation of investment property and defined benefit pensions. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the group and Authority's engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector in which the group and Authority operates
- understanding of the legal and regulatory requirements specific to the Authority and group including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

For components at which audit procedures were performed, we considered whether there were instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter except that on 30 January 2024 we identified and reported significant weaknesses in the Authority's arrangements for governance and for improving economy, efficiency and effectiveness. We reported the significant weaknesses in our audit report for the year ended 31 March 2022 issued on 07 September 2024. The significant weaknesses affect the Authority's arrangements for the year ended 31 March 2023.

This was in relation to:

- the onboarding of contractors onto the Council network and providing system access. We recommend that due consideration be given to the extent of access required and risk management in relation to system access, including regular reviews of system access and documentation of that review.

# H. Audit opinion

- a failure of the Council's governance framework. We recommend the Council considers what organisational architecture needs to be in place to ensure that the appropriate safeguards, checks and balances operate effectively to provide the assurance that officers acting improperly will be detected by Council systems.
- The lack of capacity of the current procurement function is putting the Council at significant risk of failure to achieve value for money in its procurement and contract management arrangements. We recommend that the Council renews and enhances the procurement strategy, prioritise the appropriate resourcing of its procurement function and appropriately those officers and set out clear responsibilities for procurement staff versus service line leads to ensure the procurement function operates in line with regulations and internal policy.

## Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

## Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Audit Certificate

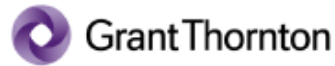
We certify that we have completed the audit of South Ribble Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

## Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

# I. Audit letter in respect of delayed VFM work

Commercial in confidence



Chair of Governance Committee  
South Ribble Borough Council  
West Paddock  
Leyland  
PR25 1DH

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Grant Thornton UK LLP  
Liver Building  
Liverpool  
L3 1PS

28 September 2023

Dear Councillor Colin Sharples, Chair of Governance Committee

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our 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 can be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We expect to publish our report no later than three months after the date of issuing the opinion on the financial statements.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Georgia Jones  
Engagement Lead

# J. IT Control Environment

This section provides commentary on the deficiencies in IT control environment identified during the course of the audit which are referenced in the Action Plan in Appendix B and on page XX of the report. The table outlines the areas of the IT general controls where we consider the processes in place are not in line with best practice or the expected control has been observed as ineffective or missing.

IT General Controls category	Illustrative control	Auditor view and management response
Security management (including managing IT access rights and privileged access)	Initial access and changes to access to the applications and supporting infrastructure is documented and approved.	<p>Our review of the processes found that documentation on user access requests and approvals is not retained for more than 30 days after the change is implemented. As a result there is no documentation available for review.</p> <p><b>Management response</b></p> <p>Access is provided via Microsoft Entra ID and this has a history of 30 days for sign-in, audit and user activity. To implement further history would require implementing a SEIM system which is being explored.</p>
	Changes to access and/or removal of access is actioned on timely basis.	<p>Our review and checks of a sample of users who had left employment at the Council found that access had not been removed for several months after the leaving date.</p> <p><b>Management response</b></p> <p>ICT make changes to users' permissions once made aware of their leaving via the helpdesk. However, a review of the user removal process has been started to improve this and work closely with other departments.</p>
	User and IT personnel access rights are periodically reviewed and approved by management.	<p>We observed that that there is no regular control in place; there are no periodic reviews of user access rights across the Council's IT network. There are periodic reviews of user access within the finance team.</p> <p><b>Management response</b></p> <p>ICT has begun a process to review the AD structure and permissions inside the councils but due to the large quantity of users and permissions this is taking considerable time but once completed will allow for the improvement of the user creation and deleting process.</p>



# J. IT Control Environment

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IT General Controls category	Illustrative control	Auditor view and management response
Management of program or IT environment changes	Management is aware of, and performs, an appropriate level of review of the activities performed by users with privileged access.	<p>We observed that that there is no regular control in place; there are no periodic reviews of activities performed by users with privileged access, although audit logs are available to review.</p> <p><b>Management response</b></p> <p>Cyber Security Officer reviews alerts in Microsoft Defender that highlight administrator roles provided and receives alerts when new privileged roles are granted. The review of a SEIM system is also tied in to improving this requirement.</p>
	Change requests are properly logged, documented and approved by appropriate personnel	<p>During the period under review, the Council had no formal change management policy in place. There is no formal log of changes to IT applications with records of requests and approval.</p> <p><b>Management response</b></p> <p>Change Management is to become part of the new Helpdesk system which is still awaiting implementation. Once this is in place then Change Management and Change Approval will be better managed and controlled.</p>
Information processing (including job scheduling and monitoring)	Changes to the financially significant scheduled jobs and associated execution schedules are properly logged, documented, tested and approved.	<p>During the period under review, the Council had no formal change management policy in place. There is no formal log of changes to financially significant scheduled jobs with records of requests and approval.</p> <p><b>Management response</b></p> <p>Change Management is to become part of the new Helpdesk system which is still awaiting implementation. Once this is in place then Change Management and Change Approval will be better managed and controlled.</p>

