The Audit Findings (ISA260) Report for Chorley Borough Council

Year ended 31 March 2024

12 February 2025

Chorley Borough Council
Town Hall, Market Street
Chorley
PR7 1DP
12 February 2025

Private and Confidential

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Dear Members of the Governance Committee

Audit Findings Report for Chorley Borough Council for the 31 March 2024

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 and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (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 for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

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

Georgia Jones

Key Audit Partner
For Grant Thornton UK LLP

Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines - CBC

This table summarises the key findings and other matters arising from the statutory audit of Chorley Borough Council ('the Council') and the preparation of the Group and Council's financial statements for the year ended 31 March 2024 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 group and Council's financial statements give a true and fair view of the financial position of the group and Council and the group and 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), Narrative Report), is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work is substantially complete and was conducted remotely during July-November. Our findings are summarised on pages 7 to 25. The Council has made total adjustments to the financial statements, including those of a trivial amount that has resulted in a net £0.095m adjustment to the Council's Comprehensive Income and Expenditure Statement, and a decrease in the Council's total reserves by the same amount.

The non trivial audit amendments and unadjusted misstatements are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion [Appendix G] or material changes to the financial statements.

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

Our anticipated financial statements audit report opinion will be unmodified.

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	Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). An audit letter explaining the reasons for the delay in completing this work beyond 30 September 2024 is attached in Appendix H to this report. We have completed our VFM work, which is summarised on page 26-27, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
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 did not encounter any significant difficulties during our audit.

1. Headlines

National context – audit backlog

Timetable for publication of unaudited 2023-24 financial statements

On 30 July 2024, the Minister of State for Local Government and English Devolution issued a statement which outlined the plans to lay secondary legislation to amend the Accounts and Audit (Amendment) Regulations 2015 to set a series of backstop dates for local authority audits. When parliamentary time permits, secondary legislation is going to be used to amend the Accounts and Audit Regulations (2015) and to introduce five new backstop dates:

1. Financial years up-to-and-including 2022/23: 13 December 2024;
2. Financial year 2023/24: 28 February 2025;
3. Financial year 2024/25: 27 February 2026;
4. Financial year 2025/26: 31 January 2027;
5. Financial year 2026/27: 30 November 2027; and
6. Financial year 2027/28: 30 November 2028.

Key messages from the Minister are:

To help Councils comply with these arrangements, for financial years 2024/25 to 2027/28, the Minister states that the deadline for filing Category 1 'draft' (unaudited) accounts will be extended from 31 May to 30 June (allowing higher quality draft accounts); and there will be no routine inspections of local audits (by the Financial Reporting Council or by the Institute of Chartered Accountants in England and Wales) for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so.
Once implemented, the hope is that the new arrangements will help to restore the robust assurance needed to underpin good governance and accountability.

The audit of Chorley Borough Council has progressed in line with the planned timetable and is expected to conclude well ahead of the new backstop date. We will continue to work with management to deliver future audits to a timetable to avoid future backstop issues.

National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial 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 in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

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.

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/s 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; and
- 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 have completed our audit of your financial statements and we anticipate issuing an unqualified audit opinion ahead of the February backstop deadline.

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

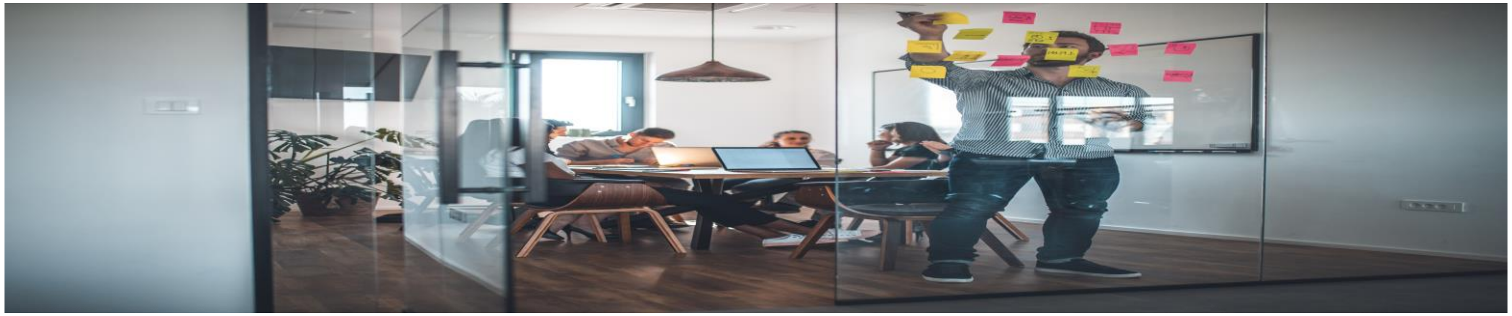
Our approach to materiality

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 levels have been updated since we issued our audit plan on 29 April 2024, as a result of receiving the 2023/24 financial statements.

We set out in this table our determination of materiality Chorley Borough Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,000,533	999,533	We have determined materiality as 1.9% of your gross operating expenditure for 2023/24. This is the level above which users of the financial statements would wish to be aware in the context of the overall expenditure. This benchmark is considered the most appropriate because we consider the users of the financial statements to be most interested in how the Council has expended its revenue and other funding.
Performance materiality	700,673	699,673	Assessed as 70% of financial statements materiality and based on risk assessed knowledge of the potential for errors arising.
Trivial matters	50,026	50,000	Trivial threshold for matters which are clearly inconsequential individually or in aggregate. It is a standard benchmark set at 5% of financial statement materiality.
Lower materiality for senior officer remuneration	n/a	10,000	Due to the sensitive nature of the disclosure.



2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Management over-ride of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We have identified an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to increasing financial pressures. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. In performing the procedures above, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included: • post year-end journals above materiality • material journals across the year • year-end journals • journals posted by senior management. Application of these routines and supplementary procedures identified a total sample of 46 journals to test. Our audit work identified the following issues in respect of management override of controls: • recode journals which were approved and authorised by the same person • some journals which had been approved ahead of the postholder having been promoted which granted the post holder authority to approve journals • some journals which had been approved by a more junior member of the team • no journal authorisation limits set for staff allowed to approve journals. Whilst we fully understand the difficulties of operating within a relatively small finance team, some of the practices identified above are not in line with best practice. In all of the above instances we were satisfied that the journals were appropriate. We did not identify any changes in accounting policies or estimation processes and review of key estimates has not identified any matters to bring to your attention. This is in line with our expectations. Our audit work did not identify any evidence of management override of controls.	Group and Council

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/or Group
Risk of fraud related to revenue recognition 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. 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: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Chorley Borough Council mean that all forms of fraud are seen as unacceptable. We therefore do not consider this to be a significant risk.	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: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Chorley Borough Council mean that all forms of fraud are seen as unacceptable. 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. 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.	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Risk of fraud in expenditure recognition – rebutted Whilst not a presumed significant risk we have had regard to Practice Note 10 (Audit of financial statements and regularity of public sector bodies in the United Kingdom). Having considered the nature of the expenditure streams at the Council, we have determined that the risk of fraud arising from expenditure recognition can be rebutted, because: • there is little incentive to manipulate expenditure for a Council where services are provided to the public through taxpayers funds • Covid -19 funding has been sufficiently provided for additional expenditure and loss of income in prior years • the culture and ethical frameworks of local authorities, including Chorley Borough Council mean that all forms of fraud are seen as unacceptable.	As reported in our Audit Plan, we have considered the risk of improper expenditure recognition and do not consider this to be a significant risk of material misstatement. Whilst not a significant risk, we have performed audit procedures and testing of material expenditure items. 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.	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of land and buildings and investment properties The Council revalue its land and buildings on a rolling five-yearly basis to ensure the carrying value in the Council's financial statements is not materially different from current value at the financial statements date. The valuation in the Council's 2023/24 financial statements of land and buildings was £107.352m, which represents a significant estimate by management. 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 Local Government 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. In addition, investment properties should be valued and reported at 'fair value' under relevant accounting principles. The valuation of investment properties was £34.385m which also represents a significant estimate by management in comparison to the materiality set for the Council. 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.	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 • evaluated 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. Our review of assets under construction highlighted one asset (Wigan Lane Playing Fields) which had been completed and opened in September 2023 and therefore should not have been classified as Assets under Construction at the year end and should have been included within operational land and buildings upon completion of the project. This has been amended and correctly reclassified, as outlined in Appendix D. Our audit work identified inconsistencies between the Council's asset register for other land and buildings and community assets and the valuer's valuation report. The accounts have been amended to account for these differences, as outlined in Appendix D. As part of our overall audit work, we tested 26 samples of Land and Building and 2 samples of Investment property asset valuations, including individually large assets or those with unusual movements, as well as a sample across the remainder of the total population of assets. In completing our work, we examined the accounting entries, data and assumptions used, relevant asset indices and considered those assets not revalued. Our work identified a number of issues: • incorrect BCIS (build cost information services rates) had been used by the valuer in determining a 31/3/24 valuation; • gross internal areas (GIA) provided by the valuer did not always support the GIA used in individual valuation calculations; and • evidence to support valuer judgements was not always initially available which resulted in the audit of revaluations taking longer than expected.	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of land and buildings and investment properties The Council revalue its land and buildings on a rolling five-yearly basis to ensure the carrying value in the Council's financial statements is not materially different from current value at the financial statements date. The valuation in the Council's 2023/24 financial statements of land and buildings was £107.352m, which represents a significant estimate by management. 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 Local Government 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. In addition, investment properties should be valued and reported at 'fair value' under relevant accounting principles. The valuation of investment properties was £34.385m which also represents a significant estimate by management in comparison to the materiality set for the Council. 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.	We have quantified a projected understatement of the land and buildings asset valuation of £0.197m, which is below our materiality threshold. The understatement considered alongside a potential understatement in assets not being revalued on page 16 shows an overall net understatement in asset values of £0.255m. This is not material and management propose not to amend for this. We also noted that the Council's impairment review only covered assets with capital expenditure during the year, and assets with no capital expenditure had not been considered. A recommendation has been made regarding this issue.	Group and Council

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary	Relevant to Council and/or Group
Valuation of the defined benefit pension fund net liability The Council's pension fund net liability (£2,689m), as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The 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. 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. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We therefore identified valuation of the Council's pension fund as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund balance is not materially misstated and evaluate the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary • tested the consistency of the pension fund balance and disclosures in the notes to the core financial statements with the actuarial report from the actuary • 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 • undertaken procedures as relevant, if there is a movement in the pension fund balance to ensure that the movement is materially correct, and any recognition of a proportion of the pension fund surplus is in line with accounting standards • 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. Our audit work did not identify any matters to bring to your attention.	Group and Council

2. Financial Statements: Key findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Chorley Borough Council	Grant Thornton	The Group accounts were provided for audit on 08 August 2024. We reviewed the Council's procedures and consolidation calculations for the consolidation of Chorley Leisure Ltd and Chorley BC Property Ltd. No issues were identified.	• Our group audit work did not identify any issues to report as a result of our findings. • We are satisfied that the Group accounts after taking account intercompany transactions, are not materially misstated.
Chorley Leisure Ltd Chorley BC Property Ltd	Not applicable	Group risks identified as per our audit plan were: - risk of fraud related to revenue recognition - risk of fraud in expenditure recognition - rebutted - management override of controls - valuation of Pension Fund Liability. We have tested a sample of the income and expenditure transactions and have completed a review of the group consolidation process. Additionally, no issues were identified, across the risks areas identified above.	We have no findings to report.

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 – £127.2m **Investment Properties - £34.3m**	Other land and buildings includes specialised assets 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. 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 Aspin & Co to complete the valuation of properties as at 31/03/24 on a five yearly cyclical basis. 84% of total assets (£107.352m) were revalued during 2023/24. Management have considered the year end value of non-valued properties/ and the potential valuation change in the assets revalued at 31/03/24. Applying land and building indices to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the properties value. The Council has included disclosures in relation to estimation uncertainty at Note 5. The total year end valuation of land and buildings was £127.2m, a net movement of £13.5m from 2022/23 (£113.8m).	The Council's accounting policy on valuation of land and buildings is included in the Accounting Policies note starting on page 46 of the financial statements. Key observations: • We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. • The underlying information and sensitivities used to determine the estimate was complete and accurate. • The valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. • We have reviewed management's assessment on assets not revalued and are satisfied there has been no material changes to the valuation of these assets that would require adjustment of their carrying value. The valuation method remains consistent with the prior year. We have undertaken procedures, to provide assurance that the carrying value of assets not valued in the year is not materially different to the current value at year end, including comparison with industry indices and a substantive review of the desktop valuations. Our assessment indicated that there is a non material understatement of £0.058m between the current value and carrying value. We acknowledge that this is an estimate based on indices, however, we are satisfied that there is not a risk of material misstatement at 31 March 2024 in relation to assets not revalued. The use of indices is something management may wish to consider when assessing assets not revalued. Our audit work, we tested 26 samples of Land and Building and 2 investment property asset valuations. We have quantified a projected understatement of the land and buildings asset valuation of £0.197m, as outlined on page 13. The overall net impact of this and the understatement relating to assets not revalued (amount currently being finalised) in 2023/24 is likely to be around £0.255m. Management chose not to amend for this and is reported in Appendix D as an unadjusted misstatement. Management chose not to amend for this. No issues were identified with investment properties.	Green

Assessment

● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated

● [Amber] 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

● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management’s approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension Liability – £2,689m</td>
<td>The Council’s [total] net pension liability at 31 March 2024 is £2,689m (PY £2,822m) comprising the Lancashire Pension Fund Local Government Scheme and Local Government and 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.

The latest full actuarial valuation was completed in 2022, with new rates set for 2023/24, 2024/25 and 2025/26. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability (surplus), small changes in assumptions can result in significant valuation movements.

There has been a £133m net actuarial gain during 2023/24.</td>
<td>In understanding how management has calculated the estimate of the net pension liability we have:

assessed the use of management’s expert
assessed the actuary’s approach taken, and confirmed the reasonableness of their approach.

We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council.

We have used the work of PwC as auditor’s expert, to assess the actuary and assumptions made by the actuary – see below considerations of key assumptions in you your pension fund valuation:
<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.9%</td><td>4.7-4.9%</td><td>●</td></tr>
<tr><td>Pension increase rate</td><td>2.7%</td><td>2.6-2.7%</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>22.4 / 21.1</td><td>22.0 – 23.5 /
20.7 – 22.2</td><td>●</td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>25.3 /23.5</td><td>25.0 – 26.2 /
23.2 – 24.4</td><td>●</td></tr>
</table>
We have examined the completeness and accuracy of the underlying information used to determine the estimate.

We have not identified any changes to the valuation method.

We are satisfied with the reasonableness of the estimate and discloser of the estimate in the financial statements.</td>
<td>Green</td>
</tr>
</table>

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● (Amber] 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
- ● [Green] 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 - £1.412m	The Council is liable for successful appeals against business rates charged to business in 2023/24 and earlier financial years in their proportionate share. A provision has therefore been made for the best estimate of the amount that businesses have been overcharged up to 31 March 2024. The Council uses data provided by the Valuation Office Agency (VOA) on historic appeals and analyses this data to estimate the likely success of outstanding appeals. The data is sense checked and a wider analysis of provision levels is undertaken across local authority groups to provide assurance that provision levels appear reasonable. The provision has increased by £0.374m in 2023/24.	• We have not noted any issues with the completeness and accuracy of the underlying information used to determine the estimate. • We have considered the approach taken by the Council to determine the provision, and deemed it reasonable. • Disclosure of the estimate in the financial statements is considered adequate. • There have been no changes to the calculation method this year.	● Green

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● {Amber] 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
- ● [Green] 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.

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

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: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

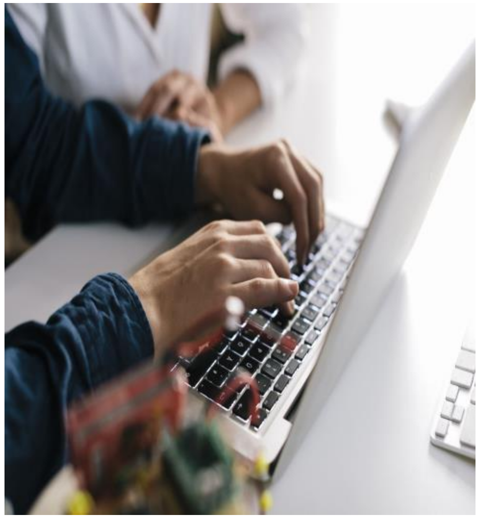
Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	N/A	N/A	Audit team used closing balance from 2022-23 audit.
Opening trial balance for 2023-24	14/03/2024	20/03/2024	N/a
Closing trial balance for 2023-24	02/07/2024	02/07/2024	N/a
All general ledger transactions during 2023-24	02/07/2024	02/07/2024	N/a
Mapping between the trial balance and the financial statements for 2023-24	02/07/2024	02/07/2024	N/a
Draft accounts for 2023-24	01/07/2024	01/07/2024	N/a

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.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	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.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the Group, which is set out at Appendix F.

2. Financial Statements: other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Councils bankers. This permission was granted and the requests were sent and were returned with positive confirmation.
Accounting practices	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.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements: other communication requirements

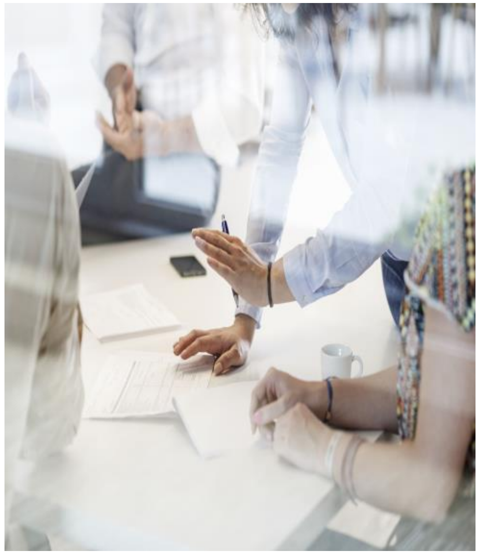
Our responsibility

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	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. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • 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 • 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. 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: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	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. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix G.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • 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, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.



2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	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. Note that work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2023/24 audit of Chorley Borough Council in the audit report.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require 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.

Our work has concluded that the Council has appropriate arrangements in place to secure economy, efficiency and effectiveness in it's use of resources. We have not identified any significant weaknesses in arrangements across the three themes of financial sustainability, governance and improving economy, efficiency and effectiveness, however we have identified areas where the Council could improve arrangements and have raised a number of improvement recommendations.

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers [and network firms]. In this context, we disclose the following to you:

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 E.

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 considerations

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 Company 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 Group or investments in the Group 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 Group 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 Group.
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 Group's board, 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 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

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

4. Independence considerations

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, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits subsidy	47,400	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services) Management threat	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 £47,400 in comparison to the total fee for the audit of £152,317 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. To mitigate against the self review threat , 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.

Appendices

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	●	●
Matters in relation to the group audit.	●	●
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 7 recommendations 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 on these recommendations during the course of the 2024/25 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	**Valuation of Land and buildings and Investment Properties** Our review of the valuation process for land and buildings and investment properties identified a number of issues: • Incorrect BCIS (build cost information services rates) had been used by the valuer in determining a 31/3/24 valuation. • Gross internal areas (GIA) provided by the valuer did not always support the GIA used in individual valuation calculations. • Evidence to support valuer judgements was not always initially available which resulted in the audit of revaluations taking longer than expected • Management should consider use of indices when assessing whether those assets not revalued in the year are materially stated.	It is recommended that a clear approach to revaluations with an audit trail being available at the start of an audit is built into the Council's discussions with its external valuer, including ensuring correct BCIS rates are applied. **Management response** We agree with the recommendation. We have recently been out to tender for Asset Valuation services for the 2024/25 Statement of Accounts and will ensure that the recommendation is communicated to the successful bidder in our induction meeting and in the discussions that follow as part of the year end asset valuation process.
Medium	**Journal arrangements** Our audit work identified a number of procedural issues with regards to journal processing, which are not inline with best practice: • recode journals which were approved and authorised by the same person • some journals which had been approved ahead of the postholder having been promoted which granted the post holder authority to approve journals • some journals which had been approved by a more junior member of the team • no journal authorisation limits set for staff allowed to approve journals.	Consider strengthening journal arrangements where possible in light of best practice arrangements. **Management response** We agree with the recommendation. We will review our procedures in respect of the journal production and authorisation process and will strengthen these as far as possible within the capabilities of the current finance system to address the points identified in the audit. We are currently out to tender for a new finance system which we intend to implement by 1 April 2026; the recommendation will be addressed as part of the implementation process.
Medium	**Bank Reconciliation** Our review of the Council's bank reconciliation identified a number of historic reconciling items dating back several years.	It is recommended that an exercise is undertaken to review the historic reconciling items to consider whether they remain appropriate. **Management response** This recommendation has been actioned as the items identified were cleared from the bank reconciliation in May 2024. In addition, the process for the review and clearance of reconciling items on all Balance Sheet Reconciliation accounts has been strengthened.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Action Plan – Audit of Financial Statements

We have identified 7 recommendations 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 on these recommendations during the course of the 2024/25 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
Medium	**Minimum Revenue Position (MRP)** At 31 March 2024, the Council's MRP was £1.442m. At 31 March 2023 the MRP was £1.293m. The MRP represents 1.30% of the Council's overall Capital Financing Requirement. This has increased from 1.26% at 31 March 2023. This is measure of the pace at which charges to revenue are being made to finance capital expenditure. The overarching requirement is for authorities to determine a "prudent" provision, rather than to follow a particular basis of calculation. If the MRP is too low, the burden of financing capital assets will fall on future generations of taxpayers. The Department for Levelling Up, Housing and Communities statutory guidance states that the useful life of assets should not be assumed to exceed 50 years when used as the basis for calculating MRP. This is equivalent to a benchmark of 2%.	Review the Council's MRP policy to ensure the provision continues to be prudent and sufficient to finance capital expenditure that has not previously been financed through the application of capital receipts, capital grants or direct revenue charges. **Management response** Agreed. The Council reviews its MRP figures each year at budget setting. No asset is assumed to have a life greater than 50 years. The overall policy was reviewed in recent years and we are compliant with this.
Medium	**Impairment Review** We noted that the impairment review only covers assets with capital expenditure during the year and assets outside of the review have not been considered.	Management is advised to conduct a comprehensive impairment review to evaluate all assets, not limited to those with expenditures in the year that are not being automatically revalued. **Management response** All assets are considered when judging if an impairment has taken place. The review currently examines whether capital spend in year has constituted some form of repair from impairment. This will be expanded in the analysis to document analysis of all assets.
Medium	**Capital Financing Reserve** As part of our work ensuring consistency within the financial statements we identified that there was an historic difference within the Capital Financing Requirement.	Ensure that the Capital Financing Requirement is correctly calculated and review the historic difference identified. **Management response** Accepted

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Action Plan – Audit of Financial Statements

We have identified 7 recommendations 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 on these recommendations during the course of the 2024/25 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
Low	Related Party Disclosures A comparison of disclosed business interests to Companies House records identified that not all disclosures had been made within the Council's register of interests. We are satisfied that there were no transactions between the Council and the non disclosed interest, however there could be a risk going forward that the transactions may not be identified if the Council were unaware of a business relationship.	Members and senior officers should be reminded of the need to disclose all related party interests. **Management response** Accepted

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Chorley Borough Council's 2022/23 financial statements, which resulted in 3 recommendations being reported in our 2022/23 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	Management quality review of asset valuations and supporting documentation for key inputs 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. Similarly, following inquiry we noted some floor areas and key information about vacancy rates provided to the valuer was inaccurate or could not be substantiated. We also noted that the desktop valuation was undertaken by the external valuer for assets not subject to a full revaluation. Upon review, we observed some inconsistencies with the desktop review and the instructions issued to the valuer when commissioning the work. For example, following inquiry we confirmed that the review had highlighted some assets as high risk inaccurately. We recommended the Council should 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 and 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.	The Council has implemented Microsoft Teams as the new filing system. The system enhances the organisation and accessibility of documents across both Councils, ensuring that all relevant information is readily available to authorised personnel. The Council has recently implemented a Civica Property Management system in July 2024. The system will provide a central repository for asset information. Following a procurement exercise, a new Property Valuer was appointed for the 2023/24 accounts and a project group convened with nominated representatives across the Finance and Estates team to work with them to deliver a more efficient and accurate valuation of PPE for 2023/24.

Assessment

- ✓ Action completed
- X Not yet addressed

Progress against prior year audit recommendations - continued

We identified the following issues in the audit of Chorley Borough Council's 2022/23 financial statements, which resulted in 3 recommendations being reported in our 2022/23 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	IT control environment 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. This relates to the three areas of security management, management of changes to IT applications and management of schedule jobs and monitoring. In addition, we note that the Council does not have a formal policy covering cyber risk. Maintaining robust and effective IT controls, supported by appropriate policies, is critical to protect the integrity of IT network and financial applications. We recommended the Council should review its IT and cyber security policies and procedures to ensure that appropriate IT general controls are implemented effectively.	The Council have appointed a Cyber Security Officer in July 2023 and have in place a cyber security policy.
✓	Minimum Revenue Provision At 31 March 2023, the Council's MRP was £1.293m. At 31 March 2022 the MRP was £1.435m. The MRP represents 1.26% of the Council's overall Capital Financing Requirement. This has decreased from 1.46% at 31 March 2022. The Department for Levelling Up, Housing and Communities statutory guidance states that the useful life of assets should not be assumed to exceed 50 years when used as the basis for calculating MRP. This is equivalent to a benchmark of 2%. We recommended the Council should review the Council's MRP policy to ensure the provision continues to be prudent and is sufficient to finance capital expenditure that has not previously been finance through the application of capital receipts, capital grants or direct revenue charges.	The MRP Policy was reviewed as part of the Treasury Strategy and approved by Council on February 2024. We believe the approach taken is prudent and we can confirm it is in line with Government guidance/proposals.

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

The non trivial amendments 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 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
Property, Plant and Equipment (Note 15)				
Revaluation increase/decrease recognised in revaluation reserve				
Five other land and building assets and two community assets were identified where there were differences between the revaluation figures provided by the valuer and the figures recorded in the asset register. When corrected these impacted on the revaluation reserve.	Surplus/ deficit on revaluation PPE -405	Other land and buildings +£447 Revaluation Reserve -£405 Community assets -£42	-405	
Revaluation increase/decrease recognised incomprehensive income and expenditure statement				
Four other land and building assets were identified where there were differences between the revaluation figures provided by the valuer and the figures recorded in the asset register. When corrected these impacted on the comprehensive income and expenditure statement.	Impairment Loss -£209	Other land and buildings +£209	-£209	
Assets reclassified – incorrect reclassification of assets between asset categories				
We have identified Wigan Lane Playing Fields has been completed and opened in September 2023 and therefore should not have been classified as Assets under Construction.		Other land and buildings +£283 Asset under construction -£283		
We have noted an error in the valuation of the Astley Hall contents heritage asset. £67,415 of new expenditure was classified under the heritage asset for new contents located in Astley Hall. This has incorrectly been included under the heritage assets disclosure item and should be included in the Astley Hall Other land and buildings item in the fixed asset register.		Other land and buildings +£67 Heritage assets -£67		
Grant Income				
Only the spend portion of grant income should be recognised as grant income and the remaining unspent element should be recognised as grants received in advance.	Cost of Services income -£571	Grant received in advance +£571 Usable Reserves - £571	+£571	-£571

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 unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. Please note we would not expect the Council to amend accounts for projected or extrapolated errors. The Governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Property, Plant and Equipment Our testing of revaluations identified a projected understatement of £197,280		Other Land and Buildings +£248 Assets Under Construction -51 Revaluation Reserve +£197			Projected error – not material
Assets not revalued estimated impact – understatement £58,399		Other Land and Buildings +£58 Revaluation Reserve +£58			Projected error – not material

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior, which had not been made within the final set of the 2022/23 financial statements.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Business rates appeals provision is overstated following the revised calculation	Provision expense (165)	Provisions 165	(165)	165	Not material
Misclassification of technical overdraft	-	Cash and cash equivalents 501 Short term creditors (501)	-	-	Not material

D. Audit Adjustments (continued)

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Expenditure funding analysis (Note 1)	The 2022/23 comparative figures have been updated to reflect the correct figures as per the new directorate structure and some differences compared to the prior year.	✓
Accounting policies (Note 2.15)	Accounting policy note 2.15 on interests in companies and other entities has been updated to make reference to Chorley BC Property Ltd.	✓
Property, Plant and Equipment (Note 15)	The 2022/23 comparative figures in the note were incorrect and have been amended to reconcile with the balance sheet, the net book value as at 31/3/23 in the note has been amended by £4.886m.	✓
Capital commitments (Note 15)	The disclosures have been updated to show a prior year comparator and additional 2023-24 disclosure added to reflect all outstanding commitments as of year end.	✓
Officers remuneration (Note 30)	The disclosures have been updated to reflect the correct remuneration total of interim deputy chief executive and interim director (Commercial and Property).	✓
Related parties (Note 34)	The figure for gross expenditure incurred on the shared services has been increased by £0.945m, and to correct Chorley Youth Zone commissioned services expense.	✓
Pension surplus asset ceiling (Note 37e)	The asset ceiling figure in the note has been correctly updated to include the cumulative impact of the asset ceiling rather than just the in-year figure.	✓
Cash Flow Statement	The cash flow statement has been amended to reflect increase in impairment and valuation charges (£0.227m), increases in proceeds from sale of property, plant and equipment and intangible assets (£0.021m), changes to investing and financing activities (£0.043m), and changes to net cash flows from investing activities (£0.021m). These changes are also reflected in notes 26 and 27.	✓
Accounts consistency	Updates made to references in the accounts and minor amendments to ensure consistency.	✓
Narrative report	The comparative figure for cash and cash equivalents in the narrative report was incorrectly stated. The disclosure have been updated to correctly show the 2022/23 figure as £0.76m.	✓

E. Fees and non-audit services

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

Audit fees	**Proposed fee**	**Final fee**
Scale fee	£144,787	£144,787
Audit Variation for ISA 315	£7,580	£7,580
Total audit fees (excluding VAT)	£152,317	£152,317

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Certification of Housing Benefits Grant	£47,400	£43,620
Total non-audit fees (excluding VAT)	**£47,400**	**£43,620**

Total audit and non-audit fee	
(Audit Fee) £144,787	(Non Audit Fee) £47,400

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.

F. Management Letter of Representation

Chorley Borough Council
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Chorley Borough Council and its subsidiary undertaking, Chorley Leisure Ltd or the year ended 31 March 2024 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 2023/24 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 2023/24 ("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

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include […]. 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:

    v. there are no unrecorded liabilities, actual or contingent

    vi. none of the assets of the [group and]Council has been assigned, pledged or mortgaged

    vii. 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.

F. Management Letter of Representation

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.

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

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

xiii. There are no prior period errors to bring to your attention.

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

xvi. 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.

Information Provided

xvii. 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.

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

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

xx. 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.

xxi. 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:

  xxi. management;

  xxii. employees who have significant roles in internal control; or

  xxiii. others where the fraud could have a material effect on the financial statements.

F. Management Letter of Representation

xxi. 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.

xxii. 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.

xxiii. 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.

xxiv. 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

xxvi. 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

xvii. 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 27 November 2024.

Yours faithfully

Name................................

Position.............................

Date.................................

Name................................

Position.............................

Date.................................

Signed on behalf of the Council

G. Audit opinion - DRAFT

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 Chorley Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Chorley Borough Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, notes to the financial statements including a summary of significant accounting policies, the Collection Fund Statement, the Group Accounts, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet, the Group Cash Flow Statement Group account notes to the financial statements. 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 2023/24.

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 2024 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 2023/24; 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 This reference/ date will be updated when the new Code of Audit Practice is published.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Chief Finance Officer'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 Chief Finance Officer'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 2023/24 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 Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 Chief Finance Officer's with respect to going concern are described in the relevant sections of this report.

G. Audit opinion continued

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 Chief Finance Officer 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 the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, 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 Chief Finance Officer

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. In this authority, that officer is the Chief Finance Officer. The Chief Finance Officer 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 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Chief Finance Officer 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 Chief Finance Officer 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.

G. Audit opinion continued

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 (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 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 and any other fraud risks identified for the audit. 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.

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.

G. Audit opinion continued

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. 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 2024.

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

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.

This reference/ date will be updated when the new Code of Audit Practice is published.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Chorley Borough Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

G. Audit opinion continued

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 85 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.

Georgia Jones, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

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H. Audit letter in respect of delayed VFM work

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Chorley Borough Council
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Chorley
PR7 1DP

30 September 2024

Dear Councillor Alan Platt

The original expectation under the approach to Value for Money (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.

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 now expect to publish our report no later than 31 December 2024.

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

Georgia Jones

Director

Grant Thornton

grantthornton.co.uk