



The Audit Findings for Barrow-in-Furness Borough Council

Year ended 31 March 2019

19 September 2019



Contents



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Section

	Page
1. Headlines	3
2. Financial statements	4
3. Value for money	14
4. Independence and ethics	18

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees
- E. Audit Opinion

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.

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Barrow Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council and its 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. <p>We are also required to report whether other information published together with the audited financial statements, including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July 2019. Our findings are summarised in this report. We have not identified any adjustments to the financial statements that have resulted in adjustments to the Council's General Fund balance. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion, as outlined in Appendix E, or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> - receipt of management representation letter; and - subsequent events review. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion on the financial statements will be unmodified.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VfM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Barrow Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except for its arrangements for ensuring policies and procedures in relation to procurement and contract management are followed.</p> <p>We therefore anticipate issuing an except for value for money conclusion, as detailed in Appendix E. Our VfM findings are summarised on pages 14 to 17.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> • 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. 	<p>We have not exercised any of our additional statutory powers or duties in 2018/19.</p> <p>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.</p>

Acknowledgements

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

Summary

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 will be discussed with the Audit Committee.

As your 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; and

- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter or change our audit plan, as communicated to you on 21 March 2019.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding areas listed on page 3, we anticipate issuing an unqualified financial statements audit report opinion following the Audit Committee meeting on 19 September 2019, as detailed in Appendix E.

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 calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Barrow Borough Council.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	942,000	1.9% of gross expenditure in the prior year accounts after adjusting for the one off gain in housing valuations recognised in the prior year following a change in the national discount factor used for housing stock valuations.
Performance materiality	707,000	75% of materiality based on our experience on prior year audits.
Trivial matters	47,000	5% of materiality.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

1

Improper 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.

There has been no changes to our assessment reported in the audit plan, as outlined below.

Having considered the risk factors set out in ISA 240 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 Barrow Borough Council, mean that all forms of fraud are seen as unacceptable.

Therefore we do not consider this to be a significant risk for Barrow Borough Council.

This presumed significant risk has been rebutted and therefore no specific response is required, this position has been reviewed and remains appropriate for the year-end audit.

2

Management override of controls

We have:

- evaluated the design effectiveness of management controls over journals
- analysed the journals listing and determined the criteria for selecting high risk unusual journals
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration to supporting evidence
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Conclusion

We have not identified any issues to date on our journals testing but are yet to complete all of our testing in this area.

Significant findings – audit risks

Risks identified in our Audit Plan

3

Valuation of land, buildings and Council dwellings

The Council revalues its land and buildings on a rolling basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used.

We therefore identified valuation of land and building, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- discussed with the valuer the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that these are not materially different to current value at year-end.

The Council engaged Lambert Smith Hampton Group Limited to complete the valuation of properties as at 31 March 2019, on a rolling basis. In 2018/19, the Council valued £14.168 million of its non-specialised assets, £37.309 million of its specialised assets and £6.385 million of its non-specialised assets. The Council valued all of its Council Houses as at 1 April 2018 (£71.503 million).

Our audit work on land, building and dwellings not valued as at 31 March 2019, identified a potential material difference between their current and carrying value. The Council engaged its valuer to carry out an exercise to quantify this difference, with an estimated difference of £0.935 million between current and carrying value. As this was material, management requested their valuer to carry out a valuation of a further 5 assets in August 2019. The valuations were performed and the financial statements were updated, with the value of Property, Plant and Equipment increasing by £0.197 million. Following these updated valuations, the estimated difference between carrying and current value of assets not valued at 31 March 2019 is now below performance materiality. We are satisfied that the valuation of land, buildings and council dwellings in the Council's accounts are fairly stated.

We have made two recommendations in relation to this issue in Appendix A.

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

4

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

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.

We therefore identified the valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

Our work on Pensions is still ongoing but to date we have:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary - Mercer) 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 to estimate the liability;
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as our auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Cumbria Local Government Pension Scheme 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 has identified that the fair value of plan assets included in the draft accounts was based on an estimated investment return of 6.03%, following the national McCloud ruling (see page 8 and below), the Council requested that the actuary rerun its IAS19 estimate. This rerun used the actual fund investment return of 6.54%. This resulted in an increase in plan assets of £0.370 million. The Council has not adjusted for this increase on the grounds of materiality.

In response to the national McCloud ruling we have:

- reviewed the processes used by management in the evaluation of the impact of the McCloud judgment and the quantification of the potential impact on the financial statements, including how management confirmed the adequacy of work carried out by actuary;
- assessed and challenged the relevance and reasonableness of all significant assumptions and methods used to generate the McCloud estimate by the actuary, including understanding how the organisation's workforce profile could affect this as the matter centres around age discrimination and potential increases in pension liability;
- considered whether the estimate of the potential impact was in line with our expectations; and
- considered managements rationale for not amending the financial statements for the potential impact calculated by Mercer.

See page 8 for our findings in relation to this issue.

Significant findings - other issues

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

Issue	Commentary	
<p>1 Potential impact of the McCloud judgement</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for firefighter pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits, such as the Local Government Pension Scheme.</p>	<p>Management requested an updated estimate from the actuaries of the potential impact of the McCloud ruling. This has now been received from Mercers on 15 July 2019. This indicates an increase in past service cost and therefore an increase in liability of £0.477 m. The impact of this is estimated to be an:</p> <ul style="list-style-type: none"> • increase in past service costs +£0.477m; and • increase in net pension liability +£0.477m <p>Management has assessed the work undertaken by Mercer and judged that the potential impact on the Council is not material, and therefore have decided not to update the financial statements in relation to these amounts.</p>	<p>We have reviewed the analysis performed by the actuary, and consider that the approach that has been taken to arrive at this estimate is reasonable.</p> <p>Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability. We have included this as an unadjusted uncertainty within Appendix C.</p>

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Land and Buildings	<p>Other land and buildings comprises £71.503 million of Council Dwellings, £59.467 million of Other Land and Buildings and £3.032 million of HRA Other Land and Buildings. The Council has engaged Lambert Smith Hampton Group Limited to complete the valuation of properties as at 31 March 2019, on a rolling basis. In 2018/19, the Council has valued £14.168 million of its non-specialised assets, £37.309 million of its specialised assets and £6.385 million of its non-specialised assets. All of the Council's dwelling have been valued using Existing Use – Social Housing, by means of a beacon approach.</p> <p>Management has considered the year-end value of non-valued properties by applying BCIS indices and the judgement of their Value and have determined that there has been no material change in the total value of these properties.</p>	<p>See the significant risk on page 6 where audit procedures undertaken have been detailed. We have challenged management and the valuer on the key assumptions used to ensure carrying value of assets are not materially different to their current value. This led to the valuer providing updated valuations for a further 5 of the Council's significant assets. Following the posting of these updated valuations, we were satisfied that the carrying value of the Council's assets is not materially different to their current values.</p>	

Assessment

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

Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment																								
<p>Net pension liability – £30.099m</p> <p>The Council's net pension liability at 31 March 2019 is £30.099m (PY £27.756m) comprising the Cumbria Local Government 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 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £1.1m net actuarial loss during 2018/19, in advance of the Mc Cloud ruling and its estimated impact of a further £0.477m.</p>	<p>In understanding how management has calculated the estimate of the net pension liability we have:</p> <ul style="list-style-type: none"> assessed the use of a management's expert actuary (Mercer) assessed the actuary's roll forward approach taken used PwC as an auditors expert to assess actuary and assumptions made by the actuary (see the table below) <table border="1" data-bbox="757 539 1890 1002"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4</td> <td>2.4 - 2.5</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.3%</td> <td>2.2 - 2.3%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.7</td> <td>2.1-4.35%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>23.3 / 25.6</td> <td>22.2 – 23.7 / 24.8 – 26.3</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>25.9 / 28.6</td> <td>25.0 – 26.4 / 27.9 – 29.0</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> assessed the completeness and accuracy of the underlying information used to determine the estimate impact of any changes to valuation method undertook a reasonableness test of the Council's share of LPS pension assets. assessed the reasonableness of the movement in the estimate assessed the adequacy of disclosure of estimate in the financial statements. <p>See page 8 for an update on our audit work on the impact of the McCloud ruling, which is ongoing at this point.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4	2.4 - 2.5	●	Pension increase rate	2.3%	2.2 - 2.3%	●	Salary growth	3.7	2.1-4.35%	●	Life expectancy – Males currently aged 45 / 65	23.3 / 25.6	22.2 – 23.7 / 24.8 – 26.3	●	Life expectancy – Females currently aged 45 / 65	25.9 / 28.6	25.0 – 26.4 / 27.9 – 29.0	●	●
Assumption	Actuary Value	PwC range	Assessment																							
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Assessment

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

Significant findings - Going concern

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).

Going concern commentary

Management's assessment process

The Council has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and that no material uncertainties exist.

Auditor commentary

- Cashflow projections and the medium term financial plan demonstrate sufficient liquidity to meet liabilities as they fall due for at least the next 12 months.
- The Council's assessment of going concern was communicated to us in the Audit Committee Chair's letter in April 2019.
- The Council's use of the going the concern basis of accounting is appropriate.

Work performed

We discussed the financial standing of the Council and reviewed management's assessment of going concern and the assumptions and supporting information.

Auditor commentary

- No material uncertainty has been identified.

Concluding comments

The Council's use of going concern basis of accounting is appropriate and is explicitly referenced in the Statement of Accounts.

Auditor commentary

- Our opinion is unmodified in respect of the going concern assumption.

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
① Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
② Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
③ 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.
④ Written representations	A letter of representation has been requested from the Council, which includes an explanation on why the Council has not amended for the Mc Cloud ruling matter on the grounds of materiality.
⑤ Confirmation requests from third parties	We obtained direct confirmations for loans, investments, and bank accounts. This permission was granted by management and the requests were sent and returned with positive confirmations.
⑥ Disclosures	Our review found no material omissions in the financial statements.
⑦ Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
<p>1 Other information</p>	<p>We are required to give an opinion on whether the other information published together with the audited financial statements, including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect as outlined in Appendix E. Note that the Narrative Report was updated post audit to include:</p> <ul style="list-style-type: none"> • a clear operating model section on inputs, outputs and value creation • a risks and opportunities section • all key priority areas on the non financial performance information with in year targets • core values, culture and ethics that underpin the Council's actions and decision making processes.
<p>2 Matters on which we report by exception</p>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement (AGS) does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties. <p>We have nothing to report on these matters. However, the AGS was updated post audit to make it clear on the 2018/19 remaining significant governance weaknesses.</p>
<p>3 Specified procedures for Whole of Government Accounts</p>	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Council does not exceed the threshold.</p>
<p>4 Certification of the closure of the audit</p>	<p>We intend to certify the closure of the 2018/19 audit of Barrow Borough Council in the audit opinion, as detailed in Appendix E.</p>

Value for Money

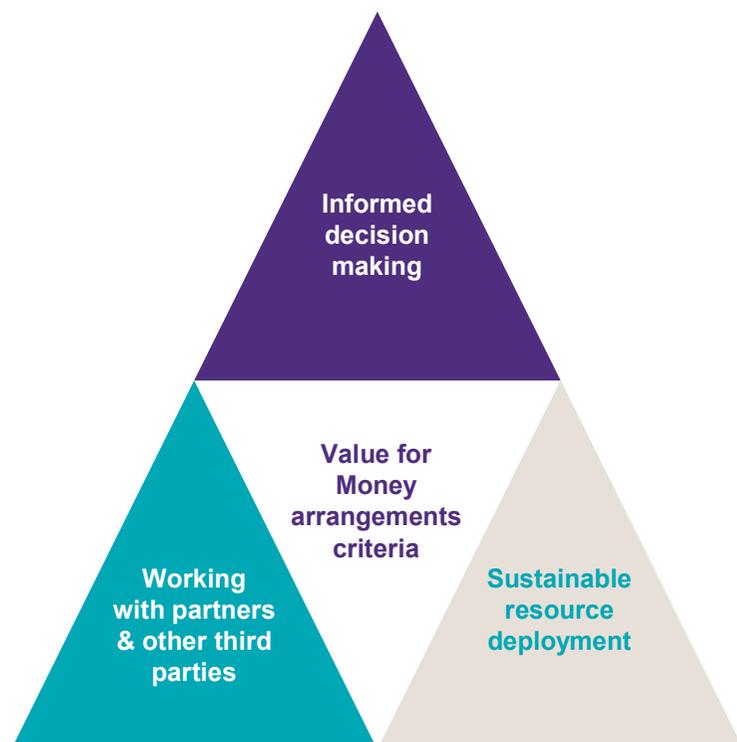
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in February 2019 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated March 2019.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

We carried out further work only in respect of the significant risks we identified from our initial and ongoing risk assessment. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The arrangements in place to support the financial sustainability of the Council.
- The impact of major service delivery changes in-acted in year.
- Compliance with the Council's rules and regulations relating to procurement, and how the Council is able to demonstrate and ensure it delivers value for money through its procurement and contract management arrangements.

We have set out in more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 16 to 17.

Overall conclusion

Except for the matter we identified in respect of breaches of the Council's purchasing and contract standing orders, the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We therefore propose to give a qualified 'except for' conclusion.

The text of our proposed report can be found at Appendix E.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A. Our follow up on prior year Value for Money Conclusion recommendations can be found at Appendix B.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements, which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

	Significant risk	Findings	Conclusion
<p>1 Budget strategy and financial sustainability</p> <p>The Council has implemented strategic decisions in 2017/18, which fundamentally alter models of service delivery. Park Leisure Centre was outsourced on 1 August 2018, and revenues, benefits and customer services were insourced on the 1 October, 2018. The Council's budget strategy and 2019/20 General Fund budget includes significant savings in relation to these changes.</p> <p>We need to confirm that the Council has adequate arrangements in place to deliver these service delivery changes and realise the budgeted savings.</p> <p>We also need to confirm that, should the changes not deliver budgeted savings, robust plans are in place to bridge the gap in other areas.</p>	<p>The Budget Strategy 2016-2020 was adopted by the Council in September 2016; the core deficit or funding gap by 2020 was identified as £2.7m. The planned savings and reductions as at the 31st March, 2019, were originally forecast to be £1.92m; the actual outturn is 1% lower at £1.9m.</p> <p>The Council expects to achieve the planned contribution from both the Park Leisure Centre outsourcing and Revenues and Benefits insourcing. As at 31st March 2019, a saving of £0.465 million was achieved in relation to Revenue and Benefits, against a plan of £0.367 million. The services have been operating for 4 months and we are aware that there may be a need to increase staffing. This is not yet apparent but must be highlighted rather than considering the saving as entirely banked. Park Leisure Centre has achieved £0.134 million of savings against a plan of £0.223 million in the 2018/19 year. The Park Leisure Centre saving will increase over the next two full financial years as the transitional subsidy drops away and reserves for the Council's residual liabilities are established.</p> <p>The outturn for 2018/19 was a balanced General Fund including the use of £0.786 million of reserves. The use of reserves was lower due to profile changes and the year-end additions to reserves relating to business rate retention Scheme income volatility, DWP housing benefit subsidy, additional interest on temporary deposits and service underspends.</p> <p>The General Fund budget for 2019-2020 includes cumulative savings and reductions from the Budget Strategy totalling £2.703 million. The Council's 2019-20 budget has identified budgeted savings of £2.936 million less £0.225 million additional costs, giving a net surplus of £0.008 million.</p> <p>Both the General fund Balance and HRA Reserve are close to minimum levels. The General Fund balance at the 31st March, 2020 is projected to be £2.300 million and the Medium Term Financial Plan projects that it will remain at this level through to 2023. The Council's total General Fund earmarked reserves as at 31 March 2017 were £9.025 million, falling to £8.670 million as at 31 March 2018 and £7.884 million as at 31 March 2019. The Medium Term Financial plan projects that General Fund earmarked reserves will fall to £6.257 million by 31 March 2023. The projections out to 2022-2023 show a balanced budget for the Housing Revenue Account; with HRA balance projected to remain above the minimum balance of £0.900 million through to 31 March 2023.</p>	<p>Auditor view</p> <p>Given the arrangements, we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place to support its Budget Strategy. Whilst the Council is running its General Fund and HRA reserves at a minimum level, it has a Medium Term Financial Plan support and budget contingency reserve in place to help smooth a medium term balanced budget position.</p> <p>The Council should continue to plan and closely monitor its finances through a combination of cost reduction, demand management and income generation measures, particularly as reserves will come under pressure if the contract renewal savings are not fully realised as planned.</p> <p>The Council needs to review its future Medium Term Financial Plan in the context of uncertainties around the outcome of the fair funding review, inflation and achievement of planned budget strategy savings. The Council should also closely monitor the run rate on the use of its usable reserves given the significant decrease projected in its General Fund earmarked reserves.</p> <p>Management response</p> <p>The forward projections for the General Fund in the current Medium Term Financial Plan use the baseline for the Business Rate Retention Scheme and remove all benefits of growth until the outcome of the Fairer Funding Review is known. As contractual inflation and other recurring cost or income changes are determined, these will be fed into the estimations used for revenue projections. The Budget Strategy has achieved £1.9m of the required £2.7m savings as at the 31 March 2019 and remains under close monitoring for 2019-2020 when the final savings will be realised. Fund balances are held above the minimum risk assessed amount. Reserves are monitored and their use is planned over time; slippage may occur and the use of reserves re-profiled through the Medium Term Financial Plan reviews; additional unplanned income will be added to reserves in line with current practice.</p>	

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
<p>2 Procurement arrangements</p> <p>The 2017/18 Annual Governance Statement, the work of Internal Audit and our own 2017/18 Audit Finding Report identifies the need for the Council to strengthen its procurement arrangements. Despite this, there continues to be delays around the completion of the Council's contract checklist. This lack of compliance proof makes it difficult for the Council to prove that they have secured overall value for money in procurement decisions.</p> <p>We will review the Council's procurement arrangements to confirm that improvements have been made, which ensure the Council can demonstrate procurement processes provide overall value for money.</p>	<p>Our work has highlighted that there continues to be significant weaknesses in the Council's arrangements for procurement and contract management. In 2018/19, Internal Audit has identified some clear breaches of the Council's purchasing and contract standing orders. The most significant areas of non-compliance as highlighted in Internal Audit's restricted assurance report on Procurement issued on 9 July 2019, mainly in Community Services, were:</p> <ul style="list-style-type: none"> • Contracts being allowed to 'roll over' rather than extensions being formally authorised. • Failure to complete the Council's pre-contract checklist in a timely manner. • Failure to conduct purchases over £100,000 in accordance with the Council's contract standing orders. • Inadequate timely market testing of certain contracts to inform effective decision making. <p>Internal Audit's follow up on prior year recommendations also identified the following issues:</p> <ul style="list-style-type: none"> • Relevant supporting documentation relating to procurements are not always retained and readily available for inspection to confirm compliance with Council's purchasing procedures. • Procurements are not consistently made in accordance with the competition requirements of the Council's purchasing procedure. • The Council is not performing annual reviews of payments to suppliers to identify whether contract standing orders should have been followed in specific instances. <p>Whilst the above demonstrates weaknesses in the Council's arrangements for procurement and contract management, we do not feel the issue is systemic. It is most prevailing in Community Services, notably in relation to the Waste Contract (total value £2.1 million), which has received no assurance in a draft internal audit report. In contrast, the recent large outsourcing contract on leisure was completed to a high standard (annual value £0.5 million) receiving an unqualified Internal Audit assurance rating. The Council has also successfully 'in-sourced' its Revenue and Benefits services in year.</p> <p>Our work and inquiries of Internal Audit and management has not identified any instances of fraud or corruption in relation to this issue, with the shortcomings being related to competency and capability.</p>	<p>Auditor view</p> <p>These matters identify weaknesses in the Council's arrangements for ensuring policies and procedures in relation to procurement and contract management are followed. The Council is failing to demonstrate and apply the principles and values of sound governance in its procurement arrangements. This is leading to ineffective procurement of supplies and services to support the delivery of strategic priorities.</p> <p>This failure to adhere to Council purchasing and contract standing orders means it is difficult for the Council to demonstrate that it has achieved value for money in procurement decisions. Furthermore, these weaknesses increase the risk of fraud in procurement and increase the potential for legal challenge from unsuccessful potential suppliers.</p> <p>We have included a recommendation in relation to this issue in Appendix A and are unable to conclude that the Council has adequate arrangements in place in this area. We have issued an 'except for' opinion, as detailed in Appendix E.</p> <p>Management response</p> <p>The Council recognises that there are areas of good practice within services and in order to achieve that standard of compliance across the authority the arrangements to share knowledge and support are under review. The use of the contract register will be reviewed as this includes the review dates for maturing contracts.</p>

Independence and ethics

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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

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:

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefits	9,018	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £9,018 in comparison to the total fee for the audit of £48,380 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
Certification of Housing capital receipts grant	2,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit of £48,380 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.

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 Audit Committee. None of the services provided are subject to contingent fees.

Action plan

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on these recommendations during the course of the 2019/20 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
1	●	<p>Procurement and Contract Management</p> <p>The Council is failing to demonstrate and apply the principles and values of sound governance in its procurement and contract management arrangements. This is leading to ineffective procurement of supplies and services, to support the delivery of strategic priorities.</p>	Ensure that the purchasing and contract management standing orders are followed in all procurement decisions.
2	●	<p>Valuation of Dwellings</p> <p>The Council currently values its' Dwellings as at 1 April. There is a risk that the carrying value of these assets may be materially different to the current value as at 31 March.</p>	Consider valuing all Dwellings as at 31 March to ensure carrying values are not materially different from current value.
3	●	<p>Valuation of Specialised Assets</p> <p>The Council's rolling programme of valuations means its' specialised assets are not always valued on an annual basis. The valuation of these assets are particularly sensitive to movements in BCIS indices.</p>	Consider valuing all Specialised Assets annually to ensure carrying values are not materially different from current value.

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Barrow Borough Council's 2017/18 financial statements, which resulted in 3 recommendations being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendations and two of the three have been completed.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	✓	<p>IT Systems and Controls We noted that there were 10 users with access to critical functions e.g. Flexfields, Users and Functions, which can be used to modify ledger codes, modify responsibilities assigned to users and create or modify existing functions within the application.</p> <p>Management should review the report that we have provided that contains details of all users who have access to critical functions within Oracle. Any users that do not strictly require these functions to perform their job should have this level of access removed.</p>	<p>The Financial Services Manager has worked with our external Oracle Financials support provider and addressed the access issues.</p>
2	X	<p>Property Plant and Equipment Valuations The Council is required to satisfy itself that the carrying value of assets not revalued in year are materially consistent with their current value.</p> <p>The Council works closely with its external valuer to make an assessment on material assets that may be subject to material movement between its carrying value to current value.</p>	<p>The Asset Accountant has worked with our external valuer to ensure that the carrying value of assets not revalued in year is materially consistent with their current value.</p> <p>Our audit work identified that there was a potential material difference between carrying value and current value on assets not revalued in year. In future years, the Council should request its' valuer to carry out an exercise to quantify the likely difference between carrying and current value and request updated valuations if the difference is material.</p>
3	✓	<p>Housing Rents System The Housing Rents System has not been fully reconciled to the General Ledger.</p> <p>We have had to carry out substantive analytical procedures to provide adequate assurance over the completeness of housing rents revenue.</p>	<p>The Service Accountant has worked with the external Civica support provider and a regular reconciliation is now being performed.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations – Value for Money

We identified the following Value for Money related issues in the audit of Barrow Borough Council's 2017/18 financial statements, which resulted in 2 recommendations being reported in our 2017/18 Audit Findings report. We have followed up on the implementation of our recommendations and note one is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	 <p>Budget strategy delivery The Council is running its General Fund and HRA reserves at a minimum level but we acknowledge it has a Medium Term Financial Plan support and budget contingency reserve in place to help smooth a medium term balanced budget position.</p>	The Budget Strategy is on target and continues to be monitored in 2019-2020.
2	 <p>Procurement and contract management The waste contract pre-contract checklist is now more than 20 months overdue. There is still significant scope for strengthening these arrangements and it is imperative that the pre-contract checklist relating to the waste contract is provided to demonstrate compliance with the Council's procurement policies and procedures and that the Council has secured value for money. The Council also needs to dedicate sufficient resource to ensure it receives compliance assurance within its ongoing procurement and ongoing contract management arrangements.</p>	The waste tender checklist is with Internal Audit for review. Additional resource was added to the establishment during 2018-2019 to support contracting arrangements. Further work is needed to share the areas of good practice and achieve compliance across the authority. Note this recommendation has not been fully implemented and will be followed up in 2019/20.

Assessment

-  Action completed
-  Not yet addressed

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000
1 Other Land and Buildings		
<p>Our audit work identified a potential material difference between the carrying and current value of assets not revalued at 31 March 2019. As a result, management requested that their valuer provide valuations for a further 5 assets. These updated valuations resulted in an £0.197 million increase in the Council's Property Plant and Equipment.</p>		
Property Plant and Equipment (Surplus) or deficit on revaluation of non-current assets	(197)	197

Impact of prior year unadjusted misstatements

There are no prior year unadjusted misstatements.

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Accounts and Governance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	CIES £'000	Balance Sheet £'000	Reason for not adjusting
<p>1 Potential impact of the McCloud judgement</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented.</p> <p>The Council requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's estimate received on 15 July 2019 was of a possible increase in pension liabilities of £0.477 million, and an increase in past service costs of £0.477 million.</p> <p>We have satisfied ourselves that there is not a risk of material misstatement as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.</p>	477	(477)	<p>The revised pension actuary calculations identify £477k as the possible increase in pension liabilities and past service costs. The revised actuary calculations contain a number of conditions and the actuary states that "The additional costs are very sensitive to the assumptions made." and "...categories of members potentially affected...". The number of members who will ultimately be affected will depend on the remedy agreed by the Government and the individual member's circumstances. The next triennial valuation falls on the 1 April 2020 and we will discuss the impact of the McCloud judgement with the Fund and the actuary. The £477k has not been included in the financial statements for 2018-2019 as it is not considered to be material; the transaction would have no impact on the General Fund or Housing Revenue Account balances at 31 March 2019.</p>
<p>2 Fair Value of Plan Assets</p> <p>Our audit work has identified that the fair value of plan assets included in the draft accounts was based on an estimated invest return of 6.03%, following the national McCloud ruling (see page 8 and below), the Council requested that the actuary rerun its IAS19 estimate. This rerun used the actual fund investment return of 6.54%. This resulted in an increase in plan assets of £0.370 million.</p>	(370)	370	<p>The change in the fair value of plan assets is not related to the McCloud judgement. The pension fund had provided more up-to-date information regarding the investment return rate (actual information instead of a final quarter estimate) and the actuary used this information when recalculating for the McCloud judgement. The £370k has not been included in the financial statements for 2018-2019 as it is not considered to be material; the transaction would have no impact on the General Fund or Housing Revenue Account balances at 31 March 2019.</p>
Overall impact	£107	(£107)	

Audit Adjustments

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.

Adjustment Type	Value (£'000)	Account Balance	Impact on the Financial Statements
1. Disclosure	65	Note 13 Property, Plant, Equipment and Vehicles	In Note 13, the written back depreciation on loss reversal had been accounted for in the provision of services line, this should have been accounted for in the revaluation reserve line. This adjustment only impacts Note 13 and has no net impact on the Net Book Value of Property, Plant, Equipment and Vehicles figures in the Balance Sheet.
2. Disclosure	NA	Note 2 Accounting Standards that have been issued but have not yet been adopted	Note 2 have been updated to make reference to IFRS16, which will be implemented on 1 April 2020.
3. Disclosure	NA	Note 24 Contingent Liabilities	Note 24 has been updated to reflect amounts set aside in reserves against future claims relating to the MMI Scheme of Arrangement.
4. Presentation and consistency	NA	NA	A small number of minor changes have been made to the wording and presentation of existing disclosure notes in the financial statements to improve their clarity and consistency. None of them are significant to warrant disclosing separately.
5. Disclosure	130	Note 13 Property, Plant, Equipment and Vehicles	One of the Council's assets has been correctly valued and classified as a Surplus Asset, but is shown in Other Land and Buildings in Note 13. As a result Other Land and Buildings is overstated by £130,000 and Surplus Assets are understated by £130,000. The Council have not adjusted for this issue on the grounds of materiality.

Appendix D

Fees

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

Audit Fees	Proposed fee	Final fee
Council Audit	£39,362	£47,362
Grant Certification	£9,018	£9,018
Total audit fees (excluding VAT)	£48,380	£56,380

Non Audit Fees	Fees
Fees for other services	
Audit related services:	
Certification of Housing capital receipts grant	£2,500

Fee variations have been discussed with Management and are still subject to final PSAA approval.

Audit fee variation

As outlined in our audit plan, the 2018-19 scale fee published by PSAA of £39,362 assumes that the scope of the audit does not significantly change. There are a number of areas where the scope of the audit has changed, which has led to additional work. These are set out in the following table. When the fee variation is taken into account the Council has still achieved an 8% reduction in audit fee from the 2017/18 audit.

Area	Reason	Fee proposed
Assessing the impact of the McCloud ruling	The Government's transitional arrangements for pensions were ruled discriminatory by the Court of Appeal last December. The Supreme Court refused the Government's application for permission to appeal this ruling. As part of our audit we have reviewed the revised actuarial assessment of the impact on the financial statements along with any audit reporting requirements.	£1,500
Pensions – IAS 19	The Financial Reporting Council has highlighted that the quality of work by audit firms in respect of IAS 19 needs to improve across Local Government audits. Accordingly, we have increased the level of scope and coverage in respect of IAS 19 this year to reflect this.	£1,500
PPE Valuation – work of experts	As above, the Financial Reporting Council has highlighted that auditors need to improve the quality of work on PPE valuations across the sector. We have increased the volume and scope of our audit work to reflect this and to address the issues identified on page 6 of this report.	£3,000
Value for Money	This reflects the increased audit work required in relation to our procurement arrangements significant risk. As detailed on page 16, we issued an except for opinion in relation to this issue, which required input and moderation from an internal national quality panel.	£2,000
Total		£8,000

Audit opinion

We will provide the Council with an unmodified audit report on the financial statements but our Value for Money Conclusion is modified.

Independent auditor's report to the members of Barrow-in-Furness Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Barrow-in-Furness Borough Council (the 'Authority') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including a summary of accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2019 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; 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. 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 Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Resources use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Resources has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Resources is responsible for the 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. 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.

Audit opinion

In connection with our audit of the financial statements, 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 of the Authority 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 or a material misstatement of the other information. 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 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 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter 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 and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, 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, the Director of Resources and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities set out on page 17, 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 Director of Resources. The Director of Resources 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority'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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Audit opinion

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.

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 - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Qualified conclusion

On the basis of our work, having regard to the guidance issued by the Comptroller & Auditor General in November 2017, except for the effects of the matter described in the basis for qualified conclusion section of our report, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Basis for qualified conclusion

Our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matter. The work of Internal Audit has identified in some instances, clear breaches of the Authority's purchasing and contract standing orders. The most significant areas of non-compliance were:

- Contracts being allowed to 'roll over' rather than extensions being formally authorised.
- Failure to complete the Council's pre-contract checklist in a timely manner.
- Failure to conduct purchases over £100,000 in accordance with the Council's contract standing orders.

- Inadequate timely market testing to inform effective decision making.

These matters identify weaknesses in the Authority's arrangements for ensuring policies and procedures in relation to procurement and contract management are followed.

This matter is evidence of weaknesses in proper arrangements for informed decision making and working with partners and third parties, with a failure to demonstrate and apply the principles and values of sound governance in its procurement arrangements, and ineffective procurement of supplies and services to support the delivery of strategic priorities.

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, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Audit opinion

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Barrow-in-Furness Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 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.

To be signed

Gareth Kelly, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Glasgow

To be dated



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