This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

Grant Thornton

The Audit Findings for Barrow-in-Furness Borough Council

Year ended 31 March 2022

March 2023

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 will be discussed with management and the Audit and Governance Committee.

Gareth Kelly

Name : Gareth Kelly
For Grant Thornton UK LLP
Date March 23

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 Council's financial statements for the year ended 31 March 2022 for 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 Council's financial statements give a true and fair view of the financial position of the Council 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 was completed remotely during October 2022 – March 2023. Our findings are summarised in this report. We have identified 2 adjustments to the financial statements that have resulted in a £0m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C.

We have also raised recommendations for management as a result of our audit work in Appendix A.

Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion, as it is outlined in Appendix E.

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

Our audit report opinion will be unmodified with an Emphasis of Matter paragraph highlighting the demise of the organisation into the Westmorland and Furness Council, from 1 April 2023.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

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. We identified significant weaknesses 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. Our findings are set out in the value for money arrangements section of this report.

Our assessment regarding your arrangements to secure value for money identified the following significant weakness areas:

- Financial sustainability
- Procurement and contract management arrangements.

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.

Additional powers and duties :

In view of the significant weaknesses identified in relation to procurement and contract management arrangements, we exercised our additional statutory powers or duties in 2020/21 by issuing 3 statutory recommendations to the Full Council on 6th October 2022 and the Audit and Governance Committee on 18 October 2022. This was in relation to the significant weaknesses identified in the Councils arrangements to secure economy, efficiency and effectiveness in its use of resources in relation to procurement and contract management.

The due dates for these 3 recommendations ranged from immediate to December 2022.

As at the date of this report, we are encouraged by managements progress on these recommendations undertaken during the 2021/22 financial year with a new procurement framework becoming operational from 1 April 2022 and training provided to all procuring officers in March 2022 on the new procurement rules and procedures now in place. However, the significant weakness still remains as the improvements have not been fully embedded as yet. More detail on these matters are covered in our Auditor's Annual Report for 2021-22.

Certify closure of the audit:

We will certify the closure of the audit following issue of the Audit report.

Significant Matters

Management's assumptions and estimates:

The revised auditing standard in relation to estimates has led to heightened scrutiny over the estimates in the accounts, particularly property and pension valuations. For property valuations in particular, there has been significant enquiry and challenge with the Council's valuers and management over the inputs and assumptions applied, as discussed on pages 10 and 14 to 15.

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 and the Audit and Governance Committee.

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

Audit approach

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

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

Conclusion

We have completed our audit of your financial statements and we will issue an unqualified audit opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted in our Audit Plan dated 8 December 2022, presented to the Audit and Governance Committee, during the audit both your finance team and our audit team faced audit challenges due to partial remote access working arrangements. We have worked effectively with your finance staff accessing financial systems, using video calling and face to face meetings to verify the completeness and accuracy of information provided by the Council.

2. Financial Statements

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan on December 2022.

We detail in the table below our determination of materiality for Barrow-in-Furness Borough Council .

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£1.028m	This equates to 1.95% of your gross expenditure for 2021/22 year and is considered to be the level above which users of the financial statements would wish to be aware in context of overall expenditure.
Performance materiality	£0.720m	This is based on specific risks and sensitivities at the council such as the lack of deficiencies in control environment and quality of financial statements in prior years.
Trivial matters	£0.051m	This is the threshold for matters that are clearly inconsequential, whether taken individually or in aggregate.
Materiality for Senior officers remuneration	£0.005m	This is due to it 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 commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override 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 for the Council, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determine 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 conflicting role combinations; • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We have identified that the Director of Resource has been posting 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. Our work in this area is complete and we have not identified any issues in respect of management override of control.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability of £23.749m 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). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We 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 liability as a significant risk.	In response to this risk we have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and 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 • obtained assurances from the auditor of Cumbria Local Government Pension Scheme as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. 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, which partially offset this understatement. The net impact on the Council's pension liability would be £222k overstated. The Council has not adjusted for this difference on the grounds of materiality. Refer to Appendix C for this unadjusted misstatement. Page 16 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability. We also identified a slight transposition error when transferring over the longevity figures in the Net Pension liability disclosure note from the Actuary's report. Management has corrected this and refer to Appendix C for this audit adjustment. Our audit work has not identified any further issues in respect of valuation of pension fund liability.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	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 other 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.	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. Our testing in this area is complete. Performance of procedure to sample test income have not identified any matters to report.
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 have 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.	In response to this risk we have: • evaluated the design of the associated controls and the Council's system of accounting for contract expenditure; • completed more transactional testing by elevating the risk for categories of transactions and balances affected, such as expenditure and payables; • 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; and • considered whether any of the findings from the investigation work may result in the use of our wider formal powers. Our audit work has not identified any significant issue in contract expenditure aside from the significant weaknesses referred to in our Value for Money reporting (refer to our separate agenda report, Auditor's Annual Report). As mentioned in the headlines on page 4, we have been encouraged by management's progress to date on the statutory recommendations. However, the significant weakness still remains as the improvements have not been fully embedded as yet.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land, buildings and dwellings The Council revalue its land and buildings on a rolling basis. This valuation of £129.132m represent a significant estimate by management 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 the Council's 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.	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 • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Our testing in this area is complete and we have not identified any matters to report.

2. Financial Statements - Other risks

Risks identified in our Audit Plan	Commentary
Recognition and presentation of Grant Income 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/agent, and if there are any conditions outstanding, as distinct from restrictions, that would determine whether the grant e 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 income.	In response to this risk we have: • documented our understanding of the process and controls put in place by management to ensure that grant income is correctly recognised and presented; and • performed detailed testing on a sample of grant income to agree classification and subsequent recognition in the financial statements, if accounted for on a principal or agent basis. • reviewed the Council's grant register, and management's assessment of agent/ principal relationships on grant received. We have documented our understanding of the processes and controls put in place by management to ensure that grant income is correctly recognised and presented and perform detailed testing on a sample of grant income to agree classification and subsequent recognition in the financial statements, if accounted for on a principal or agent basis. Our audit work has not identified any issues in respect of recognition and presentation of grant income.

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	Auditor view
IFRS 16 implementation • Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. If management elect to implement IFRS 16 from April 2022 (early adoption) then in 2021/22 accounts as a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts	The Council has elected not to do early adoption of IFRS 16 ahead of the revised implementation of 1 April 2024.	The Council has elected not to early adopt IFRS16 and so have not included these disclosures. We consider this appropriate and have no further issues relating to this matter.

2. IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement.

As part of this we obtained an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). We have now completed an assessment of the design of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure. Based on the level of assurance required for each IT system the assessment may focus on evaluating key risk areas ('streamlined assessment') or be more in depth ('detailed assessment').

This is to gain assurance that the relevant controls have been operating effectively throughout the period.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment with the following findings :

IT system	Audit area	Planned level IT audit assessment	Findings
Oracle E-Business Suite	Financial reporting	• Detailed ITGC assessment (design effectiveness)	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.

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 - £42.5m	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 2022, updated from Lambert Smith Hampton Group Limited who were the valuers in previous years. 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.	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 now 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 managements 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 - £82.9m	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 £82.9 million, a net increase of £12.7m million from 2020/21 (£70.2 million).	Our work is now substantially 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 managements 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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of the Pension Fund Net Liability- £23.7m	The Council's net pension liability at 31 March 2022 is £23.7m (PY £31.2m) comprising the Cumbria Local Government Pension Scheme benefit obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £7.5m decrease in the net pension liability during 2021/22.	See below	Light purple - We consider managements process is appropriate and key assumptions are neither optimistic or cautious

In understanding how management has calculated the estimate of the net pension liability we have :

- assessed management's expert;
- assessed actuary's approach taken, detail work undertaken to confirm reasonableness of approach;
- used PwC as auditors expert to assess actuary and assumptions made by actuary as outlined in the table below;

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.8%	2.7% - 2.8%	●
Pension increase rate	3.5%	3.0% - 3.5%	●
Salary growth	4.9%	4.25% - 5.0%	●
Life expectancy – Male Pensioners currently aged 45 / 65 (Longevity at 65 for future pensioners / Longevity at 65 for current pensions)	24.1 / 22.6	22.2 - 24.8 / 20.7 - 23.3	●
Life expectancy – Female Pensioners currently aged 45 / 65 (Longevity at 65 for future pensioners / Longevity at 65 for current pensions)	27.1 / 25.3	25.7 - 27.5 / 23.8 - 25.5	●

- assessed the completeness and accuracy of the underlying information used to determine the estimate;
- undertook a reasonableness test of the Council's share of LPS pension assets;
- assessed the reasonableness of the movement in the estimate; and
- assessed the adequacy of disclosure of estimate in the financial statements.

Conclusion

The valuation in the Cumbria 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, which partially offset this understatement. The net impact on the Council's pension liability would be £220k overstated. The Council has not adjusted for this difference on the grounds of materiality, as outlined in Appendix C for this unadjusted misstatement.

We have not identified any further issues in respect of this significant estimate.

Assessment

● 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
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/ agent, and if there are any conditions outstanding, as distinct from restrictions, that would determine whether the grant be recognized 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 income.	During 2021/22 the authority received various COVID-19 funding streams. Some of these were for distribution to businesses and residents, and some were for the authority to retain to support additional costs and income losses. Within the financial statements Note 6 there is a clear table showing for the main grant income streams which the Council determine as either Principal or Agent. 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 £11.2m of grants in 2021/22, £5.3m of this was classified as agency grants and £5.9m as principal grants.	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; and • considered the adequacy of disclosure of judgement in the financial statements. Our work in this area is now complete and we have nothing to report in this area.

2. Financial Statements - matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Significant matter	Commentary
Significant events or transactions that occurred during the year	Local Government Reorganisation will take effect from 1 April 2023, when the existing 7 Councils in Cumbria will be merged into two Unitary Councils. Management has updated Note 5 Events after the balance sheet date to reflect LGR. Refer to audit adjustments within Appendix C.
Concerns about management's consultations with other accountants on accounting or auditing matters	At 31 March 2022, the Council's Minimum Revenue Provision (MRP) was £511k, £503k at 31 March 2021. The MRP represents 1.46% of the Council's overall Capital Financing Requirement. This has increased from 1.38% at 31 March 2021. 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 (£816k at 31 March 2021) and also forms part of the Closing Capital Financing requirement. The VRP and MRP combined represent 3.8% of the Council's overall Capital Financing Requirement (3.6% at 31 March 2021). 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 considered the Council's MRP of 1.46% 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 1.46% 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 3.8% this is now considered prudent. We raised a recommendation in our 2020/21 audit findings report that the Council reviews its MRP policy to ensure the provision continues to be prudent. We are aware the Executive Committee reviewed the MRP policy and considered it to be prudent, hence we have considered this recommendation fully implemented (refer to Appendix b).
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	None to report
Other matters that are significant to the oversight of the financial reporting process.	None to report

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 and Governance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is appended. Refer to Appendix F.
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 were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	All information and explanations requested from management was provided.

2. Financial Statements - other communication requirements

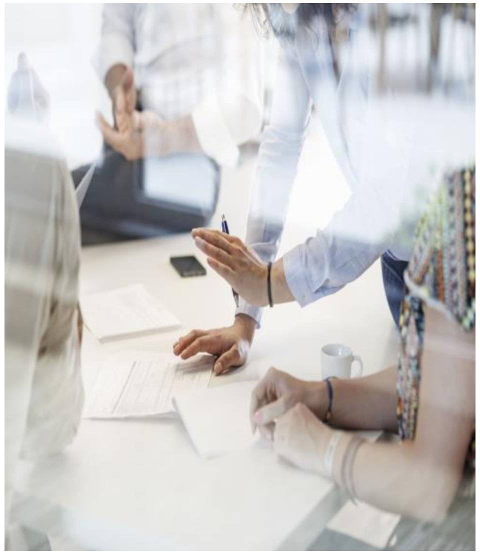
Our responsibility

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

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect as outlined in Appendix E.
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. We have 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 4, we have been encouraged by managements progress to date on the statutory recommendations during the 21/22 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. Note that work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to issue the certification of the closure of the 2021/22 audit of Barrow Borough Council at the same time as we issue the audit report, as detailed in Appendix E.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

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. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code, see Appendix E.

Risk of significant weakness	Procedures undertaken	Conclusion	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 have identified significant weaknesses in the Council's arrangements for procurement and contract management.	We have identified key recommendations for improvement. The Council should ensure that: - procurement activities are conducted in accordance with the contracting standing orders and procurement regulations - procurement and contracting documentation is available to Internal Audit to support their assurance reviews - changes to contracting and procurement procedures are supported by appropriate training and guidance to officers - procedures are in place to monitor compliance with the updated contracting and procurement procedures. We issued 3 statutory recommendations to the Full Council on 6th October 2022 and the Audit and Governance Committee on 18 October 2022. As mentioned in the headlines on page 4, we have been encouraged by managements progress to date on the statutory recommendations during the 21/22 financial year. However, the significant weakness still remains as the improvements have not been fully embedded as yet. Our recommendations still stand and we do not need to issue any further statutory recommendations.

4. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D.

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 Transparency report 2020 (grantthornton.co.uk)

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

Audit-related service	Fees £	Threats identified	Safeguards
Certification of Housing Benefits	TBC	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £TBC 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. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the certification work is completed after the audit has finished. 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.
Certification of Housing capital receipts grant	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 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. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the certification work is completed after the audit has finished. 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.

Appendices

A. Action plan – Audit of Financial Statements

We have identified four 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 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High - Significant 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.	Revoke the senior management's ability to post journals in the finance system. **Management response** Removing the Director of Resources from the officers authorised to post journals results in the necessity to authorise others; the qualified accountants shall be so authorised.
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.	**Recommendation** 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 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.

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High - Significant effect on financial statements	**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.	b) **Recommendation** 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. **Management response** Version 1 are an ISO20000 & ISO27001 accredited organisation, and as such are required to meet IT Service Management and Information Security standards. No work is undertaken without an initial service request being made by a member of Council Staff. Where an issue has been identified and a change is needed this requires Council authorisation. Version 1 will be asked for details of any system access monitoring, or assurance checking which takes place.
Low – Best practice	**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** 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). **Management response** Oracle Financials can only be accessed once the user has logged into the Council's IT network, to which the Council's password policy applies. Changes to Oracle Financials password parameters and the NCSC document will be considered. With regards to physical security, access to the Council's offices requires an active key-card to enter the building with at least one further key-card controlled door to access the Finance offices. Management consider that this provides adequate security controls.

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Low – Best practice	**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** 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. Improve declaration forms and check these back to Human Resources records to again ensure completeness of any links/undisclosed interests. **Management response** The checking of Companies House has been incorporated into the Council's processes.

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Barrow-in-Furness Borough Council's 2020/21 financial statements, which resulted in three recommendations being reported in our 2020/21 Audit Findings report. We have followed up on the implementation of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ **Fully implemented**	Minimum Revenue Provision We have raised a recommendation within our 20/21 audit that the Council should review their MRP policy to ensure the provision continues to be prudent. The MRP was £503k in prior year and represented 1.38% of the CFR. WIthin our current year, MRP is £511k and represents 1.46% of CFR. So the 21/22 %age has increased and therefore closer to the red rating (but still circa 0.5% below the red). 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. 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. We will record it within our follow up of PY recommendations in our AFR and as a discussion point but no further recommendation will be raised.** **Additionally, given the fact that BBC will cease to exist in April 2023 due to the LG Reform, such an exercise would be pointless in the context of the exercise.**	The Minimum Revenue Provision (MRP) Policy has been reviewed by the Executive Committee and is considered to be prudent and appropriately calculated based upon: the average useful economic life of the Council’s assets where borrowing was not asset specific; the continued benefit/use of the Council’s assets in delivering services; the MRP charge must be prudent – affordable; and the 1 April 2008 split has been applied as there was no requirement to relate borrowing to assets before that time. The Council’s Capital Financing Requirement at 31 March 2021 was £36.346m; General Fund £19.139m and Housing Revenue Account £17.207m. The MRP charge to the General Fund for 2020-2021 was £736k, which is 4% of the General Fund Capital Financing Requirement; 3.8% again for 2021-2022.

B. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓ Fully implemented	**Valuation of land & buildings** We have encountered some delays in obtaining sufficient evidence and supporting explanations for the key assumptions used by the valuer. We identified issues with reconciling the detailed asset calculations to the valuers overall report. The valuers supporting evidence and explanation for some key assumptions for DRC assets was limited and we subsequently engaged our internal specialists valuations team to review the external valuers work. **Recommendation** Management should ensure: 1) Complete, accurate and up to date source data is provided to the Valuer (in particular up to date lease agreements and lease terms) 2) review of valuation report in terms of completeness and challenge of valuers key assumptions 3) robust management assessment on the assumptions adopted for all valuations and for DRC assets including consideration of the modern equivalent asset approach 4) clear instructions are issued to valuer in terms of assets to be revalued, valuation basis, tenant update and changes to any key inputs and assumptions	For the accounting statements for 2021-2022 the Council instructed a valuer that is new to the authority; Montagu Evans, procured through the Crown Commercial Services framework. A comprehensive valuation exercise was carried out spanning May to July 2022. The valuer received a significant volume of information relating to the Council's assets and liaised with the Finance Department and other colleagues to ensure that all relevant information was included/provided. Management considered and challenged the valuations prior to inclusion in the financial statements. The instruction to the valuer included the requirement to work with our appointed auditors
X Partially implemented 2019/20 recommendation Not implemented in 20/21. Partially implemented in 21/22 and carried forward (refer to Appendix A)	**Segregation of duties conflicts between Oracle system administration and finance roles** To support our opinion on the financial statements for the year-ended 31 March 2020, our specialist IT audit team completed an audit of the design and implementation effectiveness of the IT General Controls (ITGC) within the IT environment. During the IT Audit visit, we also completed an Oracle authorisation and security design review to help provide assurance over Oracle controls for the financial statements. We observed two users that had conflicting IT and Finance responsibilities assigned. This combination of access rights allows the users a wide range of access to change and configure the system, users and data therein. In addition we also observed 10 Finance users with access assigned to critical functions that allows them to change system configuration including cross validation rules, functions, profile options responsibilities and key flex fields values. **Recommendation** We recommended that management address segregation of duties conflicts between the Oracle system administration and finance roles.	Access to create journal entries is required by the whole Finance team. Posting of journals, updates to the set of books, system access and other parameters is limited to three officers. Only two officers have access to the System Administration module – this was reduced from three to exclude the Director of Resources. A log is maintained which records System Administration access by Council Officers.

C. 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 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 2022.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
Cash flow statement Management has amended for a misclassification of the Cluster of Empty homes loan repayment value of £18k within two sections of the cashflow statement. "Adjustments to net (surplus) or deficit on the provision of services for non-cash movements" line (corresponding note 28) has decreased by £18k And changes to the cash flow investing activities (corresponding note 31) increased by £18k . But both are corresponding adjustments and do not impact on the Net decrease in cash and cash equivalents. As this is a change to a primary statement we have included within this section of the audit adjustments.	0	0	0
Comprehensive income and expenditure statement Within the lines in the cost of services section of the CIES there is a reallocation between the gross expenditure of the Resources line and the Housing revenue account line of £323k. An increase in the resources line and decrease in the HRA line. However this does not impact on the overall net expenditure on cost of services nor the Surplus on provision of services.	0	0	0
Overall impact	£0	£0	£0

C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure issue	Adjusted?
Note 5 Events after the balance sheet date Management has included a paragraph within this note for the demise of the organisation to draw the reader's attention to the new Unitary forming from 01 April 2023 and the continuation of services.	✓
Note 7 Expenditure and funding analysis a) There were 4 trial balance codes (3 depreciation and 1 REFCUS) which has been incorrectly mapped into "Housing Revenue account" line instead of the "Resources" line. The total misstatement value is £323k. This correction has not affected the net cost of services line.	✓
b) The figures in the "other income and expenditure" line for General Fund and Housing Revenue Account in this note have been reduced by £4,452k so the overall Surplus on provision of services has decreased from £13,623k to £9,172k. Refer to corresponding reduction in note 12 Taxation and non-specific grant income audit adjustment overleaf.	✓
Note 7b Expenditure and Income analysed by nature As a result of the changes to note 7 Expenditure and funding analysis for the mis posting of the depreciation trial balance codes, these had also been included in the incorrect lined in note 7b. Management has updated to move £277k out of the "other service expenses" line and into the "depreciation, amortisation, impairment & revaluation" line. Note that £46k of the £323k adjustment in note 7 was already included correctly in Note 7b so there was only £277k left to adjust for.	✓
Note 12 Taxation and non specific grant income Management have reduced the total non-ring fenced grants figure in Note 12 and moved into "other income and expenditure" within Note 7 Expenditure and funding analysis (refer to Note 7 Expenditure and funding analysis audit adjustment)	✓
Note 14 Property, plant, equipment and vehicles Within the "Other Land and Buildings" column management has moved £50k from revaluations decreases "recognised in the (Surplus)/Deficit on the provision of services" to "revaluations decreases recognised in the Revaluation Reserve".	✓
Note 33 Related Parties Management has included a new paragraph within the related parties note for reference to the new 100% owned subsidiary Barrow Forward Limited as well as enhanced on the members narrative to include references.	✓

C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure issue	Adjusted?
Note 18 Financial Instruments Management has corrected for £1,029k of Debtors included as financial instruments and adjusted the line for debtors not classified as financial instruments correspondingly. With no change to the totals. As well as correcting the split of creditors between those classified as financial instruments and not, classifying £100k more as financial instruments. And management have corrected the line for “Other long term liabilities that are not financial instruments” from £33,899k to £24,020k as a result of an addition error.	✓
Note 36 Defined Benefit Pension Scheme Management has amended the figure within "The Longevity at 65 for current pensioners: for men" line within the disclosure to match the Mercer Actuarial report, amended from 25.3 to 22.6.	✓
Note 37 External Audit Costs After agreeing the financial statement audit fee for 2021/22, management has amended the figure cumulatively for audit fees and housing capital receipts by £5k which is split by £4k for financial audit and £1k for Housing capital receipts fee.	✓
Group Accounts section of the financial statements Management have enhanced their group accounts narrative to include extra background of the new subsidiary and the date of incorporation and the period that it lay dormant and then began trading.	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 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
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, 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 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 2020/21 financial statements :

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Our testing of additions identified £179,000 classified as capital expenditure in 2020/21. This has been incorrectly treated as an addition in 2020/21, as it relates to the prior year. The impact on in-year depreciation is trivial.	nil	nil	nil	n/a Impact on 2021/22: As the impact on 2020/21 was trivial, as the asset will be depreciated on a straight line basis with depreciation being the same figure each year (aside from any useful life re-estimations), so the impact on 2021/22 will also be trivial.
Overall impact	nil	nil	nil	

D. Fees

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	Proposed fee	Final fee
Barrow-In-Furness Borough Council Audit	£83,525	£86,375
Total audit fees (excluding VAT)	**£83,525**	**£86,375**

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – Certification of Housing Benefit Claim	£TBC	£TBC
Audit Related Services – Certification of Housing Capital Receipts Claim	£6,000	£6,000
Total non-audit fees (excluding VAT)	£TBC	£TBC

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 £79k (initial draft)
- Adjusted misstatement £4k for subsequent agreement of 2021/22 Audit fee(refer to Appendix C)

Total per financial statements (updated) £83k

With a note detailing the Grant claims fee of £41k* and Housing capital receipts fee of £6k.

**NB the £41k for housing benefit fee in the financial statements is based on the prior year fee as the current year fee is still undetermined.*

D. Fees – detailed analysis

Revised scale fee published by PSAA	£42,362
Ongoing increases to scale fee first identified in 2019/20 and 2020/21	
Raising the bar/regulatory factors	£3,125
Enhanced audit procedures on Property, Plant and Equipment and Council Dwellings	£3,250
Enhanced audit procedures for Pensions	£688
Additional work on Value for Money	£9,000
ISA 540	£2,100
Enhanced audit procedures around Journals and grants testing	£3,000
Additional costs including materiality	£2,500
Enhanced audit procedures linked to local risk factors – such as IT, Housing Revenue Account, Value for Money Statutory recommendations, Value for Money significant risks.	£16,000
Proposed 2021/22 fee	**£82,025**
Remote working	0
Infrastructure assets	£2,500
Changes in circumstances payroll testing	£500
Collection Fund reliefs testing	£750
Considerations around the requirement for group accounts	£600
Total audit fees (excluding VAT)	**£86,375**

E. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council 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.

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Barrow-In-Furness Borough Council (the 'Authority') for the year ended 31 March 2022, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement , the Collection Fund 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 and of its 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 2021/22; 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 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 the assets and liabilities of Barrow-In-Furness Borough Council will transfer to Westmorland and Furness Council on 1 April 2023.

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 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.

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 2020/21 that the Authority'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 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 2020) 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 Authority and the Authority's disclosures over the going concern period.

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 ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

The responsibilities of the Director of Resources with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Resources and Those Charged with Governance for the financial statements' section of this report.

E. Audit opinion

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the 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 and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement 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. except on 6 October 2022 we made three written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 in relation to its procurement arrangements. We recommended that the Authority should:

- embed and enforce its updated contract standing orders and procurement rules
- ensure members and officers have robust assurance and reporting arrangements in place for managing all ongoing contracts to enable appropriate and timely action to remediate any non-compliance or wider deficiencies
- review its escalation arrangements up to Full Council and Overview and Scrutiny Committee to ensure an adequate and timely response to address significant control environment weaknesses.

Responsibilities of the Authority, the Director of Resources and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

E. Audit opinion

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

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 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 (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2021/22), 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.
- We enquired of senior officers and the Audit and Governance Committee, concerning the 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 senior officers, Internal Audit and the Audit and Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority'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 management override of control, in particular journals, management estimates and transactions outside the course of business.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Resources has in place to prevent and detect fraud;
  - journal entry testing, with a focus on high risk unusual journals;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, council dwellings and defined benefit pensions liability valuations; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- 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.
- Our assessment of the appropriateness of the collective competence and capabilities of the 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;
  - understanding of the legal and regulatory requirements specific to the Authority including:
    - the provisions of the applicable legislation;
    - guidance issued by CIPFA/LASAAC and SOLACE; and
    - the applicable statutory provisions.

E. Audit opinion

- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority’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's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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 2022.

We have nothing to report in respect of the above matter except on 27 April 2022 we identified a significant weakness in the Authority’s arrangements for governance and improving economy, efficiency and effectiveness for the year ended 31 March 2021. This was in relation to the Authority’s procurement and contract management arrangements. We recommended that the Authority ensures its procurement and contracting activities are conducted in accordance with its standing orders and procurement regulations.

These significant weaknesses were not fully addressed during 2021/22 and therefore remained in place at 31 March 2022. On 6 October 2022, we made three written recommendations to the Authority under section 24 of the Local Audit and Accountability Act 2014 in respect of these significant weaknesses, which the Authority considered at a public meeting on 18 October 2022.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. 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.

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 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

E. Audit opinion

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature: to follow

Gareth Kelly, Key Audit Partner

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

Glasgow

Date: to follow

F. Management Letter of Representation

Barrow-In-Furness Borough Council
Financial Statements for the year ended 31 March 2022

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 2022 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 2021/22 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 2021/22 ("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 Council Dwellings, Valuation of net pension fund liability, Fair Value estimates, 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. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

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

F. Management Letter of Representation

xiii. 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

xiv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

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.

F. Management Letter of Representation

Approval

The approval of this letter of representation was minuted by the Council's Audit and Governance Committee at its meeting on 24 March 2023.

Yours faithfully

Name…………………………….

Position…Director of Resources..

Date…………………………….

Name…………………………….

Position……Chair of Audit and Governance Committee….

Date…………………………….

Signed on behalf of the Council