



# Auditor's Annual Report

## Rossendale Borough Council – year ended 31 March 2024

February 2025

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# 01

Introduction

# Introduction

## Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Rossendale Borough Council (‘the Council’) for the year ended 31 March 2024. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

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



### Opinion on the financial statements

We issued our audit report on 26 February 2025. Our audit report included a disclaimer of opinion. This means our audit report did not express an opinion on the financial statements and no assurance was provided. It was necessary to issue a disclaimer of opinion as amendments to the Account and Audit Regulations introduced a statutory deadline for publication of the Council’s financial statements. We were unable to complete the audit procedures necessary to obtain sufficient appropriate audit evidence on which to base our opinion before the date the Council published its audited financial statements.



### Value for Money arrangements

In our audit report we reported that we were not satisfied arrangements were in place for the Council to secure economy, efficiency and effectiveness in its use of resources. This is because we previously issued recommendations in relation to a significant weakness in those arrangements that are relevant to the 2023/24 financial year. Section 3 provides our commentary on the Council’s arrangements and a summary of our previously issued weaknesses and recommendations.



### Wider reporting responsibilities

We cannot formally conclude the audit and issue an audit certificate until the National Audit Office has communicated the work we are required as component auditors.

## Audit of the financial statements

# Audit of the financial statements

## Our audit of the financial statements

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. Amendments to the Accounts and Audit Regulations introduced a deadline for publication of local authorities' audited 2023-24 financial statements. Prior to issuing our audit report, the ISAs require us to determine whether we have obtained sufficient appropriate audit evidence based on the audit procedures completed at that date. We concluded we had not obtained sufficient appropriate audit evidence to enable us to express an opinion on whether the financial statements present a true and fair view and have been prepared, in all material respects, in line with the Code of Practice on Local Authority Accounting. Consequently, as required by the ISAs, we modified our audit report and issued a disclaimer of opinion. This means, in our audit report issued on 26 February 2025, we have not expressed an opinion on the Council's financial statements.

A summary of the significant risks we identified when undertaking our audit of the financial statements and the conclusions we reached on each of these is outlined in Appendix A. In this appendix we also outline the uncorrected misstatements we identified and any internal control recommendations we made.

## Qualitative aspects of the Council's accounting practices

Although we have carried out no substantive work, we have carried out basic checks on the 2023/24 financial statements which include casting, consistency and comparison to prior year accounts. This work, and that on previous years, identified a significant number of material discrepancies through the draft accounts. Management has undertaken work to identify the inconsistencies and has corrected these within the updated 2023/24 statements.

## Significant difficulties during the audit

During the course of this 'backstopped' audit we did not encounter any significant difficulties and we have had the full co-operation of management.

Our work on Value for Money arrangements

# VFM arrangements

## Overall Summary








# VFM arrangements – Overall summary

## Approach to Value for Money arrangements work

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

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

Our work is carried out in three main phases.

### Phase 1 - Planning and risk assessment

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

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

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

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

### Phase 2 - Additional risk-based procedures and evaluation

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

We outline the risks that we have identified and the work we have done to address those risks on page 10.

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

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




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

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

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

# VFM arrangements – Overall summary

## Overall summary by reporting criteria

Reporting criteria		Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
	Financial sustainability	11-13	No – but previously reported significant weakness	Yes – Continuing significant weakness	No
	Governance	14-16	No – but previously reported significant weakness	Yes – Continuing significant weakness	Yes
	Improving economy, efficiency and effectiveness	17-18	No – but previously reported significant weakness	Yes – Continuing significant weakness	Yes

# VFM arrangements

## Financial Sustainability

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



# VFM arrangements – Financial Sustainability

## Overall commentary on Financial Sustainability

### Background to financial sustainability in 2023/24

During 2023/24 the Council continued to face significant challenges, against a backdrop of an adverse national economy and a cost-of-living crisis, the Council continued to see significant increase in demand for its services. The financial impact of the pandemic on the Council continues to feature with loss of income and additional costs. The Council has continued to work to understand the longer-term impact of the pandemic, and to adapt its financial plans over the medium term.

In response to these pressures it is essential the Council has timely and accurate financial reporting to members and senior management, and decision makers make prompt decisions to maintain the financial sustainability of the Council.

### The Council's financial planning and monitoring arrangements

In February 2023 the Council set a balanced budget for the 2023/24 financial year. The total net expenditure budget for Council services was approved at £10,256k with an increase in Council Tax of 2.99%. We have reviewed the Council's budget setting papers for 2023/24 and confirmed the budget is linked to the Medium Term Financial Strategy (MTFS). It includes details of key underlying assumptions including levels of inflation and pay increases alongside known changes to levies charged in respect of waste, transport, police and fire services. The tables below demonstrate the key financial information and performance across the last three years.

	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
<b>Budgeted revenue net expenditure</b>	8,903	8,991	10,256
<b>Actual revenue net expenditure</b>	9,113	10,002	9,361
<b>Overspend/(Underspend)</b>	210	1,011	(895)

	2021/22 (£000's)	2022/23 (£000's)	2023/24 (£000's)
<b>Budgeted use of reserves</b>	606	56	756
<b>Actual use of reserves</b>	816	775	(1,206)
<b>General Fund reserves</b>	1,000	1,000	1,000
<b>Embarked reserves</b>	9,556	7,484	10,327
<b>... of which relate to Transitional Reserve and Business Rates Retention Reserve</b>	6,289	4,091	5,893

As the tables above demonstrate, the Council has made good progress in 2023/24 against the significant weakness in financial sustainability arrangements previously reported. The Council has underspent against their budget and contributed £1.2m to reserves. The favourable key variances were due to additional interest income (£500k) and underspend on the Empty Homes scheme (£500k). The Council exceeded their in-year savings target of £107k, achieving £113k, but fell short of the income generation target by £100k.

The Council's financial and budget planning processes include a range of activities and consultations. The budget setting process involves engagement with senior Council officers, and incorporates discussion about the delivery of statutory services and priorities. Where additional resources are required to deliver services these are scrutinised and challenged before they are included in the budget estimates. Service area business plans are updated annually to align with the Council's overall corporate priorities. The service area business plans are used to highlight areas of potential savings and are monitored quarterly by the s151 Officer. Any under-performance or budget variances are identified and brought to members attention through quarterly reporting. The Council's medium term financial sustainability must be based on a strategy of spending within available resources. We have reviewed a sample of the budget setting and monitoring reports and they clearly report the impact of the current financial position and projections on the future financial sustainability. These reports set out a planned use of reserves over the medium term to bridge funding gaps. The continued use of reserves to support the costs of service delivery is unsustainable.

# VFM arrangements – Financial Sustainability

## Overall commentary on the Financial Sustainability reporting criteria – continued

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

The Medium Term Financial Strategy (MTFS) is a three-year plan which the Council reports sets out its commitment to provide services that meet the needs of people locally and that represent good value for money within the overall resources available to it.

A key part of the strategy is to highlight the budget issues that will need to be addressed by the Council over the coming financial years. The Council do this by forecasting the level of resources and budget pressures, relating to both capital and revenue spending. The Council also assess whether sufficient reserves and provisions are held for past and unknown events which may impact on the Council's resources. The MTFS is closely interlinked to other Council plans and strategies such as the Corporate Strategy, Capital Programme and Annual Revenue Budget.

Quarterly financial monitoring reports are taken to Cabinet which give members an update on the Council's financial position against budget. Departmental overspends and variances are reported and any changes are given a risk rating. Savings are identified as part of the budget setting process. Underspend has been achieved in 2023/24 but this has been through non-recurring matters caused by prudent assumptions on income and the Empty Homes scheme.

### Council's approach to 2024/25 financial planning

The Council's arrangements for the 2024/25 budget setting process has largely followed the arrangements in place for 2023/24.

The budget for 2024/25 was approved at the February 2024 Council meeting. The Council set a balanced budget with total net expenditure for Council services of £10,599k with an increase in Council tax of 2.99%. The 2024/25 budget includes £123k of identified savings and efficiencies. The Council budget is balanced through the use of £564k of reserves, to bridge the funding gap that has been identified in the year. This was planned to come from the transitional reserve.

The Quarter 2 financial report for 2024/25 shows a favourable variance of £108k against the original net expenditure budget. This favourable variance is a result of reduced staffing costs, underspend against the Empty House budget and additional interest income.

The MTFS that was presented alongside the 2024/25 budget demonstrates clearly the Council's challenging financial position. The MFTS projects funding gaps in 2025/26, 2026/27 and 2027/28 of £759k, £1,289k and

£1,640k respectively. While the Council plans for some of the gap to be met by savings or income growth, £2,293k is planned to be met through the use of reserves. The Council currently projects a level of general fund and transitional reserve at the end of 2027/28 of only £1,088k.

### Rossendale Leisure Trust

Rossendale Leisure Trust (RLT) is a Community Benefit Society that manages a portfolio of the Council's leisure and sports facilities. The Council and the Trust have a close working relationship. Until May 2023 the Council had a long-standing arrangement to pay the Trust's pay and non-pay expenditure and the Trust would repay this. In May 2023 this changed and the Council now limits this arrangement to just the pay expenditure costs. This financial arrangement exposes the Council to a significant risk if the Trust is unable to reimburse the Council for their expenditure, further depleting the Council's available resources. During the COVID-19 pandemic and subsequently, RLT have been financial supported by the Council which has resulted in a significant balance currently being owed to the Council. There is no repayment plan in place to repay the debt owed and the Council have not yet accounted for any impairment of this balance, working on the assumption it will be repaid in full. Consequently the Council's reserves position reported to members does not include the impact of any uncollectable debt owed to the Council. The debt has continued to increase in 2023/24, at March 2024 the outstanding balance was £1,284k compared to £1,012k as at March 2023. The Council needs to assess, manage and mitigate the risk that it will not receive the full amount owed.

The Council commissioned a report, in 2023, highlighting the risks to the Council of the relationship with RLT. The report highlighted that if the total amount owed to the Council was determined to be irrecoverable then there would be a significant financial impact to the Council which has not been factored into the Medium Term Financial Strategy. This would accelerate the rate at which reserves are fully utilised, quicker than has been reported to Council.

***We considered the Council did not have adequate Financial Sustainability arrangements in place in 2022/23. Based on the above we consider these arrangements have not been appropriately addressed within 2023/24. We have included details of this continuing significant weakness on page 20.***



# VFM arrangements

## Governance

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



# VFM arrangements – Governance

## Overall commentary on Governance

### The Council's risk management and monitoring arrangements

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of effectiveness, economy and efficiency. In doing this it is responsible for putting in place proper arrangements for the governance of its affairs, effective exercise of its functions and arrangements for the management of risk.

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. The Council's Constitution details that the Audit and Accounts Committee is responsible for reviewing and monitoring those arrangements.

The Council has adopted a Risk Management Strategy which sets out the approach to managing risk. The strategy was last updated in 2016. We reported an 'other recommendation' within our 2022/23 Value for Money reporting highlighting the need to update key policies. The Council have not yet addressed this recommendation and it is relevant also to 2023/24, further details of this recommendation are on page 18. The Council has a Corporate Risk Register, risks are reviewed on a quarterly basis and reported to the Audit and Accounts Committee. At the December 2024 meeting the quarterly report categorised 5 risks as low, 2 as medium and 2 as high. The high risks are those linked with the Council's medium term financial sustainability and the Council's owned leisure assets.

The Committee review the risks and challenge officers on the actions taken to address the risks. The role in taking decisions to reduce the risk levels lies outside of the Audit & Accounts Committee, with the Council, the Cabinet, or the Senior Leadership Team under delegated powers.

The Council's Internal Audit is provided by Lancashire County Council. The annual Internal Audit plan is developed by the Head of Internal Audit, agreed with management at the start of the financial year and is reviewed by the Audit and Accounts Committee prior to final approval. The audit plan is based on an assessment of risks that the Council faces and is designed to ensure that there is assurance on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control. The planned work can be supplemented if necessary by ad hoc reviews on suspected irregularities and other work to respond to emerging risks and issues. We have reviewed the Internal Audit plan for 2023/24 and confirmed that it is consistent with the risk-based approach.

Internal Audit progress reports are presented to Audit and Accounts Committee meetings including follow up reporting on recommendations. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion on the Council's governance, risk and control framework based on the work completed during the year. The Annual Report is presented at the July Audit and Accounts Committee, in July 2024 the Head of Internal Audit's overall opinion on the Council's control environment in 2023/24 was "moderate assurance". There are no significant issues highlighted from our review of the annual Internal Audit reports.

### Decision making arrangements and control framework

The Council has an established governance structure in place which is set out within its Annual Governance Statement (AGS). The AGS is a critical component of the Council's governance arrangements. It is an evidenced self-assessment by the Council on its governance, assurance and internal control frameworks for the financial year. The AGS is formally signed by the Chief Executive and Leader of the Council. The governance structure, as described in the AGS includes amongst other things the Constitution which sets out the approach to decision making. The Constitution is kept under review and updated as required. The Overview and Scrutiny Committee are in place to formally challenge the Council's decision making process.

As commented on in the financial sustainability section, the Council have a close working relationship with Rossendale Leisure Trust (RLT). Within our 2022/23 VFM reporting we recommended the Council should put in place a comprehensive signed agreement with RLT. The Council is currently working with the Trust on a strategic review of the current arrangement but there is not yet a signed agreement in place. This agreement would serve to protect the Council from risks associated with the partnership especially relevant given the significant level of debt owed by RLT. It is our view that this is evidence of there being a continued significant weakness in the Council's arrangements with regards to properly informed decision making of the Council.

We reported in 2022/23 the Council had significant difficulties with the reconciliations that they perform as part of their day-to-day financial monitoring. The Council did not prepare accurate monthly bank reconciliations for a number of years and there were large historic differences in the year end reconciliations. Within 2023/24 the Council has focused its efforts establishing comprehensive monthly processes and has fully reconciled the bank accounts to the financial system in March 2024.

# VFM arrangements – Governance

## Overall commentary on the Governance reporting criteria - continued

### Financial Statements

At the start of 2023 the Council was facing a significant backlog in the production of their annual financial statements, at the time having only produced 2019/20 accounts as the most recent publication. The 2020/21 and 2021/22 financial statements were both published in late 2023 and the 2022/23 financial statements were published in early 2024. The Council has made good progress against the recommendation we raised in 2022/23, and the 2023/24 financial statements were published on 5 June 2024.

The Council's finance team is now fully staffed and have developed their knowledge and experience on Local Government accounting and reporting. Although we have completed no audit procedures on the 2023/24 accounts, as part of our audit planning work we liaised closely with the finance team and through our discussions we assisted them to develop their understanding of the accounting framework and reporting requirements. The Chief Financial Officer now has a finance team that will carry out the detailed work required to closedown the 2024/25 accounts, and this will enable them to focus their input on quality assurance and oversight. The Council should ensure that they continue to develop and support the finance team to certify timely production of the financial statements for 2024/25 and future years.

The audit work we have carried out on the 2018/19 to 2022/23 audit highlighted that the draft financial statements submitted for audit were of a poor quality and significant difficulties had been encountered during the course of the audit. The problems were exacerbated by a lack of good quality supporting underlying records and working papers. Within 2023/24 the Council have worked on implementing the recommendations we reported as part of our 2022/23 value for money arrangements work. The Council engaged a temporary member of staff to review the inconsistencies highlighted in previous years financial statements and have corrected these within the updated 2023/24 accounts. We have reviewed the corrections and we are satisfied these address the discrepancies identified in previous years.

***We considered the Council did not have adequate Governance arrangements in place in 2022/23. Based on the above we consider these arrangements have not been fully addressed within 2023/24. We have included details of this continuing significant weakness on page 22.***



# VFM arrangements

## Improving Economy, Efficiency and Effectiveness

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



# VFM arrangements – Improving Economy, Efficiency and Effectiveness

## Overall commentary on Improving Economy, Efficiency and Effectiveness

### The Council’s arrangements for assessing performance and evaluation service delivery

The Council prepares performance monitoring and financial monitoring reports which are regularly reported throughout the year. Quarterly performance management reports are presented to the Overview and Scrutiny committee. These reports are presented alongside narrative reporting of actual performance, progress to achieving targets, current and known future challenges and an assessment of how the Council is performing. The Council reports on a quarterly basis how they are performing against their KPI’s, any underperformance would be raised to members. We have reviewed a sample of the reports and can confirm that the information within is presented in an understandable format for committee members to make informed decisions.

The Council’s objectives are set out in its Corporate Plan 2021-2025. The Council’s strategy focuses around the following core areas:

- Thriving local economy
- High quality environment
- Healthy and proud communities
- Effective and efficient Council

The Council’s Medium Term Financial Plan ties into the Corporate Plan to ensure that funding is targeted as appropriate towards the Council’s priorities. The monitoring of the achievement of the Corporate Plan priorities is considered during the Council’s quarterly reporting. Additionally, a Operations Service Improvements board has been set up as a direct result of the financial and operational performance.

### The Council’s arrangements for effective partnership working

The Council has a number of partnerships with a range of organisations which is consistent with the sector in which they operate. These include service delivery partnerships, statutory partnerships and commercial partnerships.

The Council does not have a good record with partnership working, as demonstrated with the Empty Homes project which was highlighted by the predecessor auditors in their value for money reporting. In our view the partnership working with Rossendale Leisure Trust, as previously mentioned within this report, is evidence of ineffective arrangements for partnership working. Whilst the basis for the Council’s relationship with Rossendale Leisure Trust is to provide services to the local community; the Council does not have appropriate controls or operating arrangements to deliver effective services to service users. These lack of controls and the

approach the Council takes in their partnership working is evidence that there is a significant weakness in the Council’s arrangements.

### The Council’s arrangements for procurement and commissioning services

The Council’s Constitution contains a chapter on the Contract Procedure Rules. The Council also sets the detailed process the Council must follow when procuring goods and services. The Procurement Strategy was due to be updated in 2020 however this is still yet to be done. It is important that the Council has a clear and up to date policies to ensure that that the procedure and requirements are clear and to protect the Council when entering into agreements with third parties. We have raised the following as an ‘other recommendation’.

#### Other recommendation

Description	Recommendation
The council has a number of policies that are out of date and require reviews and updating.	The Council should ensure it has a programme in place to review the Council Policies and update as necessary. This ensures management are acting in a lawful and compliant way to provide services or the local community.

***We considered the Council did not have adequate Improving Economy, Efficiency and Effectiveness arrangements in place in 2022/23. Based on the above we consider these arrangements have not been appropriately addressed within 2023/24. We have included details of this continuing significant weakness on page 22.***



# VFM arrangements

Identified significant weaknesses in arrangements and our recommendations



# VFM arrangements – Prior year significant weaknesses and recommendations

## Progress against significant weaknesses and recommendations made in a prior year

As part of our audit work in previous years, we identified the following significant weaknesses, and made recommendations for improvement in the Council’s arrangements to secure economy, efficiency and effectiveness it its use of resources. These identified weaknesses have been outlined in the table below, along with our view on the Council’s progress against the recommendations made, including whether the significant weakness is still relevant in the 2023/24 year.

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p><b>Financial Sustainability</b></p> <p>The Council's budgets for 2020/21, 2021/22 and 2022/23 all relied upon the use of reserves to bridge funding gaps. In addition, the Council's outturn position for each of these years were overspent. The Medium Term Financial Strategy (presented to Council in February 2023) projected funding gaps in 2024/25, 2025/26 and 2026/27 of £857k, £1,514k and £1,564k. The growing deficit is forecast to exhaust the Council's General Fund reserve by 2025/26, which is evidence of an unsustainable reliance on reserves and a lack of action to address the underlying reasons for persistent overspending.</p> <p>In our view the failure to address the underlying deficit is evidence of a significant weakness in the Council's arrangements for financial sustainability (how the Council plans to bridge its funding gaps and identify achievable savings) in 2020/21, 2021/22 and 2022/23.</p>	<p><b>Financial Sustainability</b></p>	<p>The Council should develop sustainable financial plans to ensure services can be provided within available resources. Specifically, the Council should:</p> <ul style="list-style-type: none"> <li>undertake a baseline assessment of the affordability of services and funding available against Council priorities;</li> <li>develop a detailed plan to address the deficit; and</li> <li>ensure sufficient information is available to monitor and deliver planned savings.</li> </ul>	<p>The Council has made good progress against this recommendation in 2023/24. There was an underspend of the budget by £900k and the savings target was met, this allowed a positive contribution to reserves of £1m. However, a number of the in-year variances are one-off and non-recurring and the Council's medium term plan includes significant budget gaps to be funded through reserves.</p> <p>The Council recognises the challenges they face with regards to financial sustainability and continues to address the challenges in its budget setting for the next financial year.</p>	<p>We consider this weakness has not been addressed and still exists for 2023/24.</p>

# VFM arrangements – Prior year significant weaknesses and recommendations

## Progress against significant weaknesses and recommendations made in a prior year - continued

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p><b>Weaknesses in Financial Reporting</b></p> <p>Since the 2018/19 financial year, the Council has not produced and published draft accounts according to the statutory reporting timetable. Specifically, the 2020/21 and 2021/22 accounts were both published in late 2023 and the 2022/23 accounts were published in early 2024. The Council has had an annual financial statements closedown plan in place, this has not been followed in 2020/21, 2021/22 and 2022/23.</p> <p>The Council's finance team has historically been under-resourced and the Chief Financial Officer has had to personally deliver operational duties involved in the production of the accounts. Within 2022/23, the Council recruited additional finance staff to address the under-resourcing but many new team members have limited local authority experience.</p> <p>As part of our ongoing audit of the 2018/19 financial statements, we have highlighted a number of shortfalls in the quality of the financial statements submitted for audit and we identified a series of deficiencies with underlying working papers and records. There is no evidence that in the subsequent period that any improvement has been made. In our view this is evidence of a significant weakness in the Council's arrangements for governance (how the Council ensures effective systems and processes are in place to support its statutory financial reporting requirements), in 2020/21, 2021/22 and 2022/23.</p>	<p><b>Governance</b></p>	<p>The Council should:</p> <ul style="list-style-type: none"> <li>• adhere to the detailed closedown action plan to support production of its annual financial statements in line with the required timescales; and</li> <li>• ensure the finance team has the capacity and capability to produce reliable and fully supported annual financial statements.</li> </ul>	<p>The staffing levels within the finance function have increased and remained stable within 2023/24 compared to previous years. The 2023/24 financial statements were published on 5 June 2024, five days after the statutory deadline. This is a significant improvement in the Council's publishing in previous years and reflects the resourced closedown plan put in place by the finance team during the year to meet its financial reporting responsibilities.</p>	<p>We conclude the Council has proper arrangements in place for 2023/24 and this recommendation has been addressed.</p>

# VFM arrangements – Prior year significant weaknesses and recommendations

## Progress against significant weaknesses and recommendations made in a prior year - continued

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p><b>Partnership with Rossendale Leisure Trust</b></p> <p>Rossendale Leisure Trust (the Trust) manages a number of the Council's leisure facilities and has done since 2004. During the period 2020/21, 2021/22 and 2022/23, the Council paid for pay and non-pay expenditure incurred by the Trust.</p> <p>During and following the COVID-19 pandemic the Council gave revenue financial support to the Trust including lease payment holidays and grant allocations, this has resulted in a significant balance currently being owed to the Council by the Trust. We have seen no evidence of a repayment plan to repay the debt and the Council has not accounted for any impairment of the balance.</p> <p>Officers have confirmed there is no formal overarching agreement or contract between the Council and the Trust. For a partnership of this size and nature we would expect to see a comprehensive, signed agreement in place that aims to protect the Council's interests. This deficiency in arrangements for the provision of leisure services is evidence of significant weaknesses in the Council's arrangements for governance (how the body ensures it makes properly informed decisions, supported by appropriate evidence) and for improving economy, efficiency and effectiveness (how the Council ensures that commissioned services realise the expected benefits), in 2020/21, 2021/22 and 2022/23.</p>	<p><b>Governance &amp; Improving the three Es</b></p>	<p>The Council should:</p> <ul style="list-style-type: none"> <li>ensure that there is a comprehensive signed agreement in place to formally document the working relationship with Rossendale Leisure Trust;</li> <li>put in place arrangements to recover the debt owed by Rossendale Leisure Trust; and</li> <li>carry out an impairment review of the debt and recognise an expected credit loss where appropriate.</li> </ul>	<p>The Council is working with the Trust to identify areas of support and is establishing a strategic review to assess the terms of the current arrangement. An operational agreement is expected to follow the conclusion of this review.</p> <p>There has been an increase in the balance owed to the Council, £1.3m as at March 2024. No impairment of this balance has been accounted for, following the Trust forecasting a small surplus.</p> <p>Whilst the Council has taken some action against the recommendation previously issued, by setting up a strategic review. In our view the action taken to date does not address our recommendation.</p>	<p>We consider this weakness has not been addressed and still exists for 2023/24.</p>

# VFM arrangements – Prior year significant weaknesses and recommendations

## Progress against significant weaknesses and recommendations made in a prior year - continued

Previously identified significant weakness in arrangements	Reporting criteria	Recommendation for improvement	Our views on the actions taken to date	Overall conclusions
<p><b>Key financial controls</b></p> <p>As part of our ongoing work with the Council, we have noted that the most recent bank reconciliation completed by the Council officers we have observed was as at March 2023. This bank reconciliation, which we have not yet subjected to audit, included a significant unidentified amount.</p> <p>Bank reconciliations are a fundamental basis for the effective operation of financial controls and should be a regular test of the integrity of the Council's general ledger. The lack of completed bank reconciliations is a deficiency in these expected controls. This deficiency, exposes the Council to significant risk in relation to the proper operation of controls and assurance over its general ledger position. Although not material in the context of the accounts audit, this deficiency is significant and in our view is evidence of a significant weakness in governance arrangements (how the Council ensures effective processes and systems are in place to ensure budgetary and communicate relevant, accurate and timely management information) in 2022/23.</p>	<p><b>Governance Improving the three Es</b></p>	<p>The Council should:</p> <ul style="list-style-type: none"> <li>• address the backlog of bank reconciliations that have not been completed;</li> <li>• take action to clear and justify reconciling items; and</li> <li>• ensure processes are in place for the preparation and review of monthly bank reconciliations</li> </ul>	<p>The Council have made good progress in establishing a bank reconciliation within 2023/24. We have reviewed the March 2024 bank reconciliation and agreed the balance to bank statements. We have reviewed the reconciliation for unusual transactions, of which there were none, and tested a reconciling item. We have discussed the monthly process with management and have assessed that there are appropriate controls in place.</p>	<p>We conclude the Council has proper arrangements in place for 2023/24 and this recommendation has been addressed.</p>

## Other reporting responsibilities



# Other reporting responsibilities

## Matters we report by exception

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

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

We have not exercised any of these statutory reporting powers.

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

## Reporting to the NAO in respect of Whole of Government Accounts consolidation data

We cannot formally conclude the audit and issue a certificate until the National Audit Office has communicated the work we are required to undertake as component auditors for the Whole of Government Accounts.

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