Appendix 2

Grant Thornton

Audit Findings Report for Barrow-In-Furness Borough Council

Year ended 31 March 2023

September 2024

Contents

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

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

Georgia Jones

Name: Georgia Jones
For Grant Thornton UK LLP
Date: September 2024

1. Headlines

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

Financial Statements

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

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

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

Our audit work is complete, and our findings are summarised further in this report.

We have identified a number of adjustments to the financial statements that have resulted in a £10,983k reduction to the Council's Total Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix D. We have also raised recommendations for management, these are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is complete and there are no matters of which we are aware of that would require modification of our anticipated audit opinion (Appendix H) or further material changes to the financial statements, subject to the following:

- Receipt of management letter of representation – see Appendix ; and
- Review of the final set of financial statements

Our proposed audit opinion is unmodified including an Emphasis of Matter paragraph highlighting the demise of the Council on 31 March 2023.

Our work on the Value for money (VFM) arrangements is complete and reported in the Auditor's Annual Report (AAR), issued alongside this report. We have been able to satisfy ourselves that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Value for Money (VFM) arrangements

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

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

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

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

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

We identified a risk in respect of procurement and contract management arrangements. We have performed further procedures in respect of this risk and have completed this element of our VFM work. We are satisfied that the Council has addressed appropriately the statutory recommendations raised in October 2022 and consider the significant weakness to now be resolved.

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

Statutory duties

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

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

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

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

1. Headlines

Significant matters

We identified IFRIC14 and the recognition of a pension asset as a new risk during the course of our work, as detailed on page 14 of this report.

National context – audit backlog

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

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

We would like to thank everyone at the Council, especially the finance team, for their support in working with us.

National context – level of borrowing

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

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. We have not raised any value for money recommendations around the Council's use of borrowings.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Georgia Jones assumed the Engagement Lead role on the audit in November 2023, taking over from Gareth Kelly.

Conclusion

Our audit of the financial statements is complete and we propose to issue an unqualified audit opinion following the Westmorland & Furness Audit Committee meeting on 20 September 2024.

Our opinion will include an Emphasis of Matter paragraph highlighting the demise of the organisation into Westmorland and Furness Council from 1 April 2023.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff throughout the audit. Both your finance team and our audit team faced challenges this year, ranging from the ongoing impact of Local Government Re-organisation, delays in providing the trial balance and general ledger, numerous samples needing to be repicked due to original listings not being at an individual transactional level and additional associated testing/scrutiny, new issues and challenges in pensions accounting due to the surplus and changes to the audit team.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality benchmarks remain the same as reported in our audit plan on 11 December 2023.

We set out in this table our determination of materiality for Barrow-In-Furness Borough Council and Group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,064,456	1,001,984	This equates to 1.9% of Council's gross operating expenditure for 2021/22 year. On receipt of the draft financial statements for 2022/23 we deemed it appropriate to retain the planning materiality figures. Our retained materiality level equates to 1.8% of the 2022/23 gross operating expenditure. This level is considered to be the level above which users of the financial statements would wish to be aware in the context of overall expenditure.
Performance materiality	745,119	701,389	This is based on specific risks and sensitives at the Council, such as the lack of deficiencies in control environment and quality of financial statements in prior years.
Trivial matters	53,200	50,100	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate.
Materiality for specific transactions, balances or disclosures - senior officer remuneration	5,000	5,000	This is due to its sensitive nature, with the value based on the salary bandings disclosed.

2. Financial Statements - Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides an update on our audit work in response to the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Risk relates to	Commentary
The revenue cycle includes fraudulent transactions – rebutted 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. For Barrow Borough Council we have determined that the risk of fraud arising from revenue recognition can be rebutted for all revenue streams, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Barrow Borough Council mean that all forms of fraud are seen as unacceptable.	Group & Council	Following receipt of draft financial statements we analysed the Council's material revenue and expenditure streams and identified it was still appropriate to rebut those income streams based on the logic detailed in our audit plan. As we do not consider this to be a significant risk for the Council we will not be undertaking any specific work in this area other than our normal audit procedures. Findings Our testing in this area is complete and we have not identified any issues to report.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. Our previous IT audit work has also identified deficiencies in controls; some users have conflicting role combinations whereby they are able to both create and approve manual journals. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which is one of the most significant assessed risks of material misstatement.	Group & Council	Work completed • 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; • tested journals created by the specific users with confliction role combinations; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions; and • Considered the impact of the IT auditor's deficiencies on the overall journal control environment and incorporate the correct level of response within our journal testing and above proposed responses to this significant risk. We have identified that the Director of Resources has been posting and creating journal entries which is not in line with our expectations since they are classified as a senior finance personnel. We have provided a recommendation in this regard, refer to Appendix A. Note this was also a recommendation in the prior year. We also identified during our testing that officers have both posted and approved the same journals. This lacks segregation of duties and although management have a process for these journals to be identified and subsequently reviewed this is a manual process and is retrospective. We have linked this to our recommendation around the IT auditor’s deficiencies of users having admin rights beyond their duties, refer to appendix A. Our work in this area is complete and we have not identified any further issues in respect of management override of control.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Valuation of land, buildings, and dwellings The Council revalues its land, buildings and dwellings on a rolling basis. This valuation of £129.132m 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 of buildings and dwellings not revalued in year in the Council financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. We therefore identified valuation of land, buildings and dwellings as a significant risk, which was one of the most significant assessed risks of material misstatement.	Council	Work completed • 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 has satisfied themselves that these are not materially different to current value at year end. Land & Buildings : We identified 1 asset which had not had depreciation charged due to an error by management inputting the valuation figures previously into the fixed asset register. As all assets were revalued in the previous year the impact on the in year depreciation was trivial however this would have led to an error in the historical cost adjustment which considers the depreciation on current value and historic cost. We have reported an unadjusted misstatement in Appendix D. Dwellings : Our testing in this area is complete and we identified one minor error to the disclosure notes which has been updated. We have no further matters to report.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Contract expenditure Our previous Value for Money work and the work of Internal Audit, has identified weaknesses in the Council's procurement and contract management arrangements. In our prior year audit, whilst we did not identify any financial misstatements, we did identify several instances where the Council's processes for new contracts was not followed and we also reported that our recommendation from 2018-19 had not been addressed. We therefore identified the occurrence and accuracy of expenditure from contracts as a significant risk, which is one of the most significant assesses risks of material misstatement. As at the time of drafting the audit plan we were awaiting further information to be able to quantify the level of contracts held by the subsidiary and group. We have since received the information and have concluded that this risk lies solely with the Council as the Subsiduary and group contracts are immaterial or services are provided by the Council and recharged.	Council	**Work completed** • evaluated the design of the associated controls and the Council's system of accounting for contract expenditure; • evaluated the adequacy of the disclosures in the financial statements of any material uncertainty that the Council may have identified through the work completed by internal audit; • discussed with management any potential implications for our audit report, particularly if we have been unable to obtain sufficient audit evidence; • considered whether any of the findings from the investigation work may result in the use of our wider formal powers; and • completed more transactional testing by elevating the risk for categories of transactions and balances affected, such as expenditure and payables. As part of the evaluating the design of the associated controls we are still awaiting the procurement checklist for our chosen walkthrough contract before we can conclude on the controls operating as anticipated. We have completed our detailed testing and no issues have arisen. We note that we have completed our work on the value for money and have concluded that management have addressed the statutory recommendations sufficiently and the significant weakness no longer remains. We report this in further detail in our separate Auditors Annual Report.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Valuation of the pension fund net liability / asset The Council's pension fund net liability/asset, as reflected in its balance sheet as the net defined benefit liability/asset, represents a significant estimate in the financial statements. It is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.5% change in the discount rate assumption would have approximately 74% effect on the surplus and a 0.25% change in the inflation rate assumption would have approximately -40% effect on the surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net surplus as a significant risk. At the time of completing the Audit Plan the Council had, in previous years, had a net liability. The latest triennial review has been completed on the pension fund and for 2022-23 the fund is now in surplus.	Council	**Work 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 evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary 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; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Cumbria Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. **Pension Fund Asset position:** See overleaf page where this is reported. It is important to note that any potential issues or adjustments that arise from the Authority's accounting for its share of the pension fund would not result in any impact on the Council's useable reserves. **Other work:** The auditor of Cumbria Local Government Pension Scheme identified that the overall pension scheme valuation provided to the Actuary was £14.912m lower than the scheme valuation. As a result, the Council's share of pension fund net assets as at 31 March 2023 is understated by £491k with a corresponding overstatement of the pension liability. However, this would increase the pension surplus, which is capped at £nil under IFRIC 14 accounting, therefore there is no impact on the Authority's financial statements. Our work, other than the pension fund asset measurement and accounting, has identified some disclosure amendments which we have discussed with management and reported at Appendix D. Management have amended the financial statements to update these disclosures. We have received final assurance letter from the pension fund auditor. Our work is now complete, we have no further matters to report.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Risk relates to	Commentary
Valuation of the pension fund net liability / asset continued At the time of drafting the audit plan we were awaiting further information to be able to quantify the value of the pension liability held by the subsidiary and group. We have received this information and Mercer's Actuary report and the net surplus of £1k is immaterial to the group so the significant risk lies solely with the Council.	Council	**Consideration of Barrow Forward's pension liability:** Under TUPE arrangements, from the employee perspective there is no change to their pension rights – ie the employees have not assumed any of the actuarial/valuation risks. Management have provided evidence to assess that the Subsidiary holds the actuarial and investment risk and therefore the subsidiary should account for the pension as a defined benefit scheme. The Council does not have continuing defined benefit pension obligation in respect of the former employees, following transfer. Therefore, the Pension surplus in relation to the subsidiary company and associated disclosures are not required in the Council's single entity statements but are required within the group statements. Management has considered whether it has other obligations to be recognised and whether there is a contractual guarantee made by the Council to the new employer. This has been considered as either an insurance contract or a derivative financial liability. The Council has made a guarantee to the Pension Fund that in the event of the Subsidiaries inability to pay, the Council will pay the Pension Fund for contributions or take over as principal employer. In relation to IFRIC 14 with a net surplus of £1k this is trivial and no need to consider the cap of the surplus. Whilst the net surplus is £1k, the Mercer IAS 19 report includes gross assets of £1,237k and gross obligations of £1,236k. These are material respectively and the group financial statements lacked any commentary around this transfer and did not have any disclosures of the obligations. Management have referred to IAS 19 and concluded that per above, they have enhanced the pension disclosure in the group financial statements to include figures for the Subsidiary including the assumptions used by the Actuary. Management have not amended the Balance sheet due to the net surplus being £1k and trivial. Our work is now complete, we have no further matters to report.

2. Financial Statements: new issues and risks

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

Issue	Commentary
Valuation of LGPS pension surplus The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since International Financial Reporting Standards (IFRS) were adopted in the public sector, the Cumbria Pension Fund in 2022-23 is a surplus or asset position, as opposed to the significant liability balance that has been reported previously. According to the relevant accounting standard, IAS19 (Employee Benefits), when an entity has a surplus in a defined benefit plan, it shall measure the net defined benefit asset at the lower of: (a) the surplus in the defined benefit plan (b) the asset ceiling, determined using the discount rate specified in IAS19. The asset ceiling is defined as the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. IFRIC-14 (The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction) provides guidance on amount that can be recognised in the financial statements. It is unlikely that there will be refunds from the plan to the employer in a local government defined benefit scheme. There are no exit plans in the foreseeable future as these are public sector pension plans. The only possible situation could be potential reductions in future contributions to the plan. The economic benefit available as a reduction in future contributions can be calculated as follows (it will never be less than zero): • present value of IAS 19 future service costs (calculated based on IAS 19 assumptions as at the balance sheet date), less • present value of future service contributions if these are classed as a minimum funding requirement. By doing this, the asset ceiling can be determined (above b) , and this is normally lower than the surplus of the defined benefit plan (above a). Management then needs to consider what should be recognised/disclosed in the financial statements. This should also include any material estimation uncertainties in terms of future economic benefits. Disclosures in respect of material estimation uncertainties would provide further clarity to the reader of the accounts and importantly to comply with relevant accounting principles.	Our work indicated that: ▪ there is a surplus/asset of £10,987k in the funded defined benefit local government pension scheme as at 31 March 2023, representing the Council's share. This is a fluctuation of £34,736k from the liability position of £23,749k recognised as at 31 March 2022. ▪ management has accounted for this £10,987k surplus offset by the £1,803k unfunded benefit liability as a net asset of £9,184k asset in the draft 2022-23 financial statements presented for audit. This is in common with a number of local authorities based on lack of technical guidance available on this issue at the time of accounts preparation. We accept that this issue is a national one impacting a number of local authorities for the first time in 2022-23 and should be considered in that context ▪ there was an unfunded defined benefit liability of £1,803k that should have been recognised under IAS19 in the draft 2022-23 accounts. These relate to termination benefits made on a discretionary basis upon early retirement in respect of members of the pension scheme. Previously this balance had been included within the overall pension fund liability amount. With the move to a pension fund asset position this amount should have been accounted for separately as a liability on the Council's balance sheet – as such, we raised a proposed adjustment for this to be included in the revised accounts. ▪ During the audit process, we discussed with management the application of IAS19 and IFRIC 14 principles when there is a pension fund asset position. Some of our discussions at the date of this report include: ▪ checking whether there was an assessment of the asset ceiling performed by the actuary and subsequent management actions based on such a calculation. We identified that there was no such calculation done to determine the asset ceiling at the time the draft accounts were presented for audit, although this is understandable given the lack of available guidance on this unusual matter at that time. ▪ checking the rationale for not accounting for the unfunded defined benefit liability (£1,803k). This amount should have been recognised in the Council's balance sheet irrespective of the pension fund asset position. Detailed audit procedures identified that the pension asset should be capped at £nil in line with IFRIC 14 accounting principles. Our audit work also identified that it is not appropriate to offset the net pension asset against the unfunded pension liability. The Council has adjusted for these items, the details of the adjustments are included at Appendix D.

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary
Local Government Reorganisation (LGR) The Council will no longer exist after 31 March 2023 as it will form part of the new Unitary Council from 1 April 2023. This does present a number of other audit risks we will have to address as part of our 2022/23 audit, as follows: - heightened profile of the Council as a result of LGR will require us to revisit headline materiality for the whole audit; - ensure appropriate disclosures are made in the accounts, narrative report and AGS on LGR, which we will have to refer to in our audit report opinion; - assess impact of any key personnel changes on the audit - ensure we have considered fully any additional audit risks around year end cut-off on income and expenditure, movements in provisions and reserves - audit any additional exit packages.	Work completed • reviewed headline materiality which we have done already and lowered it from 2% to 1.9% (refer to page 7); • considered the impact of any key personnel changes especially in the Finance team and the impact it may have on the audit; and • made inquiries to determine number and test the accuracy of exit packages as well as confirming due process has been followed in seeking appropriate approvals in advance of any exit package payments being made; • ensured the disclosures on LGR are appropriate for the reader of the accounts and we will provide an emphasis of matter in our audit report (appendix H); and • considered the impact of LGR on our testing of year-end income and expenditure cut-off and movements in provisions and reserves. Transfer of data processing from the legacy Barrow system to the new Westmorland and Furness system has required us to invest time and resource in gaining an understanding of the new arrangements including multiple meetings with key finance personnel. Samples for income and expenditure completeness testing have been selected from reports run from both the legacy system and the new Westmorland and Furness Council system. We identified within our testing in our population there were multiple duplicates provided by the Council. Upon investigation they were duplicates on the listing exported from the E5 system however were not duplicated on the ledger directly. This stemmed from an existing issue which the Cumbria County Council was aware of and their IT department were in the process of investigating. At the time of the audit this investigation is still ongoing however we have undertaken audit procedures to satisfy ourselves that these duplications are an issue with the exporting and not included twice within the ledger. We will raise a recommendation for management to ensure the follow up and completion of this investigation. We did not identify any further issues within our testing.

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

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Key changes within the group:

On 1st February 2022, Barrow Forward Limited began trading to operate the Leisure centre in Barrow. The Council is the only shareholder and therefore is the whole owner of the Company.

Within the financial year 2021/22 the figures were not material and so the Company figures were not consolidated with the Council's. In the 2022/23 financial year the Company had a full year of trading and has material transactions and therefore has been consolidated with the Council figures and group financial statements have been prepared.

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach	Findings
Barrow-in-Furness Borough Council	Yes	🟪 Purple – Audit of the financial information of the component using component materiality	Risks identified detailed in pages 8 to 15 of this report.	Full scope audit performed by Grant Thornton UK LLP	Refer to summarised findings on pages 8 to 15.
Barrow Forward Limited	No	⬛ Black – Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements	Risks identified detailed in pages 8 to 15 of this report. In addition, as this is the first year for consolidation this is classed as a change in circumstances for the Council as well as adding in complexities around the accounting for consolidations so we have determined this as a risk to reflect this significant change. There are transactions and balances occurring in the subsidiary that may be significant to the accounts and require additional testing.	See responses detailed in pages 8 to 11 of this report for the respective risks. In response to this other risk we have: • gained an understanding of managements processes and application of accounting policies and controls around the consolidation process; • reviewed and check completeness and accuracy of the consolidation adjustments and intergroup transactions; • reviewed the group financial statements and related disclosures both in terms of presentation and consistency with the CIPFA Code; • undertaken specific scoped procedures on cash and cash equivalents to be performed by the engagement team; and • analytical review performed by Grant Thornton UK LLP.	Our work is complete and we have not identified any issues to report. The draft accounts have been updated for some minor amendments to disclosures – see appendix D. We did not identify any issues with the specific scoped procedures or the analytical review.

Audit scope

- 🟪 Audit of the financial information of the component using component materiality
- ⬛ Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of Land, Buildings and dwellings – Land and Buildings - £43.4m	Land and buildings comprises specialised assets such as, sports and leisure centres, public conveniences and museums. These are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings including car parks are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. Surplus assets are required to be valued annually and at fair value. The Council has engaged Montagu Evans LLP to complete the valuation of properties as at 31 March 2023. The Council's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. Management have opted to obtain asset valuations for all assets as at 31 March 2023 which negates the risk for any assets not revalued having a carrying value that could be materially different to the current value.	In response to this risk 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 • evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Our work is complete and we have obtained sufficient and appropriate audit assurance to conclude that: • the basis of the valuation of land and buildings and council dwellings is appropriate • the assumptions and processes used by management in determining the estimate of valuation of property are reasonable. • the valuation of land and buildings disclosed in the financial statements is reasonable. • management's approach to this significant estimate is appropriate; and • management's assessment of assets not revalued is reasonable.	**Light purple** **We consider management's process is appropriate and key assumptions are neither optimistic or cautious**

Assessment

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

2. Financial Statements – key judgements and estimates

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

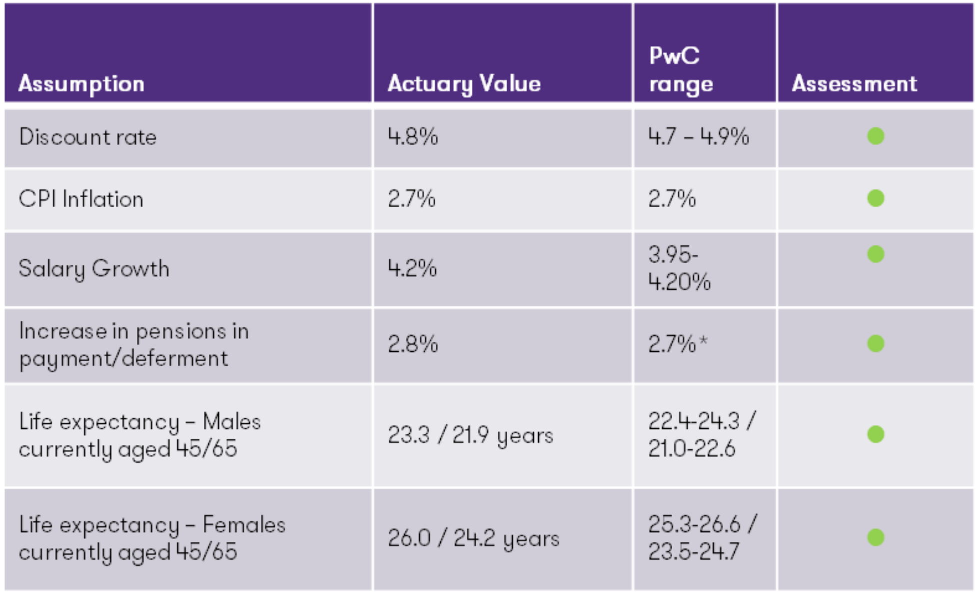
Significant judgement or estimate	**Summary of management’s approach**	**Audit Comments**	**Assessment**
Valuation of Land, Buildings and dwellings continued – Council Dwellings - £85.1m	The Council owns dwellings and is required to revalue these properties in accordance with DCLG’s Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Montagu Evans LLP to complete the valuation of these properties. The year end valuation of Council Dwellings was £85.1 million, a net increase of £2.2m million from 2021/22 (£82.9 million).	Our work is complete and we have obtained sufficient and appropriate audit assurance to conclude that: • the qualifications, skills and experience of the valuer and determined the service to be appropriate. • the underlying information and sensitivities used to determine the estimate was considered to be complete and accurate. • the valuer prepared their valuations in accordance with DCLG’s Stock Valuation for Resource Accounting guidance. The valuer used the beacon methodology using the information that was available to them at the valuation date in deriving their estimates. Our work related to Land, Buildings and Dwellings is complete and we have obtained sufficient and appropriate audit assurance as noted above.	**Light purple** **We consider management’s process is appropriate and key assumptions are neither optimistic or cautious**

Assessment

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

2. Financial Statements: key judgements and estimates

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

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management's approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension surplus – £9.184m</td>
<td>In the initial draft financial statements, the Council's total net pension surplus as at 31 March 2023 was £10.987m and a pension liability for the unfunded element of £1.803m (Combined surplus of £9.184m, PY combined deficit of £23.749m) comprising the Cumbria Local Government and unfunded defined benefit pension scheme obligations.
The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.
A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return.
The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund surplus, small changes in assumptions can result in significant valuation movements. There has been a £53.054m net actuarial gain during 2022/23. This is mainly due a significant reduction in the present value of obligations (please see page 12 for more information)</td>
<td>We have:
• deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work;
• undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (PwC as auditor's expert) and performed additional procedures as suggested in the report (continued overleaf);

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>4.8%</td><td>4.7 – 4.9%</td><td>●</td></tr>
<tr><td>CPI Inflation</td><td>2.7%</td><td>2.7%</td><td>●</td></tr>
<tr><td>Salary Growth</td><td>4.2%</td><td>3.95-4.20%</td><td>●</td></tr>
<tr><td>Increase in pensions in payment/deferment</td><td>2.8%</td><td>2.7%*</td><td>●</td></tr>
<tr><td>Life expectancy – Males currently aged 45/65</td><td>23.3 / 21.9 years</td><td>22.4-24.3 / 21.0-22.6</td><td>●</td></tr>
<tr><td>Life expectancy – Females currently aged 45/65</td><td>26.0 / 24.2 years</td><td>25.3-26.6 / 23.5-24.7</td><td>●</td></tr>
</table>
*For the pensions increase, as per PwC report, Mercer used a slightly lower rate for pensions increases in payment to allow for an inflation risk premium. This was deemed a reasonable approach as per PwC.</td>
<td>Light purple
We consider management's process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension surplus – £9.184m	Refer to prior page	*Continued from prior page :* • assessed the competence, capability and objectivity of management's experts; • tested the completeness and accuracy of the underlying information used to determine the estimate; • 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; • considered the reasonableness of changes in estimated values based on all of the available evidence; and • considered the adequacy of the disclosure of the estimates in the financial statements. Detailed audit procedures identified that the pension asset should be capped at nil in line with IFRIC 14 accounting principles. Our audit work also identified that it is not appropriate to offset the net pension asset against the unfunded pension liability. The Council has updated the draft accounts for these items, the details of which are included in Appendix D. There are no other issues to report.	Light purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation and useful economic lives of assets	Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated. Management's accounting policy is that property depreciation should be applied with a straight-line allocation over the life of the property, either as estimates by the valuer or through management's own assessment for assets not subject to revaluation.	We have: • reviewed the accounting policy; • recalculated the depreciation charge based on the useful economic lives as provided by the valuer as well as an overall recalculation of depreciation • assessed the reasonableness of the useful economic life for a sample of assets; and • assessed the appropriateness of the policy in line with financial reporting framework. We have identified a number of assets that are fully depreciated but management have confirmed are still in use. Keeping assets past their useful life indicates an inappropriate useful life estimate. We have raised a recommendation for management to review their useful lives estimate to ensure they are still appropriate (refer to Appendix A). We did not find any further issues in respect of this significant estimate.	**Light purple** **We consider management's process is appropriate and key assumptions are neither optimistic or cautious**
Year-end provisions and accruals	Provisions : Management's largest provision at year end was for NDR appeals provision of £621k (£550k in 2021/22). Total year end provisions are £632k (£552k in 2021/22). As these values are immaterial it is no longer considered a key estimate like we detailed in our Audit plan. The Council is responsible for repaying a proportion of successful rateable value appeals. The Council's calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Accruals : Management have do not have any individually material accruals and all accruals combined make up circa £1.3m (£1.1m in 2021/22) within the creditors balance. Management adopt the accrual basis of accounting, accruals are based on expenditure incurred that has not yet been paid or income due that has not yet been received. Accruals are based on principally known values, based on prior year figures or through the latest information available. Management has a de-minimus level, no accruals of a value less than £1,000 individually are included.	We have included accruals within our Creditors sample testing, for each tested accrual we have: • reviewed the accounting policy; • considered the appropriateness of the underlying information used to determine the estimate; • compared the estimate to actual income/expenditure received or paid after the preparation of the draft financial statements; • considered the impact of any changes to valuation method • where possible, compared the accrual to prior year values and methodology; and • considered the adequacy of disclosure of estimate in the financial statements. Within our creditors testing we identified an under accrual of £168k in relation to the Housing benefit audit fees. This was due to timing in completion of the 2021/22 Housing benefit audit. This is classed as an unadjusted misstatement, refer to Appendix D. The external audit fees note has been updated correctly, the unadjusted misstatement refers only to the expenditure in the ledger. Refer to Appendix D for our commentary on the disclosure amendment for the external audit fees note. We did not identify any further issues in relation to this estimate, incorporating this error identified we still consider management's process appropriate and key assumptions neither optimistic or cautious.	**Light purple** **We consider management's process is appropriate and key assumptions are neither optimistic or cautious** .

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Credit loss and impairment allowance	The Council adopts the simplified approach to impairment, in accordance with the Code, and measures the loss allowance for trade receivables, contract assets and lease receivables at an amount equal to lifetime expected credit losses. For other financial assets, the loss allowance is measured at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition, and otherwise at an amount equal to 12-month expected credit losses. Management have an allowance for credit losses of £2.46m (£2.32m in 2021/22), which is made up of the allowances for Council Tax, NDR and Sundry debtors.	We have: • reviewed the accounting policy; • considered any changes in methodology to the prior year; • reviewed the approach against the CIPFA 2022/23 code; • considered the appropriateness of the underlying information used to determine the estimate; and • agreed the approach and to management working papers. We have not identified any issues in relation to this estimate.	**Light purple** **We consider management's process is appropriate and key assumptions are neither optimistic or cautious**
Grants Income Recognition and Presentation	The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal or agent, and if there are any conditions outstanding, as distinct from restrictions, that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant. Depending on whether the Grant is either a Revenue or Capital grant and whether there are conditions attached depend on where it gets accounted for. When the Council is acting as an agent the grant income should not be recognised in the Comprehensive Income and Expenditure statement and the proportion of unspent funding should be included as a creditor. When the Council is acting as the principal the grant income should be credited to the Comprehensive Income and Expenditure Statement, whilst considering if there are any conditions attached. The Council has received £7.5m of grants (£11.2m in 2021/22), £4.6m (£5.3m in 2021/22) of this was classified as agency grants and £2.9m as principal grants (£5.9m in 2021/22).	On a sample basis we have: • considered whether the Council is acting as the principal or agent which will determine how the Council recognises the grant; • considered the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income; • considered the impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES; • considered the adequacy of disclosure of judgement in the financial statements; and We have not identified any issues in relation to this estimate.	**Light purple** **We consider management's process is appropriate and key assumptions are neither optimistic or cautious**

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum and Voluntary Revenue Provision – Minimum (General Fund) £636k Voluntary (HRA) £817k	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. At 31 March 2023, the Council's Minimum Revenue Provision (MRP) was £636k, £511k at 31 March 2022. The MRP represents 1.90% of the Council's overall Capital Financing Requirement. This has increased from 1.46% at 31 March 2022. This is a measure of the pace at which charges to general fund revenue are being made to finance capital expenditure that has not previously been financed. The Voluntary Revenue Provision (VRP) from the Housing Revenue account was £817k (£817k at 31 March 2022) and also forms part of the Closing Capital Financing requirement. The VRP and MRP combined represent 4.3% of the Council's overall Capital Financing Requirement (3.8% at 31 March 2022). The overarching requirement is for authorities to determine a "prudent" provision, rather than to follow a particular basis of calculation. If the MRP is too low, the burden of financing capital assets will fall on future generations of tax payers.	We have: • assessed whether the MRP has been calculated in line with the statutory guidance; • assessed whether the Council's policy on MRP complies with statutory guidance; • assessed whether any changes to the Council's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full council; and • reviewed the reasonableness of the increase in MRP charge. Government consulted (February 2022) on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation. We have considered the Council's MRP of 1.90% compared to a variety of Northern Local Authority bodies, and an MRP of 2% is considered "green" in a RAG rating, "red" being below 1.25%. Therefore the Council with 1.90% is above the "red" rating but is not fully considered prudent as is below the "green" rating of 2%. However when combining the VRP and resulting in a 4.3% this is now considered prudent. We have raised a recommendation that the Council reviews its MRP policy to ensure the provision continues to be prudent, in light of Local Government Re-organisation, Westmorland and Furness Council should ensure their MRP policy is prudent (refer to Appendix A)	**Light purple** **We consider management's process is appropriate and key assumptions are neither optimistic or cautious**

2. Financial Statements: Information Technology

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

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope

				ITGC control area rating			
IT application	Audit Area	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Findings
Oracle E-Business Suite	Financial reporting	ITGC assessment (design and implementation effectiveness only)	🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements	🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements	🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope	🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope	We engaged our IT audit team to undertake this review and they have reported to management the following control weaknesses : Significant weaknesses: • Segregation of duty conflicts within Oracle EBS - 10 users were found as having a higher than expected control access within the Oracle system. These users comprise the majority of the finance team at the Council. We have undertaken focussed testing within our management override of controls sample testing to consider this deficiency and have not identified any issues. However it is worth considering this, this ties into the prior year recommendation. Refer to appendix B. • Inadequate control over third-party users assigned privileged access to Oracle EBS and database - 3 generic user accounts were assigned to staff at Version1 with admin privileges. But no regular monitoring was identified. These are called "SYSADMIN" and we have confirmed this user has not posted journals within the year. This has been raised as recommendation within Appendix A. Improvement opportunity: • Weak password configuration settings for Oracle EBS – It was identified that the password complexity settings were not configured in line with the Council's password policy. And recommended management implement a formal password policy across all operational applications. Management responded to this confirming in order to get into the Oracle EBS platform a user must first log onto the Active Directory using the Council’s password policy and the Oracle EBS platform requires a further password. This has also been raised as a recommendation within Appendix A. These are findings from the prior year that also relate to the current year, we have followed up on management’s progress against these prior year recommendations within Appendix D.

2. Financial Statements: Information Technology

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

				ITGC control area rating			
IT application	Audit Area	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Chris21 / Frontier System	HR and Payroll system	ITGC assessment (design and implementation effectiveness only)	🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope	🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope	🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope	🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope	None
Logotech	Fixed asset register	ITGC assessment (design and implementation effectiveness only)	🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope	🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope	🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope	🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope	None

Assessment

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

2. Financial Statements: other communication requirements

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

Issue	Commentary
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 incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed however management have enhanced the related parties disclosure to include further narrative around the group and links with Trusts. Refer to Appendix D.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is appended.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bank and investment counterparties. This permission was granted and the requests were sent. All of these requests returned are with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	As detailed in our acknowledgements on page 6 and in our progress report taken to the March 2024 Audit Committee, we encountered difficulties in a number of areas, such as obtaining a complete general ledger for completeness and sample selection, populations for income, expenditure, debtors and creditors were delayed. During the testing we have encountered delays in obtaining evidence, we undertook in person meetings with finance staff at the Council offices which did help to progress a small number of samples but none to completion due to difficulties in answering our follow up sample queries. Whilst we acknowledge the difficulties management have faced with LGR and having a small finance team, this led to delays in our audit work and are reflective of the slow progress during the Audit. Additional fees have been levied as a result of the delays, poor quality information received and difficulties encountered. Refer to fees in appendix E. Management have not refused to respond to any audit queries so we appreciate this is a capacity issue.

2. Financial Statements: other communication requirements

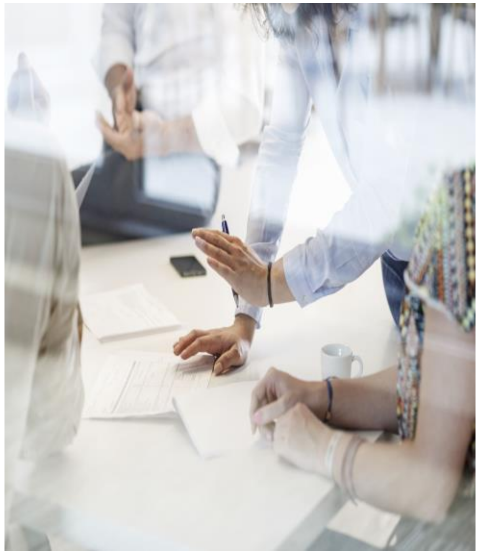
Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • evidence that the services delivered by the Council during the 2022/23 year have been transferred and continue to be delivered by Westmorland and Furness Council, following Local Government Reorganisation • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment; and On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to Appendix H
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported any significant weaknesses. In our audit plan we identified significant weaknesses in the Council's arrangements for procurement and contract management and an update is set out in the value for money arrangements section of this report. As mentioned in the headlines on page 3, we have been encouraged by managements progress on the statutory recommendations and now consider these significant weaknesses to be resolved during the 2022/23 financial year.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. The guidance for 2022/23 has now been issued by the NAO, and in line with previous years, the Council does not exceed the threshold required for the work. We will undertake the necessary procedures for bodies below the threshold by the necessary timescales.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Barrow-In-Furness Borough Council in the audit report, as detailed in Appendix H.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

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

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The risks we identified are detailed in the table below, along with the further procedures we performed and our conclusions.

We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Risk of significant weakness	Procedures undertaken	Outcome
Procurement and contract management arrangements Our previous Value for Money work and the work of Internal Audit, has identified weaknesses in the Council's procurement and contract management arrangements. We identified several instances where the Council's processes for new contracts was not followed and we also reported that our recommendation from 2018-19 had not been addressed.	As part of our risk assessment, we have completed a review of key documentation relevant to these risks, including Council and Committee papers and reports from Internal Audit. We have engaged colleagues from our specialist VFM team to undertake a focussed review and requested additional information from management. We have assessed the Council's progress in strengthening the arrangements and considered whether significant improvement has been achieved.	We previously identified key recommendations for improvement, across all areas of our Value for money remit, these are detailed within our Auditor's Annual Report, which is presented alongside this report. We issued 3 statutory recommendations to the Audit and Governance Committee in respect of this on 18 October 2022. Management put in place improvements as a result of these statutory recommendations which became embedded from April 2022. At the time of drafting the Audit Plan we had not undertaken our detailed work to conclude whether the significant weaknesses remained. As mentioned in the headlines on page 3 and 5, our detailed work has now been completed and we are satisfied that the improvements put in place by management have been effective in addressing the earlier weaknesses and we conclude the significant weaknesses no longer remain.

4. Independence and ethics

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers).

As communicated in the letter issued on 24 May 2024, we have identified a breach of the Ethical Standard for the audits of the financial statements for the year ended 31 March 2022 and 31 March 2023 that we are required to draw to your attention. We do not believe that this matter impairs our independence as Auditors.

In this context, we disclose the following to you that Gareth Kelly was serving his seventh year as your Appointed Auditor. Engagement leads typically serve for 5 years in their role with an audit client. This mitigates the perceived familiarity threat that comes from long associations with a client.

The Ethical Standards identify three examples where flexibility may be necessary to safeguard the quality of the audit. One of these applies directly to the Council's audit, namely the substantial change to the nature of the Council's business as a direct result of Local Government Re-organisation. The transition period leading up to the establishment of the new Council's represents a major change for the Council. During this period, it is vitally important for the quality of the audit that there is continuity at Engagement Lead level. Gareth knew and understood the Council and risks well. He ensured that the audit focuses on the right areas. This extension was discussed and agreed with Public Sector Audit Appointments Ltd and our Central Ethics team and is also applicable to the 2022/23 audit. However it was not formally communicated in writing to the Council and this is the breach we refer to above. We have now issued the formal letter to advise the committee of this. We do not believe that this matter impairs our independence as Auditors.

As outlined on page 6, Georgia Jones assumed the Engagement Lead role on the audit in November 2023. Georgia is independent from Barrow Borough Council and has no previous connection to the Council. Georgia has received a briefing on the Council and has undertaken a detailed review of the audit.

We confirm that there are no other significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

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.

Audit-related service	Fees £	Threats identified	Safeguards
Certification of Housing Benefits	2022/23 £250,000 2021/22 £120,000 2020/21 £61,000	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management (because providing information to the DWP is the responsibility of management)	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 £250,000, it is a fixed fee and there is no contingent element to it. The level of the fee for the Housing Benefit certification is not significant to the context of the Engagement Lead's portfolio or to the public services part of the firm on which the Engagement lead's performance is judged. To mitigate against the self review threat , the certification work is completed on a separate timeline to the audit. Material errors in this area are unlikely and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. We have not prepared the MPF720A form and are carrying out work on the information submitted to the DWP by the Council. Any changes to the subsidy payable will be determined by DWP and we will have no involvement in the decision. The scope of this work does not include making decisions on behalf of management or recommending a particular course of action for management to follow. We will perform the proposed service in line with instructions and reporting framework issued by DWP and we will report to DWP. Amendments to the form can only be made by the authorised signatory (usually the Director of Finance). These factors all mitigate the perceived threats to an acceptable level.
Certification of Housing capital receipts grant	2022/23 £10,000 2021/22 £7,500 2020/21 £5,000	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management (because providing information to the DLUHC is the responsibility of management)	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 £10,000 in comparison to the total fee for the audit 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. To mitigate against the self review threat , the certification work is completed on a separate timeline to the audit. We have not prepared any elements of the submission and are carrying out work on the information submitted to DLUHC by the Council. Material errors in this area are unlikely and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. The scope of this work does not include making decisions on behalf of management or recommending a particular course of action for management to follow. We will perform the assignment in line with the reporting accountant guidance issued by DLUHC. The Council and DLUHC form their own conclusions on our issued factual report. We agree any factual findings with the Council's responsible Financial Officer and obtain representations from the Council and include these in our report if necessary. These factors all mitigate the perceived threats to an acceptable level.

4. Independence and ethics

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

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

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

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	**Audit Plan**	**Audit Findings**
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

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

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

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

Distribution of this Audit Findings report

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

B. Action Plan – Audit of Financial Statements

We have identified 6 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit of the new Westmorland & Furness Unitary Council. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High - Significant effect on financial statements	**Oracle E-Business Suite weaknesses** a) Segregation of duty conflicts within Oracle EBS - 10 users were found as having a higher than expected control access within the Oracle system. These users comprise the majority of the finance team at the Council. The risk is that a combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This is a recommendation that was raised in the prior year but also relates to the 2022/23 financial year as the IT audit work was conducted for the 2022/23 year and backdated for 2021/22. During our journals testing we identified instances of journals being posted and approved by the same individual, this lacks segregation of duties and should be avoided.	a) **Recommendation** Management should define segregation of duty policies and processes and ensure that there is an understanding of roles, privileges assigned to those roles and where incompatible duties exist. Revoke the administrative access rights for these finance users. **Management response** We will take advice from our Database Administrators (Version 1) regarding the accounts which allow control of user access (i) to determine which functionality this is and (ii) whether this can be disabled without affecting system performance. The Diagnostics sub-menu has been used in earlier years to assist with problem-solving. Advice will be taken on how to disable this. All transactions are reviewed and posted by one of 3 Principal Council Officers. Any self posted transactions are reviewed by another officer at the earliest opportunity. System Control Accounts are reconciled on a regular basis.
Medium – Limited Effect on financial statements	**Minimum Revenue Provision** The Council should review their MRP policy to ensure the provision continues to be prudent. The MRP is £636k in the current year and represented 1.9% of the CFR. In combination with the Housing revenue account voluntary Revenue provision of £817k, this represents 4.3% of the Council's overall Capital Financing Requirement. This is measure of the pace at which charges to revenue (GF) are being made to finance capital expenditure that has not previously been financed. The overarching requirement is for authorities to determine a "prudent" provision, rather than to follow a particular basis of calculation. If the MRP is too low, the burden of financing capital assets will fall on future generations of taxpayers. Whilst we do acknowledge that each year the MRP percentage is improving it is still below the optimum "green" rating of 2%, at 1.9% for the minimum revenue provision.	**Recommendation** Review the Council's MRP policy to ensure the provision continues to be prudent and is sufficient to finance capital expenditure that has not previously been finance through the application of capital receipts, capital grants or direct revenue charges. Ultimately as per the Code this is management's responsibility to consider if prudent we are unable to challenge further if management feel it is prudent. In light of the Local Government Re-organisation and the formation of a new entity to ensure the MRP policy is prudent is important. **Management response** As part of setting the Treasury Management Strategy Statement (TMSS) for 2023/24 and the TMSS for 2024/25, Westmorland & Furness Council has approved a prudent MRP Policy for the General Fund and a Voluntary Repayment Provision for the Housing Revenue Account.

Controls

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

B. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium – Limited effect on financial statements	**Useful Lives** We have identified £989k of assets that are fully depreciated but management have confirmed are still in use. Keeping assets past their useful life indicates an inappropriate useful life estimate.	**Recommendation** Review their useful lives estimate to ensure they are still appropriate. **Management response** As part of establishing the Westmorland & Furness Council asset list, we will assess the assets still in use and their estimated useful life.
Medium – Limited effect on financial statements	**Journals** Our work on journals identified that the Senior finance personnel (Director of Resources) has the ability to post journals and has done so within the financial year. Although we have sampled a few of these journals and not identified any instances of Fraud, this represent a weakness in the control environment which creates a heightened risk of management override of controls. We also note that the Director has been "creating" multiple journals in year which although is not posting, still requires involvement in the process and colleagues are unlikely to challenge higher management when reviewing journals so leaves the Council open to the risk of management override of controls.	**Recommendation** Revoke the senior management's ability to post or create journals in the finance system. **Management response** The Section 151 Officer and the Deputy Section 151 Officer for Westmorland & Furness Council do not have access to create or post journals; this has been in place since 1 April 2023
Low – Best Practice	**Related Parties** 2021/22 **Findings brought forward** It was identified within our work on related parties that the declarations of interest from officers and members had some directorships omitted. We identified this through our own searches of Companies House website by identifying an individual's interests. 2022/23 **Findings** It was identified that there was a number of signed declarations belonging to members that we were unable to be obtained from management. Management only held records of current members and due to Local Government Re-organisation records were not retained for signed declarations.	**2021/22 Recommendation** Management should implement a check in their process to undertake their own search of Companies House to identify any omitted directorships/links of members and officers to ensure completeness within their related party note. Management should also improve their declaration forms and check these back to Human Resources records to again ensure completeness of any links/undisclosed interests. During 2022/23 work we didn't see evidence of management undertaking this check and further identified instances of omitted directorships/links so conclude that this recommendation is still applicable. **2022/23 Recommendation** Retain all signed declarations for a sufficient length of time, ensuring still in line with document retention policy and GDPR. **Management response** Whilst the check of 2022/23 related parties was undertaken, we will document and retain the evidence in future

Controls

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

B. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low – Best Practice	**Duplicate items within the Invoices raised completeness listing** We identified within our testing in our population there were multiple duplicates provided by the Council. Upon investigation they were duplicates on the listing exported from the E5 system however were not duplicated on the ledger directly. This stemmed from an existing issue which the Cumbria County Council was aware of and their IT department were in the process of investigating. At the time of the audit this investigation is still ongoing however we have undertaken audit procedures to satisfy ourselves that these duplications are an issue with the exporting and not included twice within the ledger. We will raise a recommendation for management to ensure the follow up and completion of this investigation.	**Recommendation** Ensure management follow up this IT investigation and understand the cause for this issue to prevent it from reoccurring. **Management response** The reporting tool issue will be resolved; however, we are able to extract the data directly from Westmorland & Furness E5 system instead.
Low – Best Practice	**Lease Agreements** During our testing we identified one operating lease had ended during the financial year and the Council had been invoicing on a quarterly basis for an increased value above the initial lease value. The quarterly value being £2,625 which suggests an annual rent of £10,500. Management had not created an updated lease agreement. Without formal lease agreements in place it becomes difficult to hold each party accountable and provide legal protection.	**Recommendation** Ensure management take prompt action to address any absences of formal lease agreements when the existing leases expire. Ensure a process is established to proactively review and renew lease arrangements in a timely manner to prevent similar issues from occurring in the future. **Management response** All leases either have been or are being reviewed as part of a transfer to the Concerto property asset management system operated by Westmorland & Furness Council.

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Barrow-In-Furness Borough Council's 2021/22 financial statements, which resulted in 5 recommendations being reported in our 2021/22 Audit Findings report. We are pleased to report that management have implemented 3 but note that 2 are still to be resolved.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X Carried forward into 2022/23	**Journals** Our work on journals identified that the Senior finance personnel (Director of Resources) has the ability to post journals and has done so within the financial year. Although we have sampled a few of these journals and not identified any instances of Fraud, this represent a weakness in the control environment which creates a heightened risk of management override of controls. **Recommendation** Revoke the senior management's ability to post journals in the finance system.	The Direct of Resources ceased the posting of journals, and the qualified accountants were added to avoid a single point of failure. 2022/23 update – We were advised by management that the Director had ceased posting but it was identified during our detailed testing the Director was involved in both creating and posting journals. Refer to Appendix A for our recommendation surrounding this.
X Carried forward into 2022/23	**Oracle E-Business Suite weaknesses** a) Segregation of duty conflicts within Oracle EBS - 10 users were found as having a higher than expected control access within the Oracle system. These users comprise the majority of the finance team at the Council. The risk is that a combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. **Recommendation** a) Management should define segregation of duty policies and processes and ensure that there is an understanding of roles, privileges assigned to those roles and where incompatible duties exist. Revoke the administrative access rights for these finance users.	It was not possible to disable the diagnostics submenu during 2022/23. All transactions are reviewed by either the Head of Financial Services or one of the two qualified accountants authorised to post journals. Any self-posted transactions are reviewed by another authorized officer at the earliest opportunity. System control accounts are reconciled on a regular basis.
✓	**Oracle E-Business Suite weaknesses continued** b) Inadequate control over third-party users assigned privileged access to Oracle EBS and database - 3 generic user accounts were assigned to staff at Version1 with admin privileges. But no regular monitoring was identified. These are called "SYSADMIN" and we have confirmed this user has not posted journals within the year. The risk is that without adequate oversight over the third-party users of system administration accounts, there is an increased risk of unauthorised or inappropriate changes to the underlying data. **Recommendation** b) Management should undertake a review for all IT support partners to confirm how they obtain assurance over appropriate IT controls being implemented/operated by these third-party service organisations. Management should also segregate a user's ability to develop and implement changes. Privileged access to the production environment should be revoked from users that are involved in development.	Version 1 are the support provider/DBA for Oracle Financials. Version 1 are on ISO20000 and ISO27001 accredited organisation and are required to meet IT Service Management and Information Security standards. No work is undertaken without an initial request from nominated Council officers – usually the Head of Financial Services. Where an issue is identified by the monitoring Version 1 platform, any action/change must be authorised a nominated Council officer.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Oracle E-Business Suite improvement recommendation** It was noted that password complexity settings were not configured in line with the Council's password policy which required password complexity to be enabled. The risk is that strong passwords are the first line of defence in protecting your business data and customer information. A lack of robust password settings may allow financial information to be compromised by unauthorised users. **Recommendation** It is recommended that Management compile and implement a formal password policy for use with Active Directory and across all operational applications, taking Into consideration best practice from the National Cyber Security Centre (NCSC).	Oracle Financials can only be accessed once a user is logged into the Council's network. Access to the network is controlled through the Information Security – Access Control Policy (IT-03 Access Control Policy V1.0). It is not technically feasible to replicate the network password controls within Oracle Financials.
X During our work in 2022/23 on related parties we have not seen evidence of management's own Companies House checks. We have identified multiple instances of declarations missing directorships/links and have such raised a linked recommendation within the 2022/23 action plan.	**Related Party, declarations of interest** It was identified within our work on related parties that the declarations of interest from officers and members had some directorships omitted. We identified this through our own searches of Companies House website by identifying an individual's interests. **Recommendation** Management should implement a check in their process to undertake their own search of Companies House to identify any omitted directorships/links of members and officers to ensure completeness within their related party note. Management should also improve their declaration forms and check these back to Human Resources records to again ensure completeness of any links/undisclosed interests.	The Council informed us that they had incorporated checking of Companies House into the related parties process, however during our 2022/23 audit work we did not see evidence of this occurring. So treat this recommendation as not yet implemented and we have carried this forward into 2022/23.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Net pension fund asset In line with IFRIC 14 when there is a net pension fund asset, the amount of any asset that the entity can recognise is limited to a ceiling which is the present value of those future benefits. In the initial draft financial statements the value of the asset was included at £9,184k, however this was made up of the full LGPS asset of £10,987k and the liability for the unfunded benefits of £1,803k. After management and Actuary assessment of the asset ceiling this resulted in the asset being capped at £nil and the unfunded benefit liability to be left in as per IAS19 only permitted offsetting where there is a legal right to use a surplus in one plan to settle obligations in another plan. As this is not the case, the unfunded benefit liability should remain and the asset should be capped at £nil.	10,987 remeasurements of net defined Benefit Pension Liability (other comprehensive income and expenditure)	(10,987) other long term liabilities	-
Incorrect investment classification It was identified that one investment for £1 million was initially classified in cash and cash equivalents however was no different to the other short term investments. Management agreed to re-classify this balance into investments. This has also impacted on the cash flow statement, balance sheet and Note 19 cash and cash equivalents.	-	1,000 short term investments (1,000) cash and cash equivalents	-
Incorrect split on the Balance sheet between Long and short term debtors It was identified during financial instruments review that management had an incorrect split between short and long term debtors on the primary statement balance sheet. Amended for consistency to the updated financial instrument note.	-	189 short term debtors (189) Long term debtors	-
Overall impact	£10,987	£(10,987)	£0

D. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure/issue/Omission	Adjusted?
Comprehensive Income an Expenditure Statement – Prior year comparators As a result of the new reporting structure adopted from 1 April 2022 management had to rework lines on the CIES to aid comparison with 2022/23. Management had incorrectly assigned £1,531k to the incorrect cost of service. This has been amended to aid comparison. This does not constitute a prior period adjustment.	✓
Throughout whole financial statements Minor typographical changes, arithmetic errors and presentational changes.	✓
Narrative report As a result of the changes made in the audit adjustments section, the narrative report has been amended to remain consistent with the financial statements as well as some minor changes to date references and updates to the outturn report included within the narrative report. a.During our consistency check it was identified some inconsistencies between the narrative report and the financial statements, such as the creditors movement and figures for the Council tax and business rates.	✓
Note 3 Critical judgements and Note 4 Estimation uncertainty a. Note 3 – note was tailored and removed narrative on judgements not considered critical b. Note 4 – Removal of narrative on financial instruments and added sensitivity analysis for all asset categories	✓
Accounting Policies a.During comparison between the Accounting policies taken to Audit Committee and those included in the draft financial statements, there was an omission of a paragraph about the HRA Reserves. Management agreed to include this paragraph within the financial statements. b.Wording changes made to 1b, 1n and 1o to tailor specifically to the Council for further clarity c.To add further prominence for the Group management have included a further accounting policy for the subsidiary.	✓
Note 6 Expenditure and funding analysis a.There is a requirement per the CIPFA code for the expenditure and funding analysis to include a reconciliation of the opening and closing General Fund and HRA balance.	✓
Notes to the Accounting statements a.Management agreed to enhance the notes by including references explaining the nature of and risks associated with its interest in other entities and the effects of those interests on its financial position, financial performance and cash flows.	✓

D. Audit Adjustments

Disclosure/issue/Omission	Adjusted?
Note 13 Property, plant and equipment A further line has been included within the depreciation narrative in this note for the Dock Gate with a useful life of 50 years.	✓
Note 16 Leases – Authority as lessor Operating lease It was identified that for one lease the values in the “later than one year and not later than five years” were omitted from the initial draft statements	✓
Note 17 Financial Instruments a. Management identified an error of £48k in the Cluster of Empty homes loan as well as an incorrect split between the long and short term debtor. This table has increased by £48k and was amended in both the fair value and categories of financial instruments tables. b. A further £190k error in the split between the current and non current loans and receivables was identified which was amended in the categories of financial instruments and the fair value tables c. The current loans and receivables row was identified to have omitted a balance of £1,286k which should have been included as a financial instrument d. The other long term liabilities that are not financial instruments balance was incorrect and has been amended so the table ties to the debtors on the balance sheet e. In the fair value table, the 2021/22 values had incorrect signage and one of the balances did not agree to the prior year audited statements. f. Additionally in the fair value table the fair value for the borrowings was not consistent with Management’s expert reports and has now been amended g. Management added additional disclosure in relation to the pension guarantee for the subsidiary company, Barrow Forward Limited.	✓
Note 24 Contingent Liabilities Amendment to the note to enhance the narrative around the Business rate appeals item	✓
Note 32 Related parties Disclosure note has been enhanced to include further prominence of narrative for Barrow Forward and also reference to links Trusts.	✓
Note 35 Defined benefit pension scheme a. Linked to the audit adjustments detailed earlier in Appendix D, after management had calculated the level of asset ceiling of nil this was updated within the pension disclosure note. Management have included a reconciling line for the asset ceiling adjustment to result in the surplus being nil and retained the liability of £1.803m for the unfunded liability, to be consistent with the balance sheet and reserves note. Management have also included further narrative on the nature and need for this adjustment for the reader. b. It was also identified in further tables in note 35, the sensitivity analysis table did not have updated percentages and some of the narrative considering the impact on cash flows had incorrect years referenced.	✓
Note 36 External Audit Costs During the Audit the Housing benefit work was progressed enough for the auditors to issue the fee for 2021/22 and an expected fee for 2022/23. The housing capita receipts fee for 2022/23 was issued. The table including the fees for the financial statements audit needed amended to match the progress report and additional fees and the split between the scale fee and additional fees in the prior year was amended.	✓

D. Audit Adjustments

Disclosure/issue/Omission	Adjusted?
Housing Revenue Account – Note 1 Incorrect classification of one property between the 2 bed flat and 2 bed house lines.	✓
Group Accounts Changes Note 15 Capital Funding Requirement (Group) Note removed from group accounts as CFR relates to the single entity only Note 16 Leases (Group) The following narrative to be added above the leases table: "As Lessee with Operating Leases the future minimum lease payments due under non-cancellable leases in future years are:" Note 22 Unusuable reserves (Group) Capital adjustment account (CAA) to be deleted from Note as CAA relates to the single entity only	✓
The Collection Fund – Note 5 Council Tax base It was identified that the prior year comparative figures for the 2021/22 Council tax values per property were 2020/21 figures and had not been updated.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

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

Detail	**Comprehensive Income and Expenditure Statement £'000**	**Statement of Financial Position £' 000**	**Impact on total net expenditure £'000**	**Reason for not adjusting**
Under accrual of Housing Benefit Audit fees Due to timing delays in finalising the 2021/22 housing benefit audit fees, additional extra work resulted in the audit fee being £168k higher than the initial accrual.	168	(168)	168	The value of the under accrual is not material to the Comprehensive Income & Expenditure Statement or significantly impact any reader's understanding of the Council's financial position at 31 March 2023.
Incorrect depreciation of Community Assets In our testing of useful lives we identified one Community asset that been depreciated which is not expected for this classification of asset. We extended our search to cover all community assets and identified an accumulated balance of depreciation on these assets depreciated incorrectly of £522k. These assets are understated and depreciation is overstated, both by £522k. Management have confirmed they will correct for within 2023/24 as part of the new Unitary processes.	(522)	522	(522)	The treatment of these assets will be corrected as part of establishing the Westmorland & Furness Council asset list; no correction has been made in 2022/23 as there is no impact on the General Fund balance. The impact on total net expenditure would be negated by a corresponding adjustment in the Movement in Reserves Statement.
Incorrect depreciation charge Error in historical cost adjustment for revalued asset	0	(63) 63	0	Not material
Total	(354)	354	(354)	

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
IAS19 Net pension liability The valuation in the pension fund financial statements for 9 investment managers were understated by £12.648 million. For the impacted investment managers, an estimate had been used for the 31 March 2022 position, using known cash movements, as the actual 31 March 2022 valuation was not available prior to submission of the draft accounts for audit. The pension fund audit team subsequently independently obtained the valuations from the fund managers, which identified the difference. This has led to an understatement of the Council's share of the pension funds net assets. The pension fund auditor also identified an error in the investment return information submitted to the actuary for the whole fund, which partially offset this understatement. The net impact on the Council's pension liability would be £220k overstated.	220 Remeasurement of the Pension Liability	(220) Net pension fund liability 220 Unusable Reserves (Pensions Reserve)	220	Management consider this to be immaterial to the financial statements so have opted not to adjust. Impact on 2022/23 Full valuation of the scheme obtained for 22-23 and therefore adjustments to get to the revised population are captured in the accounts and no continuing impact

E. Fees and non-audit services

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

Audit fees	**Proposed fee**
Scale fee published by PSAA	48,425
Reduced materiality	2,500
Value for Money audit – new NAO requirements	9,000
ISA 540	2,100
Additional journals testing	3,000
Additional procedures to address other local risk factors	11,000
Enhanced audit procedures for Payroll – Changes of circumstances	500
Enhanced audit procedures for Collection fund – reliefs testing	750
Increased audit requirements of revised ISA 315	3,000
Total fees as per audit plan	**80,275**
Addition fees for issues new for 2022/23	
IFRIC 14 – Net Pension Fund asset	4,000
Local Government Organisation and Cut off understanding and reworking of sample populations	4,000
First year group audit, additional work on review of group primary statements and supporting disclosures	6,000
Work on housing revenue account, Council dwellings valuations and supporting notes	4,000
Additional fees re issues emerged from audit : - Ledger issues additional work and GT digital team support £18,000 - Debtor/Creditor issues £6,000 - Poor quality of evidence/additional queries £12,000 - Delays meaning additional resourcing required £7,000	43,000
Total audit fees (excluding VAT)	**£141,275**

E. Fees and non-audit services

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

We will confirm the final audit fee on completion of the audit.

Audit fees	**2021/22 Final Fee**	**2022/23 Proposed fee**	**2022/23 Final fee**
Barrow-In-Furness Borough Council Audit	£85,375	£80,275	£141,275
Total audit fees (excluding VAT)	£85,375	£80,275	£141,275

Non-audit fees for other services	**2020/21 Final Fee**	**2021/22 Final Fee**	**2022/23 Proposed fee**	**2022/23 Final fee**
Audit Related Services – Certification of Housing Benefit Claim	£61,000	£120,000	£250,000	£250,000
Audit Related Services – Certification of Housing Capital Receipts Claim	£5,000	£7,500	£10,000	£10,000
Total non-audit fees (excluding VAT)	£66,000	£127,500	£260,000	£260,000

At the audit plan stage we have agreed a fee, however this could be subject to change following completion of the audit.

The fees reconcile to the financial statements as per follows :

- Fees per financial statements £86k (initial draft)
- Adjusted misstatement (£55k) to ensure consistency of fee to the Audit progress report issued in March 2024 for 2022/23 fee

Total per financial statements (updated) £141k

With a note detailing the Grant claims fee of £250k and Housing capital receipts fee of £10k.

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

This covers all services provided by us and our network to the group, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

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

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

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

G. Management Letter of Representation

Barrow-In-Furness Borough Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Barrow-In-Furness Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include Valuation of Land & Buildings and Investment properties, Valuation of net pension fund liability, depreciation, year-end provisions and accruals, credit loss and impairment allowances.

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

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

    vi. there are no unrecorded liabilities, actual or contingent

    vii. none of the assets of the Council has been assigned, pledged or mortgaged

    viii. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions

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

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

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

G. Management Letter of Representation

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

  a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

  b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

  c. the Council’s system of internal control has not identified any events or conditions relevant to going concern.

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

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

Information Provided

xvi. We have provided you with:

  a. access to all information of which we are aware that is relevant to the preparation of the Council’s financial statements such as records, documentation and other matters;

  b. additional information that you have requested from us for the purpose of your audit; and

  c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

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

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

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

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

  a. management;

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

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

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by Westmorland and Furness’ Audit Committee at its meeting on 10 June 2024.

H. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the group with an unmodified audit report with an Emphasis of Matter highlighting the demise of the organisation into the Westmorland and Furness Council from 1 April 2023.

Independent auditor's report to the members of Westmorland and Furness Council in respect of Barrow-In-Furness Borough Council

Report on the audit of the financial statements

Opinion on financial statements

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

In our opinion, the financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Demise of the organisation

In forming our opinion on the financial statements, which is not modified, we draw attention to note 5 to the financial statements, which indicates that Barrow-In-Furness Borough Council ceased to exist on 31 March 2023. The assets and liabilities of the Authority transferred to the new Westmorland and Furness Council on 1 April 2023 and there was continuation of service delivery between the Authority and Westmorland and Furness Council.

Conclusions relating to going concern

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

H. Audit opinion

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

H. Audit opinion

Responsibilities of the Authority and the Director of Resources

As explained more fully in the Statement of Responsibilities in the financial statements, 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 2022/23, 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 and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks, the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012) and Local Government and Housing Act 1989.

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

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

We enquired of management, Internal Audit and the Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

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

- journal entries that could be used to manipulate the Authority's financial performance;
- potential management bias in determining accounting estimates for the valuation of land and buildings, council dwellings valuations and the defined benefit pension fund net liability valuation; and
- improper recognition of contract expenditure as a result of the previous financial periods audit's significant weaknesses.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
- journal entry testing, with a focus on material manual journals posted close to year end, material manual accrual journals posted at year end, journals posted by unauthorised users and journals posted by senior management;
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land, buildings and council dwelling valuations and the defined benefit pension fund net liability valuation;
- gaining an understanding of the Authority's system of accounting for contract expenditure, the appropriateness of the associated accounting policy and evaluation of the design of associated controls;
- sample testing of contract expenditure transactions to supporting evidence; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

H. Audit opinion

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

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including potential for fraud in contract expenditure, significant accounting estimates related to land, buildings and council dwellings and Pension valuations. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

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

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

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

- the Authority and group's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority and group's control environment, including the policies and procedures implemented by the Authority and group to ensure compliance with the requirements of the financial reporting framework.

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

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

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

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

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

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

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

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

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

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

H. Audit opinion

Report on other legal and regulatory requirements – Audit certificate

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

Use of our report

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

Signature: to follow

Georgia Jones, Key Audit Partner

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

Liverpool

Date: to follow

I. Audit letter in respect of delayed VFM work

Chair of Audit Committee
Westmorland and Furness Unitary Council
In respect of Barrow-in-Furness Borough Council
Sent by email

28 September 2023

Barrow In Furness Borough Council – VFM Commentary 2022/23

Dear Chair of Audit Committee,

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest.

Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible can be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor’s Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 30 December 2023.

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

Yours faithfully

Gareth Kelly

Gareth Kelly

Director

Grant Thornton

grantthornton.co.uk