Draft Auditor’s Annual Report

Burnley Borough Council – year ended 31 March 2025

Contents

Our reports are prepared in the context of the 'PSAA Statement of Responsibilities of Auditors and of Audited Bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Introduction

Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Burnley Borough Council ('the Council') for the year ended 31 March 2025. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders. For 2024/25 onwards, the Code requires us to issue our draft Auditor's Annual Report (AAR) to those charged with governance by 30 November each year, this includes where we have not yet issued our auditor's report on the financial statements.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.

Opinion on the financial statements
We have completed our work on the audit of the financial statements. We have issued an unqualified opinion on 24 February 2026.

Reporting to the group auditor
In accordance with the Group Audit instructions issued by the NAO, we have completed the Assurance Statement as required for a body with assets below the £2bn threshold.

Value for Money arrangements
We did not identify any significant weaknesses in the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Section 3 provides our commentary on the Council's arrangements.

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Audit of the financial statements

Audit of the financial statements

Our audit of the financial statements

Our audit is being conducted in accordance with the requirements of the Code, and International Standards on Auditing (UK) (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2025 and of its financial performance for the year then ended.

Reporting responsibility	Outcome
Narrative Report	We have not identified any significant inconsistencies between the content of the narrative report and our knowledge of the Council.
Annual Governance Statement	We have not identified matters where, in our opinion, the governance statement did not comply with the guidance issued by CIPFA/LASAAC Code of Practice on Local Authority Accounting.

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Our work on Value for Money arrangements

VFM arrangements

Overall Summary

VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services.

Governance - How the Council ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding or arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources, including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with officers

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 13.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements -** we make these recommendations for improvement where we have identified a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations -** we make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant, but which still require action to be taken.

The table on the following page summarises the outcome of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements, or made other recommendations.

VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
Financial sustainability	11-14	No	No	No
Governance	15-18	No	No	No
Improving economy, efficiency and effectiveness	19-22	No	No	No

VFM arrangements

Financial Sustainability

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

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Burnley's operating environment

Public services continue to face significant challenges with rising demands for services are set against a backdrop of an adverse national economy and a cost-of-living crisis. Although the financial impact of the pandemic has now started to diminish, and public finances have started to stabilise, they remain weak. Recent finding settlements for local government continued to be under pressure because of the continued demand for services and the increase in costs driven largely by higher than expected inflation. Given its operating environment, it is essential the Council has timely and accurate financial reporting to members and senior management to allow for prompt decision making to maintain the financial sustainability of the Council.

2024/25 Financial performance

We have undertaken a high level analysis of the published financial statements, including the Movement in Reserves Statement and the Balance Sheet. The balance sheet has remained relatively stable between the two financial years ending 31 March 2024 and 31 March 2025.

The total Property, Plant and Equipment (PPE) balance saw a small decrease from £101.9m to £100.9m. The Council purchased assets worth £9.2m during the 2024/25 year but this has been offset by the impact of a downward valuation of some assets , asset disposals and the annual depreciation charge.

Short term debtors have decreased in the 12 months to 31 March 2025 from £16.4m to £11.7m. This decrease indicates the Council is collecting debt due to it. In the same period, short term creditors increased from £9.8m to £11.1m meaning the Council has not paid all of the liabilities it has. The consequence of these two movements is an improvement in the Council's cash position between 31 March 2024 and 31 March 2025 from £7.5m to £10.2m. This level of cash balance ss considered to be sufficient for the Council's revenue and capital needs.

The overall borrowing has increased by £3.4m in the 12 months to 31 March 2025 from £56.1m to £59.5m. This is due to the Council increasing its PWLB borrowing throughout the 2024/25 financial Year to fund the capital programme.

The Council's usable reserves have decreased from £34.2m at 31 March 2024 to £32.7m at 31 March 2025. The General Fund Reserve has remained stable at £1.4m at both financial year ends. Each year, as part of the budget setting process, the Director of Resources carefully considers the level at which the General Fund reserve should be maintained to ensure it is sufficient to help the Council manage its financial risks. The balance has not fallen below this level.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

The Council's financial planning and monitoring arrangements, including budget setting

In February 2024, the Council set a balanced budget for the 2024/25 financial year. The total net budget requirement for Council services was £19m. Setting the budget at this level required an increase in council tax of 2.99%. Before agreeing to this council tax increase, members considered the financial impact of a decision not to do so noting this would result in an additional pressure of £233k in the year and over 5 years would result in a loss of £1.1m of income. In this context, the increase in council tax was considered necessary to protect the services provided by the Council, to fund economic and community recovery initiatives required as a result of the cost-of-living crisis, and to mitigate the impact of ongoing financial pressures faced by the Council. The Council estimated in its budget that it would receive a total income of £8.1m from council tax set at this level in 2024/25.

During the budget setting process, all Heads of Service are asked to identify any savings achievable within their service area. These are proposals are subject to review and any approved savings are reported to the Executive and Full Council in the Mid Year MTFS update in September. Following a review of fees and charges income, cost and price budgets and the Government's funding settlement, any further savings required to balance the budget are then identified and formally approved by the Executive and Full Council in March as part of the Annual Revenue Budget Report.

The budget for 2024/25 included £0.57m of savings proposals. Of this, £300k was expected to be met by centrally from additional investment income and a reduction in utility costs. The remaining savings had been identified and agreed across a number of service areas. The Council also planned to use £2m of its revenue support reserve which has been set aside in previous years to provide resilience in light of reduced funding. The Council has a good record of identifying and delivering savings proposals, with some £19.52m of savings being delivered over the years 2012/13 to 2024/25. The Council does not rely on non-recurrent measures to achieve its savings.

We have reviewed the evidence supporting the preparation of the 2024/25 budget. The arrangements are consistent with the previous year. The assumptions and judgements underpinning the budget were comprehensive, appropriate and properly applied.

Overall, the Council's financial planning and budgeting arrangements are well established and include a wide range of consultation to ensure there is an opportunity to properly consider the potential impact on service users. The budget setting process includes engagement with senior Council officers and incorporates discussion about the delivery of statutory services/priorities, the Council's Corporate Plan, and the impact on resources of emerging challenges and risks. Where additional resources are required, these are scrutinised and challenged before they are included in the budget estimates. Engagement with Head of Service and members are key parts of the budgeting arrangements.

The Council continues to regularly update its budget forecast, enabling budgets to remain up-to-date. During 2024/25, monthly budget monitoring reports were produced for discussion at executive portfolio holder meetings with the relevant finance business partner and Head of Service. This process aims to identify any emerging issues such as new pressures or delayed delivery of savings, at an early stage. In addition, it provides Executive members a greater oversight and the opportunity to provide appropriate challenge.

VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria – continued

The Council reported its revenue outturn position for 2024/25as an overall net underspend of £45k. Underspends are transferred to the Revenue Support Reserve for future use. The Council provided regular reports of its financial position quarterly to Full Council through the year. We have reviewed a sample of the reports presented for 2024/25. These reports were detailed and comprehensive and incorporate monitoring of the revenue budget, the capital programme and a wide range of other financial measures.

The Council approved a capital programme for the 2024/25 year totaling £16.3m in February 2024. This was later revised to a final capital budget of £23.5m. Actual capital expenditure for the year was reported as £22.2m with members approving a carry forward of £1.6m into 2025/26..This is not uncommon in the delivery of a capital programme due to the size and nature of the projects. During the 2024/25 year a further £2.3m (£9.5m in 2023/24) was invested on Pioneer Place and £7.5m(£11.7m in 2023/24) on Levelling Up. £1.9m (£1.3m 2023/24) of capital funding was spent on the improvement works to Towneley Hall.

The Council's arrangements for identifying, managing and monitoring funding gaps and savings

We reviewed a sample of both the revenue and capital budget monitoring reports and confirmed they provide timely detailed monitoring to the key decision makers in the Council's governance structure.

The Council recognises the need to have an MTFP demonstrating the long term financial resilience of the Council. The provisional financial settlement for 2024/25 was a one year settlement only with no indicative guide for settlements in future years. The Council will continue to review its MTFP as further decisions are taken on the financial settlements for the coming years. Assumptions and risks are built into the Medium-Term Financial Strategy over the four financial years 2025/26, 2026/27, 2027/28 and 2028/29, there is a cumulative budget gap of £3.4m.

A key element of the budget setting process is identifying savings and funding gaps. The MTFP which was presented to full Council in February 2024 highlighted the potential budget gaps using reasonable planning assumptions, The Government introduced the Lower Tier Services grant in 2021/22 to ensure that no local authority has a core spending power less than in 2020/21 due to the impact of the Covid-19 on local authority finances and demands for services. This grant was awarded again in 2022/23 as a Services Grant and again in 2023/24 and 2024/25 as the Funding guarantee Grant to ensure that no authority had a reduction in core spending power. The Council's core spending power increased by 5.3% in 2024/25 (compared to a 4.5% increase in 2023/24).

The Council's budget setting process is a detailed and comprehensive process. We reviewed a range of the budget preparation documents and meetings held as part of the budget setting process. Our review confirmed the documents were comprehensive and detailed and the discussions were timely and delivered the intended outcomes to assist with the budget preparation.

Based on the above considerations we are satisfied there is no significant weakness in the Council's arrangements in relation to its financial sustainability.

VFM arrangements

Governance

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

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Council's risk management and monitoring arrangements

The Council has an established risk management framework in place. It is embedded in the governance structure and is supported by the Risk Management Policy and Strategy. The

The Council maintains a strategic risk register. This links to the objectives in the Council's Corporate Plan and identifies the strategic actions the Council has in place to mitigate or control the to better serve the community. The Council assigns a risk score to each risk within the Strategic Risk Register reflecting the likelihood of the risk crystallising and the potential impact if thathappened. The risk score informs the RAG rating (red – high, amber – medium. Green – low) and the prioritisation of the risk for action and oversight.

Several risk management groups are in place including the Corporate Risk Management Group and Health and Safety Group to help manage the risks by ensuring controls are maintained and mitigating actions delivered. Risk discussions are also an integrated into large project groups.The Council's Risk Management Group draws together risk issues from across the Council to ensure that issues and concerns are shared and that a consistent approach is adopted throughout the Council.

From our review of the risk register which was reported to the Audit and Standards Committee in June 2025 there are no red risks identified for action indicating the Council is satisfied it has identified controls or is takingmitigating actions to reduce the risk. .

The Council has a team of internal auditors who provide assurance over the effective operation of internal controls, including the arrangements to prevent and detect fraud. The annual Internal Audit Plan is agreed with management beforethestart of the financial year and is reviewed by the Audit & Standards Committee prior to final approval. The Internal Audit Plan for 2024/25 was approved by the Committee at its meeting in March 2024. The internal audit plan is based on an assessment of risks the Council faces and is set to ensure there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work is supplemented by ad hoc reviews, if required, in respect of suspected irregularities or work to respond to emerging risks and issues. We have reviewed the Internal Audit Plan for 2024/25 and confirmed it is consistent with the risk-based approach.

Internal Audit progress reports are presented to Audit & Standards Committee meetings routinely throughout the year. The reports include follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year, the Head of Internal Audit issues an overall opinion reflecting the outcomes of the work completed during the year. For 2024/25, the Headof Internal Audit Opinion concluded that, based on the work undertaken, theevidence available to Internal Audit including other sources of assurance available, the Council's overall governance, risk management and control processes are adequate.

Internal Audit is subject to regular peer review to assess compliance with Public Sector Internal Audit Standards (PSIAS). The last report confirmed partial compliance for the Internal Audit service. It made 15 recommendations were to ensure full compliance with PSIAS and the Council put in place an action plan to address these. Following the move to Global Internal Audit Standards, the outstanding actions were transferred to the Quality Assurance and Improvement Programme.

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VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

In June 2024, an update report to the Audit and Standards committeeconfirmed actions remained outstanding:

- future arrangements should ensure that the Chief Internal Audit is professionally qualified; and
- a comprehensive training plan should be developed to address any identified skills and knowledge gaps

The Council continues to work towards completing these actions including further training for members to be delivered during 2025/26.

The Council's arrangements for budget monitoring and budgetary control

As previously reported, the Council has established budget monitoring arrangements in place. There is a clear budget monitoring timetable to which the management accountants within the Finance service work to ensure reports are timely. Financial monitoring reports are prepared on a quarterly basis covering the Council's position in respect of both capital and revenue. The in-year position is reported through to the Executive and Full Council every quarter. The format of the reports ensures relevant information is available. We have reviewed a range of the reports and conclude they are appropriately detailed and comprehensive to provide members with relevent information on both the current financial position and any emerging challenges and risks.

The Council's decision making arrangements and control framework

The Council's decision making arrangements are well established and are set out in the Council Constitution. The Executive is responsible for most of the Council's day-to-day decisions. The Executive is made up of the Leader and Cabinet. When major decisions are to be discussed or made, these are published in the Executive's Notice of Key Decisions. Where major decisions are to be discussed with council officers at a meeting of the Executive, the meeting is generally open for the public to attend. Reports provided to support decision making include an assessment of the revenue and capital financial impacts and other key impact areas such as risk management, legality and an equality impact assessment.

The Council has a Scrutiny Committee which supports the work of the Executive and the Council. The Scrutiny Committee also monitors the decisions of the Executive. It can 'call-in' a decision which has been made by the Executive but not yet implemented. This enables it to consider, in detail, whether the decision is appropriate and it may recommend to the Executive that the decision be reconsidered.

The Council operates an Audit & Standards Committee which has the appropriate status in the organisation to challenge management and obtain assurance on the operation of the internal control framework. The Committee has an agreed workplan and, where necessary, asks management to report on specific internal control issues. The Audit & Standards Committee met regularly throughout the year and routinely considered key reports on internal controls presented by Internal Audit.

VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

The Council has in place all relevant policies which we would expect to provide a comprehensive governance framework. This includes policies in respect of:

- Gifts and hospitality;
- Codes of conduct (for both Members and Officers);
- Declarations of interest;
- Officer disciplinary procedures;
- Complaints; and
- Whistle blowing.

The policies are subject to regular review to ensure they remain appropriate.

The Council's arrangements for financial reporting

The Council's 2024/25 draft statement of accounts were published in line with the statutory deadline of 30 June 2025. At the time of writing this report we have not completed our final accounts audit for 2024-25. We will provide an update on any matters arising once our work is complete.

Based on the above considerations, we have not identified any significant weaknesses in the Council's arrangements in relation to its governance.

VFM arrangements

Improving Economy, Efficiency and Effectiveness

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

• VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

The Council's arrangements for assessing performance and evaluating service delivery

The Council's Strategic Plan 2025-2030 sets out the Council's vision for the Borough. The plan is structured around the themes of People, Places, Prosperity and Performance. Within the plan the Council outlines the key strategic commitments, each of which has been assigned a Council Officer and Executive Member responsible for leading on the work towards the commitment. Progress against the strategic commitments will bereported periodically to Full Council.

There is a focus on performance management, including regular reporting of performance information to Full Council, the Executive, Scrutiny, Management Team and the Policy Board. These reports contain sufficient detail for management and members to understand the current level of performance and to discuss areas where action is needed.

Local Government Peer Challenge is a trusted method of driving and identifying improvement. It's designed to identify strengths as well as areas for improvements. In September 2024, the Council invited the LGA Corporate peer challenge team to review the Council, reflecting its commitment to continued improvement. The report following the review was received in November 2024. It highlighted a number of strengths and areas of excellence but also made some recommendations for improvement intended to strengthen the Council overall. These improvements included:

- refreshing the overarching communication strategy, including promoting the council and its successes.
- a continued focus on tackling the root causes of deprivation and inequalities, working with system partners to agree on shared outcomes.
- enhancing the role of Scrutiny in holding partners to account.
- reviewing the Asset Management Strategy.
- continuing to embed jointly owned monthly budget monitoring.
- considering future service delivery models to ensure organisational resilience and the ability to address future community needs.
- championing effective succession planning to embed future workforce resilience.

The Council developed an action plan to take forward these areas for improvement. When the peer challenge team returned in June 2025 for a follow up visit, the Council was able to evidence its progress. As a result, the follow up report concluded the Council had made "excellent progress" in addressing its recommendations. It also agreed with the Council's own view that "the outcomes and findings of the CPC have been used to inform and shape future direction and to make changes to the operating environment of the council".

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

The Council's arrangement for effective partnership working

The Council has formed a strategic partnership with Liberata who deliver the Revenues and Benefits service and a range of other back-office functions. The Council has achieved a 19% cost saving on its contract with Liberata, whilst still achieving, and in some cases improving, the annual key performance indicators (KPI's). The Council monitors the performance of services provided by Liberata on a weekly closely to ensure the services being delivered are meeting the required standard. Where servicesarenot meeting KPI targets, the Council is able to take action accordingly, including by issuing financial penalties in line with the contract.

In June 2024, the Council's Executive approved a strategic update to its partnership with Liberata, extending the collaboration until the end of 2027 for some key outsourced services. Under the extended agreement, Liberata will continue to deliver services for Revenues and Benefits, Customer Services, IT, Payroll, and HR administration. However, some specific functions were to transition back under direct Council management. This included Facilities Management, Property Services, Environmental Health, and Licensing which returned to direct Council management on 1 April 2025. This decision was noted by the LGA peer review team as providing "opportunities to consolidate service delivery and ensure more effective alignment with the strategic direction of the council."

As part of the revised strategic partnership and the transfer of services back to Council control, approximately 20 employees were identified to transfer back to direct management of the Council. In anticipation of this, the January 2025 Full Council meeting approved the Executive's recommendation to establish a post of Head of Property and Facilities Management. The new Head of Service role was considered necessary to lead the Property Services functions returning in-house.

Beyond it's contract with Liberata, the Council has a range of other partners, including Calico, Burnley Leisure, Active Lancashire, Burnley Football Club, the Integrated Care Board, Job Centre Plus and the community, voluntary and faith sector organisations. The Council works proactively with these organisations to provide a "one-stop shop" for vulnerable households, coordinating support across clinical, social and economic needs. Working together, the partners have delivered services supporting the local community in various ways including skills and employability, domestic abuse, benefits, debt and finance, empowering women, advocacy, and health and wellbeing.

The Council has worked in collaboration with UCLAN and other partners, to support the expansion of the university with investment in land and property as part of its town centre regeneration plan, along with securing Levelling Up Funding. The new campus is intended to support greater social mobility.

The final report from the LGA Peer Review notes there is a "strong network of effective partnerships in place across the borough working collectively for what is 'Best for Burnley', particularly those galvanised to address health inequalities, such as Burnley Together (that has recently evolved into the Health and Wellbeing Partnership)."

VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

Local Government Reorganisation

In December 2024, the Government published its white paper on English Devolution. This set out the first steps in delivering its manifesto pledge to transfer power out of Westminster and to outline a joint programme of devolution and local government reorganisation. Together, these are intended to simplify structures and to support economic growth whilst delivering optimal public services. In February 2025, Lancashire County Council, Blackburn with Darwen Council, Blackpool Council, Burnley and the other eleven Lancashire District Councils were formally invited to put forward a proposal for local government reorganisation. Government asked all councils to work in partnership to develop a robust and sustainable proposal for a unitary local government structure across the county area. Government was clear it wanted authorities to work collaboratively and proactively, using shared information, to develop and jointly submit a one proposal although it acknowledged that this may not be possible, and that the submission of more than one proposal would not be barrier to reorganisation.

Following receipt of the letter, Burnley, alongside the other councils in Lancashire agreed a plan to engage consultants to support the development of proposals and to agree the baseline evidence that would be used by all councils to support the emerging option(s). A total of 5 proposals have emerged from the process and are expected to submitted to Government for consideration at the end of November 2025. These proposals are for 2 unitary authorities, 3 such councils, two alternatives for structures of 4 new unitary bodies and finally a 5 council structure for Lancashire. Each of these options is supported by a different combination of existing authorities. Formal public consultation on the Government's preferred option will begin in early 2026.

- **The Council's arrangements for procurement and commissioning services**

The Council's Procurement Strategy 2023-28 aligns procurement actions with corporate strategic priorities, the National Procurement Strategy for Local Government 2022, and with changes in the Public Contract Regulations. The strategy sets out the importance of procurement activity with a focus on delivering value for money for the Council, including setting out the core principles which should be followed.

The Procurement Strategy sets out the key roles and responsibilities for all involved in procurement activity: Executive Members; the Management Team; the Chief Operating Officer; the Head of Legal & Democratic Services; Heads of Service; and Officers. The key priorities are also set out in the Council's Procurement Strategy, along with the general tasks and principles to apply when planning a procurement to achieve the priorities.

A review of the changes which came into effect in February 2025 under the Procurement Act 2023 has been completed and an overview circulated to Officers. An update of the Procurement Strategy is expected in Autumn 2025.

Based on the above considerations, we have not identified any significant weaknesses in the Council's arrangements in relation to improving economy, efficiency and effectiveness in its use of resources.

04

Other reporting responsibilities

Other reporting responsibilities

Wider reporting responsibilities

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the group auditor

Whole of Government Accounts (WGA)

The National Audit Office (NAO), as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We plan to issue this once we have completed our audit work. We have not yet received confirmation from the NAO that the group audit of the WGA has been completed and that no further work is required to be completed by us.

Appendix A – Further Information on our audit of the financial statements

Appendix A: Further information on our audit of the Council's financial statements

Significant risks and audit findings

As part of our audit of the Council we identified significant risks to our opinion on the financial statements during our risk assessment. The table below summarises these risks, how we responded and our findings

Risk	Our audit response and findings
Management override of controls In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits	**How we addressed this risk** We addressed this risk through performing audit work over: • Accounting estimates impacting amounts included in the financial statements; • Consideration of identified significant transactions outside the normal course of business; and • Journal entries recorded in the general ledger and other adjustments made in preparation of the financial statements **Audit conclusion** We have completed our procedures as planned, there are no matters to bring to Members attention.

Appendix A: Further information on our audit of the Council’s financial statements

Significant risks and audit findings

Risk	Our audit response and findings
Valuation of Property Plant & Equipment The CIPFA Code requires that where assets are subject to revaluation, their year-end carrying value should reflect the current value at that date. The Council has adopted a rolling revaluation model which sees all such property, plant & equipment revalued in a five-year cycle. The valuation of property, plant & equipment involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process, with regards to estimation, assets not revalued in year are valued at the current balance sheet date.	**How we addressed the risk** Our audit procedures included: • Obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council’s instructions to the valuer. • Obtaining an understanding of the basis of valuation applied by the valuer in the year. • Obtaining an understanding of the Council’s approach to ensure that assets not subject to revaluation in 2024/25 are materially fairly stated. • Obtaining an understanding of the Council’s approach to ensure that assets revalued through 2024/25 are materially fairly stated at the year end. • Sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations. • Using relevant market and cost data to assess the reasonableness of the valuation as at 31 March 2025. • Testing the accuracy of how valuation movements were presented and disclosed in the financial statements **Audit Conclusion** We have completed our procedures as planned, there are no matters to bring to Members attention.

Appendix A: Further information on our audit of the Council's financial statements

Significant risks and audit findings

Risk	Our audit response and findings
Net defined benefit pension asset/liability valuation The net pension liability represents a material element of the Council balance sheet. The Council is an admitted bodies of Lancashire County Pension Fund. The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's and the subsidiaries' overall valuations. There are financial assumptions and demographic assumptions used in the calculation of the valuation. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year or updated to reflect any changes. There is a risk that the assumptions and methodology used in valuing the pension obligations are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the Council net pension liability in 2024/25.	**How we addressed the risk** Our procedures included: • Obtaining an understanding of the skills, experience and qualifications of the actuary, and considering the appropriateness of the instructions to the actuary. • Obtaining confirmation from the auditor of the Lancashire County Pension Fund that the Pension Fund has designed and implemented controls to prevent and detect material misstatement. This includes the controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation of the gross asset and liability is complete and accurate. • Evaluating and challenging the work performed by the Pension Fund auditor on the Pension Fund investment assets and considering whether the outcomes would materially impact our consideration of the Council's share of Pension Fund assets. • Reviewing the actuarial allocation of Pension Fund assets to the Council by the actuary, including comparing the Council's share of the assets to other corroborative information. • Reviewing the appropriateness of the Pension Asset and Liability valuation methodology applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This includes comparing them to expected ranges, utilising information provided by PwC, consulting actuary engaged by the National Audit Office. • Agreeing the data in the IAS 19 valuation report provided by the Pension Fund Actuary to the pension accounting entries and disclosures in the Council's financial statements. **Audit Conclusions** We have completed our procedures as planned, there are no matters to bring to Members attention.

Appendix A: Further information on our audit of the Council's financial statements

Significant risks and audit findings

Risk	Our audit response and findings
Valuation of Investment Property The CIPFA Code requires that where Investment Property assets are subject to revaluation, their year-end carrying value should reflect the fair value at that date. The valuation of Investment Property involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process. The Council employs an internal valuation expert to provide valuations, however there remains a high degree of estimation uncertainty associated with the valuations of property, plant and equipment due to the significant judgements and number of variables involved.	**How we addressed the risk** Our audit procedures will include: • obtaining an understanding of the skills, experience and qualifications of the valuer, and considering the appropriateness of the Council's instructions to the valuer. • obtaining an understanding of the basis of valuation applied by the valuer in the year. • obtaining assurance on the appropriateness of the methodology and assumptions adopted by the Council's valuer. • comparing the valuation to our in-house valuation expert's estimate of the valuation. • sample testing the completeness and accuracy of underlying data provided by the Council and used by the valuer as part of their valuations.. **Audit Conclusion** We have completed our procedures as planned, there are no matters to bring to Members attention.

Appendix A: Further information on our audit of the Council's financial statements

Enhanced risks and audit findings

Risk	Our audit response and findings
Implementation of IFRS 16 The implementation of IFRS 16 in 2024/25 is a complex change in financial reporting which requires management judgement. We have therefore highlighted this as an area of enhanced risk for our 2024/25 audit.	**How we addressed this risk** Our work will include, but will not be limited to: • reviewing the process and controls by management for collating information to ensure the completeness and accuracy of the data used in the IFRS 16 calculation and that all relevant leases have been identified; • reviewing management's year end journal postings to ensure proper accounting treatment; • reviewing any key judgements and estimates that management have made in respect of their IFRS 16 calculation. **Audit conclusion** We have completed our procedures as planned, there are no matters to bring to Members attention.

Appendix A: Further information on our audit of the Council's financial statements

Summary of uncorrected misstatements

Our audit identified an uncorrected misstatements, this was immaterial individually and in aggregate.

Description	Entity	Nature	Comprehensive Income and Expenditure Statement		Balance Sheet	
			Dr (£ '000)	Cr (£ '000)	Dr (£ '000)	Cr (£ '000)
Dr: Earmarked Reserves Cr: Deferred grant income Cut off testing identified an error of £90k in relation to grant funds relating to 2025/26. This was incorrectly transferred to earmarked reserves. The grant has specific conditions and therefore should be credited to deferred grant income. The error has been extrapolated in line with our audit methodology. Reported in ACR					1,084	-1,084
Aggregate effect of unadjusted misstatements			**-**	**-**	**1,084**	**-1,084**

Appendix A: Further information on our audit of the Council's financial statements

Internal Control Observations

We identified three internal control recommendations in our 2024/25 audit. Management accepted the recommendations. We followed up four recommendations reported in our previous audit and conformed the Council addresses four out of four recommendations.

Contact

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