Cumberland Council

To: The Chair and Members of the Audit Committee

Dear Member

Audit Committee – Monday 25 March 2024

Further to the agenda of the above meeting please find attached a revised copy of agenda item 11 - Auditor's Finding Report for Cumbria County Council.

Yours sincerely

L Harker

LYNN HARKER
Senior Democratic Services Officer

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Audit Findings for Cumbria County Council

Year ended 31 March 2023

Contents

Your key Grant Thornton team members are:

Sarah Ironmonger
Key Audit Partner
E sarah.l.ironmonger@uk.gt.com

Richard Anderson
Senior Manager
E richard.j.anderson@uk.gt.com

Natasha Ayre
Assistant Manager
E natasha.l.ayre@uk.gt.com

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 Committee.

Name: Sarah Ironmonger
For Grant Thornton UK LLP
January 2024

1. Headlines

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

Financial Statements

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

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

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report and Pension Scheme Financial Statements), 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 between July 2023 and January 2024. Our findings are summarised in this report. We have identified one adjustment to the financial statements which has increased the Council's net pension liability disclosed in the balance sheet by £145.520 million. This adjustment does not impact the Council's usable reserves. We also identified 2 unadjusted misstatements, where we have extrapolated misstatements identified in our sample testing of creditors and fees and charges income. The net impact of these two issues is that we estimate that net cost of services expenditure is overstated by £1.520 million, with a corresponding understatement of creditors. A number of disclosure changes have been made to the notes to the financial statements following audit. Audit adjustments are detailed in Appendix D. We have also raised 3 recommendation for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit recommendation are detailed in Appendix C.

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

Our audit report opinion will include an emphasis of matter paragraph, which draws attention to Note 3 to the financial statements, which indicates that Cumbria County Council ceased to exist on 31st March 2023. The assets and liabilities of the Council transferred to the new Cumberland Council, Westmorland and Furness Council and the Police, Fire and Crime Commissioner for Cumbria (PFCC) on 1st April 2023 and there is continuation of service delivery between Cumbria County Council and the successor Councils and the PFCC.

We have been able to satisfy ourselves that the Council has made proper arrangements in securing economy, efficiency and effectiveness in its use of resources.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have completed our VFM work, which is summarised on pages 22 and 23. Our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council and group has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

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

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

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

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

Significant matters

As highlighted on page 5, we have faced audit challenges in a number of areas and this has had a corresponding impact on our audit fee, as outlined in Appendix E. We are grateful for the Finance team's cooperation in resolving these outstanding matters.

1. Headlines

National context – audit backlog

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

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

On this audit, there have been a number of factors that have meant our audit work has taken longer to deliver than initially planned. These include;

- delays in completing our IT audit work on the general ledger, payroll and adult social care systems as officers did not fully respond to the information request from our IT audit team (see page 16 for further details);
- delays in completing our business process work on the Council's social care systems due to the time taken by some officers to respond to our information requests;
- we have had to carry out additional testing of journals, as our work identified insufficient review by management in year (see page 8 for further details) ;
- the recognition of a pension asset in the balance sheet has required us to review an IFRC 14 assessment (see page 10 for further details); and
- local government reorganisation has meant that we have needed to carry out additional cut off testing from successor Council bank and general ledger systems (see page 11 for further details).

See Appendix E for the impact of these factors on our proposed audit fee.

We are grateful for the Finance team's cooperation in resolving our audit queries.

National context – level of borrowing

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

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. Whilst our financial statements and VFM work has not identified any specific areas of concerns in these areas, it is important that the successor Councils are aware of the potential risks associated with these types of investment schemes.

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 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 and group's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that analytical procedures were appropriate in all areas with exception of provisions where we carried out specified audit procedures.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our audit plan, as communicated to you in September 2023.

Sarah Ironmonger assumed the Engagement Lead role on the audit in November 2023.

Conclusion

We have completed our audit and we anticipate issuing 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 on page 5, we faced audit challenges in a number of areas and this has had a corresponding impact on our audit fee, as outlined in Appendix E.

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 in September 2023.

We set out in this table our determination of materiality for the Council and group.

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	14,952,000	14,280,000	1.3% of prior year gross operating costs. This reflects the public profile of the Council, which is heightened in the context of LGR.
Materiality for senior officer remuneration	5,000	5,000	Due to heightened reader interest in this sensitive area. This is equivalent to one banding in the officer remuneration table.
Performance materiality	10,467,000	9,996,000	70% of headline materiality. This reflects that the Council's financial statements have historically been prepared to a high standard but there is a higher risk of error in 2022-23, due to the impact of LGR on the finance team and accounts preparation process.
Trivial matters	748,000	714,000	5% of headline materiality

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 over-ride of controls is present in all entities.	In response to this risk we have; • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. The Council's controls around journal entries do not include a formal review and approval of journals prior to posting. In lieu of this, manual journals are reviewed monthly by a more senior member of the finance team. Our work has identified a number of manual journal posted during 2022-23 that have not been reviewed. In response to this we have revisited our risk assessment of the journals control environment and extended our testing. This testing has been completed, with no issues identified. We have raised a recommendation that all manual journals are reviewed monthly. See Appendix B. Our audit work has not identified any other issues in respect of this significant risk.
Fraud in Revenue Recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because; • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Cumbria County Council mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for the Council. Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition for public sector bodies. We have considered the nature of expenditure streams at the Council and have concluded that this risk can also be rebutted for expenditure recognition. Therefore we do not consider this to be a significant risk for the Council.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Land & Buildings The Council revalues its land and buildings on a rolling basis. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally for land and buildings, management will need to ensure the carrying value in the financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used. We therefore identified valuation of land and buildings as a significant risk for the Council, which is 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; • engaged our own valuer to assess the instructions to the Council's valuer, the Council's valuation report and the assumptions that underpin the valuation; • 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. Cumberland Council and Westmorland and Furness Council have inspected the buildings carried on Cumbria County Council's Balance Sheet at 31 March 2023 to confirm that there is no Reinforced Autoclaved Aerated Concrete (RAAC) in any of the buildings. This review has been completed for all former Cumbria County Council assets now owned by Cumberland Council and no RAAC was found. This review has been completed for all but 4 former Cumbria County Council assets now owned by Westmorland and Furness Council and no RAAC was found. The value of the 4 assets not yet inspected is £4.38 million, so there is not a risk of material misstatement in relation to this issue. It is important that these remaining inspections are completed at the earliest opportunity in 2024, to provide assurance that buildings are safe and there are no indicators of impairment that should be disclosed in the Council's 2023/24 financial statements. See Appendix B for a recommendation in relation to this issue. Our audit work has not identified any other issues in respect of this significant risk.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of the Pension Fund Net Liability/ Asset

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

The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£248.402 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS has been adopted, the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 2% effect on the 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.

Commentary

In response to this risk we have;

- documented our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;
- evaluated the instructions issued by management to their management expert (an actuary) 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 disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report;
- reviewed and challenged Management's IFRIC 14 assessment to determine whether a pension asset could be recognised on the balance sheet; and
- requested 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 Council's draft balance sheet showed a net pension liability of £118.846 million at 31 March 2023. This included a net liability of £229.386 million in relation to the Firefighters Pension Scheme, a net liability of £19.016 million in relation to the Teacher's Pension Scheme and a net asset of £129.556 million in relation to the Local Government Pension Scheme. We did not agree with this presentation in the balance sheet as the code of practice for local government accounting does not permit the offsetting of a net pension asset against a net pension liability. We requested that Management undertake an IFRIC 14 assessment to demonstrate whether it was appropriate to recognise a net pension asset in relation to the Local Government Pension Scheme. The Council's IFRIC 14 assessment showed that there was no economic benefit as a result of reduced contributions and that it would not be appropriate to recognise a pension asset.

As a result, the balance sheet has been updated to show a net liability of £264.366 million. This relates to a net liability of £229.386 million in relation to the Firefighters Pension Scheme, a net liability of £19.016 million in relation to the Teacher's Pension Scheme and a net liability of £15.964 million in relation to unfunded Local Government Pension Scheme liabilities. The funded Local Government Pension Scheme asset has been capped at nil. This impacts the 'Remeasurement of net defined benefit pension liability' line in the CIES but has no impact on Council's usable reserves. Note 35 (Defined Benefit Pension Scheme), the Group Balance Sheet and Group CIES have all been updated to reflect this change.

As outlined in the left-hand column, this is first time since IFRS that the council has had to consider the potential impact of IFRIC 14 - IAS 19 – the limit on a defined benefit assets. CIPFA's Bulletin 15 guidance on this matter was only issued to the Council in mid November, after the accounts were submitted for audit.

The Cumbria LGPS auditor reported to us that the Council's LGPS estimate was based on a fund valuation at 31 March 2023 that was £14.912 million lower than the value of the pension fund per their audit procedures. As Cumbria County Council's share of the pension fund equates to circa 58%, this equates to an estimation difference of £8.649 million. This is immaterial and supports the reasonableness of the estimate adopted in the draft financial statements. Furthermore, this difference would not impact the IFRIC 14 assessment, and the asset recognised in the balance sheet and notes to the accounts, as the LGPS surplus is already capped at nil. A similar difference was identified as at 31 March 2022, as outlined in Appendix D, the impact of this issue was immaterial.

Our work in relation to this significant risk has not identified any other issues.

2. Financial Statements: Other risks

Risks identified in our Audit Plan

Local Government Reorganisation (LGR)

The Council ceased to exist on 31st March 2023 with LGR taking place on 1st April 2023. The assets and liabilities of the Council have transferred to the new unitary authorities and the Fire, Police and Crime Commissioner. The services previously delivered by the Council have transferred to the successor authorities.

This does present a number of other audit risks we will have to address as part of our 2022-23 audit, as follows:

- heightened profile of the Council as a result of LGR will require us to revisit headline materiality for the whole audit;
- ensure appropriate disclosures are made in the accounts, narrative report and AGS on LGR, which we will have to refer to in our audit report opinion;
- assess impact of any key personnel changes on the audit;
- ensure we have considered fully any additional audit risks around year end cut-off on income and expenditure, movements in provisions and reserves; and
- audit any additional exit packages.

Commentary

In response to this risk we have;

- reviewed headline materiality to ensure it reflects the heightened profile of the Council as a result of LGR;
- ensured that all disclosures relating to LGR in the financial statements, AGS and Narrative Report are appropriate;
- considered the impact of key personnel changes especially in the Finance team on the preparation of the financial statements;
- considered the impact of LGR on our testing of year-end income and expenditure cut-off and movements in provisions and reserves; and
- tested the completeness and accuracy of exit packages as well as confirming due process has been followed in seeking appropriate approvals in advance of any exit package payments being made.

As outlined on page 7, our headline materiality reflects the public profile of the Council, which is heightened in the context of LGR. Our performance materiality also reflects that there is a higher risk of error in 2022-23, due to the impact of LGR on the finance team and accounts preparation process.

We are satisfied that appropriate disclosures have been included in the financial statements, AGS and Narrative Report in relation to LGR. Our audit report opinion will include an emphasis of matter paragraph, which draws attention to Note 3 to the financial statements, which indicates that Cumbria County Council ceased to exist on 31st March 2023.

We have carried out income and expenditure cut off testing from invoices raised/ received and cash paid/ received in April and May at both successor councils. Our sample size in this area is larger than in previous years as we have had to select samples from both successor councils- see Appendix E for the impact on our audit fee.

We have tested a sample of exit packages and are satisfied that the disclosure in Note 14 (Officer Remuneration) is complete and accurate. Following audit challenge further narrative has been added to this note regarding the exit package and pension strain payment made in relation to the former Chief Executive. We reviewed this payment as part of our 2021-22 value for money work and raised a recommendation relating to the recruitment decision taken by the Council's Chief Officer's Committee. Refer to our 2021-22 Auditor's Annual Report for further details. We are satisfied that this issue does not have any further implications for our 2022-23 audit.

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
Equal Pay We are aware that there are potential equal pay claims being brought against Westmorland and Furness and Cumberland Council which relate to service at Cumbria County Council prior to LGR. The Council should consider any potential equal pay claims against the requirements of IAS 37 (Provisions and Contingent Liabilities) and consider whether a provision or contingent liability disclosure should be added to the financial statements.	In response to this emerging issue we requested that Management provide the following information; • a current estimate of the equal pay liabilities faced by the Council, based on claims submitted; • any potential equal pay claims of which the Council is aware, which have not yet been submitted; • detail of the work the Council has undertaken to identify potential liabilities; • an explanation of the accounting treatment adopted in respect of equal pay liabilities in the draft financial statements against the requirements of IAS 37; and • any proposed amendments to the financial statements in respect of equal pay.	We have reviewed Management's assessment of the equal pay claims received by Cumberland Council and Westmorland and Furness Council which relate to Cumbria County Council. We have confirmed that both Council's are defending these equal pay claims and legal proceedings are ongoing. We are satisfied that there is insufficient evidence, at this time, to establish whether a liability exists and to estimate any potential liabilities. We agree with Management's conclusion that a provision and contingent liability is not required in the Council's 2022/23 financial statements. An appropriate reference to these equal pay claims has been added to Note 43, Events after the Reporting period.

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

Component	Group Audit Approach	Findings	Group audit impact
Cumbria County Holdings Limited	Desktop review performed by audit team. Specified procedures on Landfill Provision (£17.989 million)	We performed a desktop review including analytical procedures and gained an understanding of the consolidation process. We have reviewed the basis of the provision. We have agreed the calculation, key inputs and key assumptions adopted. We have agreed that it is a reasonable estimate and is correctly classified as a provision, as per IAS 37.	Our audit work has not identified any issues in respect of the analytical procedures performed on the group consolidation or the specified procedures on the Council's landfill provision.

The Code of Practice on Local Authority Accounting in the United Kingdom concludes that schools are separate entities and that under IFRS 10, maintained schools (but not free schools or academies) meet the definition of entities controlled by local authorities, which should be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the Code allows local authorities to account for maintained schools within their single entity accounts. This includes school income and expenditure as well as assets and liabilities. This is the approach adopted by the Council.

Our work on the Group consolidation identified that the land and buildings and landfill sites of Cumbria Waste Management are carried in the Group Balance Sheet at cost. This is not in line with the requirements of the code, which require these assets to be carried at current value. We requested that management provide an estimate of the current value of these assets to determine whether there is a risk of material misstatement to the Group accounts in relation to this issue. In September 2021, the Council appointed a specialist valuer to provide a current value valuation of these assets. This valuation indicated that there was not a material difference between the current value and the cost of these assets. Group accounting policy 7.4 reflects this.

During our 2020-21 audit we performed the following procedures;

- 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;
- confirmed the basis on which the valuation was carried out;
- met with the valuer on 3 occasions to discuss the valuation and challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding; and
- engaged our own auditor's expert valuer to assess the process followed by the valuation expert.

In 2022-23 we have challenged management to demonstrate that the September 2021 valuation continues to support there not being a material difference between current and carrying value. Management has demonstrated that there have been no significant changes in key source data and assumptions used in the valuation. We are satisfied that the work of the Council's valuations expert continues to support that there is not a material difference between the cost and current value of the land and buildings and landfill sites of Cumbria Waste Management which are carried in the group balance sheet at cost.

In January 2024, we were made aware that on the 19th December 2023 Westmorland and Furness Council and Cumberland Council, as the 50/50 shareholders of Cumbria County Holdings Ltd (CCH), gave approval to the CCH Board to sell one of its subsidiary undertakings, Cumbria Waste Group (CWG), to Waterland. We agree with Management that this is a non adjusting event after the reporting period. Disclosure has been added to Note 43, Events after the Reporting Period. We are satisfied that there are no other impacts on the 2022-23 Council and Group financial statements.

2. Financial Statements: key judgements and estimates

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

Significant estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £556.734 million	Other land and buildings comprises £443.182 million of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings, including DRC land, are not specialised in nature and are required to be valued at existing use value (EUV) at year-end. An external valuer, the Valuation Office Agency (VOA), has been engaged to carry out the valuations. Assets with a net book value of £338.249 million have been valued in year, this represents 61% of the asset base. Management has carried out an exercise to demonstrate that there is not a material difference between the carrying value and current value of assets not revalued at 31 March 2023. This indicates a potential difference of £11.8 million at 31 March 2023, which management has concluded is immaterial to the financial statement. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors and in accordance with the CIPFA Code of Practice on Local Authority Accounting. For specialised assets, the valuer considers what the Modern Equivalent Asset would comprise using the latest Government design guidance and/or service input. For schools, the size reflects the number of pupils it would be built for using the Council's pupil number records. An allowance is made for age and obsolescence for the existing buildings on site from a functional, economic and physical perspective. Land value are based on comparable costs to purchase or compulsory purchase land in the given location. EUV valuations are informed by the most recent transactional activity. The Council also holds £17.949 million of Surplus Assets. These are valued at Fair Value. £13.718 million of these assets were valued at 31 March 2023.	The Council's accounting policy on the valuation of land and buildings is included at Accounting Policy xi. The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements. We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. The valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. Our auditor's valuation expert has concluded that in overall terms, the valuation process is in line with the mandatory requirements specified by RICS and the CIPFA Code of Practice We consider the level of disclosure in the financial statements to be appropriate. Our assessment of assets not revalued using relevant indices indicates that there is not a risk of a material difference between current and carrying value of land and buildings at 31 March. Our detailed testing of source data, assumptions and accounting is complete and no significant issues have been identified.	● Light Purple

Assessment

- ● [Dark 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

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2. Financial Statements: key judgements and estimates

Significant estimate | **Summary of management's approach** | **Audit Comments** | **Assessment**

Net pension liability – £264.366 million

Summary of management's approach

In the draft financial statement the Council's balance sheet showed a net pension liability of £118.846 million at 31 March 2023. This included a net liability of £229.386 million in relation to the Firefighters Pension Scheme, a net liability of £19.016 million in relation to the Teachers Pension Scheme and a net asset of £129.556 million in relation to the Local Government Pension Scheme (LGPS).

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.' The Council's IFRIC 14 assessment showed that there was no economic benefit as a result of reduced contributions and that it would not be appropriate to recognise a pension asset. Taking this into account, the Council's revised net pension liability would be £264.366 million.

The Council uses Mercer to provide actuarial valuations of the Council's assets (LGPS only) 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 2022. 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.

Audit Comments

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

- assessed the use of a management's expert actuary and their calculation approach;
- used PwC as auditors expert to assess actuary and assumptions made by the actuary (see table below);

Assumption	Actuary Value LGPS	Actuary Value Fire	PwC range (LGPS)	PwC range (Fire)	Assessment
Discount rate	4.8%	4.8%	4.7% - 4.9%	4.7% - 4.9%	●
Pension increase rate	2.8%	2.8%	2.8%	2.8%	●
Salary growth	4.2%	4.2%	3.2% - 5.2%	3.2% - 5.2%	●
Life expectancy – Males currently aged 45/65	21.0/23.3	27.9/26.0	21- 22.6/ 22.4- 24.3	23.3- 24.1/ 21.7- 22.4	●
Life expectancy – Females currently aged 45/65	26.0/ 24.2	30.1/28.2	25.3- 26.6/ 23.5 - 24.7	25.3 - 26.0/ 23.5- 24.2	●

Note 1 - Although outside the PWC range, the methodology used to calculate life expectancy was reasonable and we have corroborated the ages used to supporting evidence.

- assessed the completeness and accuracy of the underlying information used to determine the estimate, including liaison with the auditor of Cumbria Local Government Pension Scheme;
- undertook a reasonableness test of the Council's share of LGPS pension assets and the reasonableness of the movement in the estimate; and
- assessed the adequacy of disclosure of estimate in the financial statements.

As outlined on page 10, we requested that Management undertake an IFRIC 14 assessment to demonstrate whether it was appropriate to recognise a net pension asset in relation to the Local Government Pension Scheme. The Council's IFRIC 14 assessment showed that there was no economic benefit as a result of reduced contributions and that it would not be appropriate to recognise a pension asset. As a result, the balance sheet has been updated to show a net liability of £264.366 million.

Assessment

● Light Purple

2. Financial Statements: Information Technology

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

				ITGC control area rating		
IT application	Audit area	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure
E 5	Financial reporting	ITGC Assessment (design and implementation effectiveness)				
iTrent	Senior Officer Remuneration	ITGC Assessment (design and implementation effectiveness)				
Controc	Adult Social Care Expenditure	ITGC Assessment (design and implementation effectiveness)				
Adam (SprocNet)	Adult Social Care Expenditure	ITGC Assessment (design and implementation effectiveness)				

Our work on the Council's IT General Controls identified the following weaknesses:

E5 (general ledger)- no review was performed of user and IT personnel access rights during the 2022/23 year. There was also no formal control for managing access right for changing roles.

Controcc – there is no control in place to review the activity of super-users. There was also no review of user and IT personnel access rights during the 2022/23 year.

iTrent (payroll)- no review was performed of user and IT personnel access rights during the 2022/23 year.

Our audit work supports that other mitigating controls were in place for each of these systems and there is not a risk of material misstatement to the financial statements in relation to these issues. Our audit work did not identify any unusual postings in year and access rights were found to be appropriate for these systems. However we believe that controls could be strengthened by introducing a formal annual review of user and IT personal access rights (iTrent and E5), a periodic review of superuser activity (Controcc) and ensuring access rights to key systems are reviewed where an employee changes role (E5). See Appendix B for a recommendation in relation to these points.

Assessment

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

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any 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, including specific representations in respect of the group. Specific representations have been requested from Management in respect of potential equal pay liabilities.
Confirmation requests from third parties	We requested from management permission to send confirmation requests in relation to all cash, investment and borrowing balances. This permission was granted and the requests were sent out. At the time of this report, we are still awaiting 1 investment manager confirmation response.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. As in 2021-22, the Council has applied the statutory instrument which came into force on 25 December 2022 relating to the accounting treatment for infrastructure assets. The Council have correctly removed the gross book value and accumulated depreciation for infrastructure assets from its disclosure in Note 22 (Property, Plant and Equipment), adding a new disclosure setting out opening net book value and any in-year movements. Our audit identified the following disclosure issues: in the draft financial statements: • In accounting policy ii (Accounting Concepts), the paragraph relating to Going Concern has been updated to reflect that local government reorganisation has now taken place and that the accounts are prepared on a going concern basis as services continue to be delivered by the public sector. • In accounting policy ix (Accounting policy for lessee and lessor leases), the use of the word automatically should be removed, as the Council considers new leases on an individual basis. • In accounting policy xi (Property Plant and Equipment) the valuation basis for all other assets not held at cost incorrectly refers to fair value. This reference has been updated to current value. Reference to the Council having a 5 year valuation cycle has also been updated to refer to the 3 yearly cycle that is now in place. • In the draft Cash Flow Statement, proceeds from short-term and long-term investments were incorrectly treated in cash flow from investment activities and adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities. As a result, net- cash flows from investing activities was overstated by £147 million and net cash flows from operating activities was understated by £147 million. This has been corrected in the final version of the Cash Flow Statement. Note 36 (Cash Flow from Operating Activities) and Note 37 (Cash Flow from Investing Activities) have been updated to reflect this change.

2. Financial Statements: other communication requirements

Issue	Commentary
Accounting practices (continued)	• In Note 2 (Critical Judgements), disclosures relating to future funding, grant income and land and building valuations have been removed as they do not meet the definition of a critical judgement. • In Note 5(Expenditure and Funding Analysis) , the Expenditure and Funding Analysis starts with net expenditure chargeable to the general fund balance. As per the code, the note should start with net expenditure reported to members. Adjustments for DSG reserve transfer to unusable reserves are shown in the second column in the draft note, our view is this should be shown in the second and fourth column, ensuing the adjustments between funding and accounting basis column agrees to Note 10 (Adjustments between Accounting Basis and Funding Basis under Regulations). Given the adjustment for DSG reserve transfer to unusable reeves is £6.339 million, the impact is immaterial. • In Note 10 (Adjustments between Accounting Basis and Funding Basis under Regulations), capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) was incorrectly stated as £5.310 million. This is a presentational issue in the note only and we have agreed that the correct figure should be £2.854 million. • Narrative has been added to Note 12 (Pooled Budgets) to better describe the Council's accounting treatment for income and expenditure relating to the Better Care Fund. • Further narrative has been added to Note 14 (Officer Remuneration) regarding the exit package and pension strain payment made in relation to the former Chief Executive. • The footnote in Note 16 (External Audit Costs) has been updated to refer to the proposed audit fee outlined in this report. • In the draft accounts, the prior year comparator in Note 21 (Service Concession Arrangements) was restated to show the impact of increased depreciation on the Carlisle Northern Development Route asset, following the revision to infrastructure asset lives at 1 April 2021. We do not agree that a prior period adjustment (PPA) is required to this disclosure note as the impact (£0.651 million) is immaterial on the disclosure note. A footnote has been added to the note to clarify the background to this restatement. This issue does not have an impact on the amount carried in the balance sheet or any other area of the accounts. • In Note 22 (Property Plant and Equipment), the valuation table incorrectly referred to surplus assets being carried at current value. This has been updated to refer to the valuation basis being fair value. • In Note 24 (Short Term Debtors), there was a typographical error in the analysis of local taxation debtors, total local taxation was shown as £1.491 million. This has been corrected to £14.491 million in the final version of the note. • In Note 25 (Financial Instruments), current creditors included in financial liabilities (£53.992 million) and current creditors excluded from financial liabilities (£59.583 million) were shown against the wrong heading in the draft note. This has been corrected in the final version of the note. Total current financial assets has been updated to show correct total, which is £260.823 million. • In Note 33 (Unusable Reserves), the note referring to the pension lump sum payment made on 1 April 2020 has been updated to be clear that the timing difference relates to the timing of the charge to the general fund not the Comprehensive Income and Expenditure Statement. • In Note 34 (Pension Schemes Accounted for as Defined Contribution Schemes), the weighted average duration of liabilities for additional pensions to retired teachers was incorrectly stated as 7 years. This has been updated to 5 years, per the actuary's report. • In Note 35.1 (Transactions Relating to Retirement Benefits), the headings in the movement in reserve table have been update to refer to the correct year and comparative figures have been updated to reflect the 2021/22 figures (in the draft accounts these reflected 2020/21 figures). • In Note 35.2b (Movements in Fair Value of Scheme Liabilities), the actuarial gains/losses from changes in demographic assumptions and financial assumptions figures were the wrong way round for the firefighters pension scheme and teacher's pension scheme. This has been corrected in the final version of the note.

2. Financial Statements: other communication requirements

Issue	Commentary
Accounting practices (continued)	• In Note 35.3 (LGPS Pension Scheme Assets) Prior year comparators have been updated for consistency with prior year audited financial statements. • In Note 35.4a (LGPS), longevity at retirement for current pensioners was incorrectly stated as 21 years. This has been updated to 21.9 years, as per the actuary's report. • In Note 35.4 (Basis for Estimating Assets and Liabilities), reference to the last valuation of the local government pension scheme being at 31 March 2023 has been updated to refer to the last triennial valuation date, which was 31 March 2022. • The terminology in Note 43 (Events after the Reporting Period) has been updated to reflect that the financial statements reflect events which took place after 31 March 2023 providing information about conditions that existed at 31 March 2023. The note has also been updated to reflect non-adjusting events after the reporting period in relation to equal pay claims and the sale in December 2023 of Cumbria Waste Group. • The total comprehensive income line in the Group Movement in Reserves Statement, was incorrectly labelled as surplus or deficit on the provision of services. This has been corrected in the final version of the financial statements. • Disclosure has been added to the Group Accounts to outline the new ownership structure of Cumbria County Holding Limited following LGR and to explain the Group's treatment of its LGPS pension asset at 31 March 2023. The Group accounts have been restated to reflect the audited financial statements of Cumbria County Holdings Limited. • Some other minor changes were made throughout the financial statements to improve readability.
Audit evidence and explanations/ significant difficulties	As highlighted on page 5, we faced audit challenges in a number of areas and this has had a corresponding impact on our audit fee, as outlined in Appendix E. We are grateful for the Finance team's cooperation in resolving these matters.

2. Financial Statements: other communication requirements

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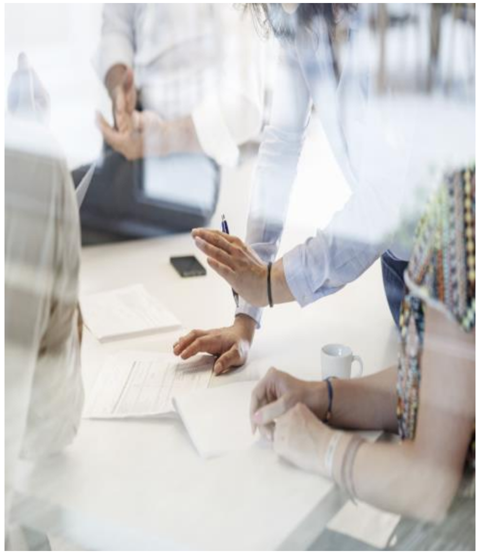
Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • evidence that the services delivered by the Council during the 2022-23 year have continued to be delivered by the public sector after local government reorganisation took place on 1 April 2023; • 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; • the audited financial statements of Cumbria County Holdings Limited; and • management's going concern assessment for the Council and Group. 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; and • management's use of the going concern basis of accounting in the preparation of the Council and Group 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, Narrative Report and Pension Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No material inconsistencies have been identified. A small number of changes were made to the Narrative Report and Annual Governance Statement to improve readability. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception: • If the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit. • If we have applied any of our statutory powers or duties. • Where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. We have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. Note that work is not required as the Council does not exceed the threshold.
Certification of the closure of the audit	We intend to certify the closure of the 2022-23 audit of Cumbria County Council in our audit report.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022-23

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

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

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness .We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

4. Independence and ethics

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

In this context, we disclose that Gareth Kelly was serving his 7th year as your Appointed Auditor. Engagement leads typically serve for 5 years in their role with an audit client. This mitigates the perceived familiarity threat that comes from long associations with a client. The Ethical Standards identify three examples where flexibility may be necessary to safeguard the quality of the audit. One of these applies directly to the Council's audit, namely the substantial change to the nature of the Council's business as a direct result of Local Government Re-organisation. The transition period leading up to the establishment of the new Council's represented a major change for the Council. During this period, it was vitally important for the quality of the audit that there was continuity at Engagement Lead level. Gareth knows and understands the Council well, understands the risks and ensured that the audit focused on the right areas. We mitigated the perceived familiarity threat by appointing an Engagement Quality Control Review partner to review key judgements to ensure that these are not influenced by the familiarity. This extension has been discussed and agreed with Public Sector Audit Appointments Ltd and our central ethics team.

As outlined on page 6 , Sarah Ironmonger assumed the Engagement Lead role on the audit in November 2023. This further mitigates the perceived familiarity threat described above. Sarah has received a comprehensive briefing on the Council and LGR and is supported by Richard Anderson as audit manager, who has fulfilled this role since 2020 and brings a detailed understanding of the Council and LGR, thus ensuring audit quality is safeguarded.

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

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

Details of fees charged are detailed in Appendix E.

Transparency

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

5. 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 and Group . The following non-audit services were identified which were charged from the beginning of the financial year to the date of this report, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats	Safeguards
Audit related			
Certification of Teachers Pension Claim 2021-22	7,500	Self-Interest Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £7,500 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. There is a perceived self-review and management threat, to be safeguarded by the fact we will carry out the work after the 2021-22 audit and the Council is making decisions on changes to the claim and it has informed management in place.
Certification of Teachers Pension Claim 2022-23	10,000	Self-Interest Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. There is a perceived self-review and management threat, to be safeguarded by the fact we will carry out the work after the audit and the Council is making decisions on changes to the claim and it has informed management in place.
Harbour Authority Accounts specified procedures 2022-23	1,000	Self-Interest Familiarity	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 £1,000 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. The risk of familiarity is limited, and it is acceptable for the audit team to carry out this work in respect of audit-related services. We mitigated the perceived familiarity threat by appointing an Engagement Quality Control Review partner to the engagement. Sarah Ironmonger is now the engagement lead of this audit and has never worked with the Council before, further mitigating the perceived familiarity threat.
Harbour Authority Accounts specified procedures 2021-22, 2020-21 and 2019-20	3,000	Self-Interest Familiarity	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 £3,000 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. The risk of familiarity is limited, and it is acceptable for the audit team to carry out this work in respect of audit-related services. We mitigated the perceived familiarity threat by appointing an Engagement Quality Control Review partner to the engagement. Sarah Ironmonger is now the engagement lead of this audit and has never worked with the Council before, further mitigating the perceived familiarity threat.
Non-audit related			
None			

5. Independence and ethics

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

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

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Appendices

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

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

B. Action Plan – Audit of Financial Statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We will agree our recommendations with management and suggest that this recommendation is carried forward to the two successor Councils. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium – Limited Effect on financial statements	**Review of Journals** The Council's controls around journal entries do not include a formal review and approval of journals prior to posting. In lieu of this, manual journals are reviewed monthly by a more senior member of the finance team. Our work has identified a number of manual journal posted during 2022-23 that have not been subject to this monthly review. In response to this we have revisited our risk assessment of the journals control environment and extended our testing. This testing has not identified any issues. This lack of review increases the risk of misstatement due to error and also the risk of management override of controls. This weakness in the journal control environment also increases the volume of audit testing required in this area.	Ensure all manual journals are reviewed on a monthly basis. **Management response** The new authorities will review their procedures around the authorisation/review/approval of journals.
Medium – Limited Effect on financial statements	**Reinforced Autoclaved Aerated Concrete (RAAC)** Cumberland Council and Westmorland and Furness Council have inspected the buildings carried on Cumbria County Council's Balance Sheet at 31 March 2023 to confirm that there is no RAAC in any of the buildings. This review has been completed for all former Cumbria County Council assets now owned by Cumberland Council and no RAAC was found. This review has been completed for all but 4 former Cumbria County Council assets now owned by Westmorland and Furness Council and no RAAC was found. The value of the 4 assets not yet inspected is £4.38 million, so there is not a risk of material misstatement in relation to this issue. it is important that these remaining inspections are completed at the earliest opportunity in 2024, to provide assurance that buildings are safe and there are no indicators of impairment that should be disclosed in the Council's 2023/24 financial statements.	Ensure that all remaining Council buildings are inspected to provide assurance that there is no RAAC in the buildings. **Management response** The new authorities are carrying out inspections of properties in 2023/24.
Medium – Limited Effect on financial statements	**IT General Controls** Our work on the Council's IT General Controls identified the following weaknesses: iTrent (payroll)- no review was performed of user and IT personnel access rights during the 2022/23 year. E5 (general ledger)- no review was performed of user and IT personnel access rights during the 2022/23 year. There was also no formal control for managing access right for changing roles. Controcc – there is no control in place to review the activity of super-users. There was also no review of user and IT personnel access rights during the 2022/23 year. Our audit work supports that other mitigating controls were in place for each of these systems and there is not a risk of material misstatement to the financial statements in relation to these issues. Our audit work did not identify any unusual postings in year and access rights were found to be appropriate for these systems. However we believe that controls could be strengthened by introducing a formal annual review of user and IT personal access rights (iTrent and E5), a periodic review of superuser activity (Controcc) and ensuring access rights to key systems are reviewed where an employee changes role (E5).	Introduce a formal annual review of user and IT personal access rights to E5 (the general ledger) and iTrent. Ensure access rights are reviewed when an employee changes role (E5). Introduce a periodic review of super-user activity (Controcc) **Management response**

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C. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2021-22 financial statements, which resulted in 2 recommendations being reported in our 2021-22 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Nil net book value assets** Our audit procedures identified a large number of fully depreciated assets which are no longer operational in the Council's asset register. There are two risks in relation to this issue: • If these assets are no longer operational, the gross cost and accumulated depreciation balance will be overstated in the asset register and Note 21. • If these assets are operational, there is a risk that the Council is not assigning appropriate asset lives to its Property Plant and Equipment. Recommendation Undertake a full review of nil net book value assets to ensure that they are operational, and that asset lives assigned are appropriate.	The Council undertook a full review of all assets with a nil net book value when this issue was raised during the 2021-22 audit and as a result adjusted the gross book value and accumulated depreciation of Plant, Vehicles & Equipment by £35.4 million. The Council has updated it's year-end procedures to include an annual review of all assets that have been fully depreciated in the previous financial year to ensure that only those that are still operational continue to be carried forward. Our audit procedures during 2022-23 have confirmed that this review has been performed and we are satisfied that there is not a risk of material misstatement in relation to this issue.
✓	**Infrastructure Assets** Our audit procedures identified the following: • The Council does not carry out a formal annual impairment review of infrastructure assets • The Council does not carry out a formal annual review of infrastructure asset lives • The Council does not hold detailed information regarding infrastructure additions prior to 2016/17. This means the Council has to estimate the split of pre 2016/17 spend into the various classes of infrastructure assets. Recommendation Carry out and document a formal annual impairment review of infrastructure assets. Carry out and document a formal annual review of infrastructure asset lives.	A formal annual impairment review and confirmation that useful asset lives are unchanged for infrastructure assets has been received for 2022-23 from the Highways Senior Manager. Our audit procedures during 2022-23 have confirmed that an appropriate impairment review and review of asset lives has taken place. We are satisfied that there is not a risk of material misstatement in relation to this issue.

Assessment

✓ Action completed

X Not yet addressed

D. Audit Adjustments

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

Impact of adjusted misstatements

Detail	CIES £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund
Pension Assets As outlined on page 10, the Council's draft balance sheet showed a net pension liability of £118.846 million at 31 March 2023. This included a net liability of £229.386 million in relation to the Firefighters Pension Scheme, a net liability of £19.016 million in relation to the Teacher's Pension Scheme and a net asset of £129.556 million in relation to the Local Government Pension Scheme. We did not agree with this presentation in the balance sheet as the code of practice for local government accounting does not permit the offsetting of a net pension asset against a net pension liability. We also requested that Management undertake an IFRIC 14 assessment to demonstrate whether it was appropriate to recognise a net pension asset in relation to the Local Government Pension Scheme. The Council's IFRIC 14 assessment showed that there was no economic benefit as a result of reduced contributions and that it would not be appropriate to recognise a pension asset. As a result, the balance sheet has been updated to show a net liability of £264.366 million. This relates to a net liability of £229.386 million in relation to the Firefighters Pension Scheme, a net liability of £19.016 million in relation to the Teacher's Pension Scheme and a net liability of £15.964 million in relation to unfunded Local Government Pension Scheme liabilities. The funded Local Government Pension Scheme asset has been capped at nil. This impacts the 'Remeasurement of net defined benefit pension liability' line in the CIES but has no impact on Council's usable reserves. Note 35 (Defined Benefit Pension Scheme), the Group Balance Sheet and Group CIES have all been updated to reflect this change. This is first time since IFRS that the council has had to consider the potential impact of IFRIC 14 - IAS 19 – the limit on a defined benefit assets. CIPFA's Bulletin 15 guidance on this matter was only issued to the Council in mid-November, after the accounts were submitted for audit.	145,520 Remeasurement of net defined benefit pension liability	(145,520) Net pension liability	145,520	Nil
Overall impact	145,520	(145,520)	145,520	Nil

D. 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.

Area	Detail	Adjusted ?
Accounting policy ii (Accounting Concepts)	The paragraph relating to Going Concern has been updated to reflect that local government reorganisation has now taken place and that the accounts are prepared on a going concern basis as services continue to be delivered by the public sector.	✓
Accounting policy ix (Accounting policy for lessee and lessor leases),	In accounting policy ix (Accounting policy for lessee and lessor leases), the use of the word automatically has been removed, as the Council considers new leases on an individual basis.	✓
Accounting policy xi (Property Plant and Equipment)	The valuation basis for all other assets not held at cost incorrectly refers to fair value. This reference has been updated to current value. Reference to the Council having a 5 year valuation cycle has also been updated to refer to the 3 yearly cycle that is now in place.	✓
Cash Flow Statement	In the draft accounts, proceeds from short-term and long-term investments were incorrectly treated in cash flow from investment activities and adjustment for items included in the net surplus or deficit on the provision of services that are investing or financing activities. As a result, net- cash flows from investing activities was overstated by £147 million and net cash flows from operating activities was understated by £147 million. This has been corrected in the final version of the Cash Flow Statement. Note 36 (Cash Flow from Operating Activities) and Note 37 (Cash Flow from Investing Activities) have been updated to reflect this change.	✓
Note 2 (Critical Judgements)	Disclosures relating to future funding, grant income and land and building valuations have been removed as they do not meet the definition of a critical judgement.	✓
Note 5 (Expenditure and Funding Analysis)	In the draft accounts, the Expenditure and Funding Analysis starts with net expenditure chargeable to the general fund balance. As per the code, the note should start with net expenditure reported to members. Adjustments for DSG reserve transfer to unusable reserves are shown in the second column in the draft note, our view is this should be shown in the second and fourth column, ensuing the adjustments between funding and accounting basis column agrees to Note 10 (Adjustments between Accounting Basis and Funding Basis under Regulations). Given the adjustment for DSG reserve transfer to unusable reeves is £6.339 million, the impact is immaterial.	x
Note 10 (Adjustments between Accounting Basis and Funding Basis under Regulations)	Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) was incorrectly stated as £5.310 million. This is a presentational issue in the note only and we have agreed that the correct figure should be £2.854 million.	✓
Note 12 (Pooled Budgets)	Narrative has been added to Note 12 (Pooled Budgets) to better describe the Council's accounting treatment for income and expenditure relating to the Better Care Fund.	✓
Note 14 (Officer Remuneration)	Further narrative has been added regarding the exit package and pension strain payment made in relation to the former Chief Executive.	✓
Note 22 (Property Plant and Equipment)	The valuation table incorrectly referred to surplus assets being carried at current value. This has been updated to refer to the valuation basis being fair value.	✓

D. Audit Adjustments

Misclassification and disclosure changes (continued)

Area	Detail	Adjusted?
Note 16 (External Audit Costs)	The footnote in Note 16 (External Audit Costs) has been updated to refer to the proposed audit fee outlined in this report.	✓
Note 21 (Service Concession Arrangements)	In the draft accounts, the prior year comparator in Note 21 (Service Concession Arrangements) was restated to show the impact of increased depreciation on the Carlisle Northern Development Route asset, following the revision to infrastructure asset lives at 1 April 2021. We do not agree that a prior period adjustment (PPA) is required to this disclosure note as the impact (£0.651 million) is immaterial on the disclosure note. A footnote has been added to the note to clarify the background to this restatement. This issue does not have an impact on the amount carried in the balance sheet or any other area of the accounts.	✓
Note 24 (Short Term Debtors)	In the draft accounts, there was a typographical error in the analysis of local taxation debtors, total local taxation was shown as £1.491 million. This has been corrected to £14.491 million in the final version of the note.	✓
Note 25 (Financial Instruments)	Current creditors included in financial liabilities (£53.992 million) and current creditors excluded from financial liabilities (£59.583 million) were shown against the wrong heading in the draft note. This has been corrected in the final version of the note.. Total current financial assets has been updated to show correct total, which is £260.823 million.	✓
Note 33 (Unusable Reserves)	The note referring to the pension lump sum payment made on 1 April 2020 has been updated to be clear that the timing difference relates to the timing of the charge to the general fund not the comprehensive income and expenditure statement.	✓
Note 34 (Pension Schemes Accounted for as Defined Contribution Schemes)	The weighted average duration of liabilities for additional pensions to retired teachers was incorrectly stated as 7 years. This has been updated to 5 years, per the actuary's report.	✓
Note 35.1 (Transactions Relating to Retirement Benefits)	Headings in the movement in reserve table have been update to refer to the correct year and comparative figures have been updated to reflect the 2021/22 figures (in the draft accounts these reflected 2020/21 figures).	✓
Note 35.2b (Movements in Fair Value of Scheme Liabilities)	Actuarial gains/losses from changes in demographic assumptions and financial assumptions figures were the wrong way round for the firefighters pension scheme and teacher's pension scheme. This has been corrected in the final version of the note.	✓
Note 35.3 LGPS - Pension Scheme - Assets	Prior year comparators have been updated in the note for consistency with prior year audited financial statements.	✓
Note 35.4a (LGPS)	Longevity at retirement for current pensioners was incorrectly stated as 21 years in the draft note. This has been updated to 21.9 years, as per the actuary's report.	✓
Note 35.4 (Basis for Estimating Assets and Liabilities)	Reference to the last valuation of the local government pension scheme being at 31 March 2023 has been updated to refer to the last triennial valuation date, which was 31 March 2022.	✓
Note 43 (Events after the Reporting Period)	The terminology in Note 43 (Events after the Reporting Period) has been updated to reflect that the financial statements reflect events which took place after 31 March 2023 providing information about conditions that existed at 31 March 2023. The note has also been updated to reflect non-adjusting events after the reporting period in relation to equal pay claims and the sale in December 2023 of Cumbria Waste Group.	✓

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D. Audit Adjustments (continued)

Misclassification and disclosure changes (continued)

Area	Detail	Adjusted?
Group Movement in Reserves Statement	The total comprehensive income line in the Group Movement in Reserves Statement, was incorrectly labelled as surplus or deficit on the provision of services. This has been corrected in the final version of the financial statements. The Group accounts have been restated to reflect the audited financial statements of Cumbria County Holdings Limited.	✓
Group Accounts	Disclosure has been added to the Group Accounts to outline the new ownership structure of Cumbria County Holding Limited following LGR and to explain the Group's treatment of its LGPS pension asset at 31 March 2023.	✓

Impact of unadjusted misstatements

Our audit work to date has identified the following unadjusted misstatements.

Detail	CIES £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Impact on general fund £'000	Reason for not adjusting
Fees and Charges Income Our sample testing of fees and charges income included two items of income where we were unable to obtain sufficient and appropriate audit evidence to support the amount recognised in the CIES. The first related to fixed penalty fines (£4,169) and the second related to registration services income (£1,382). Both amounts were traced to a receipt into the bank, but we were unable to obtain further evidence to corroborate. We have treated these two items as misstatements and extrapolated against the population of fees and charges income. This indicates a potential overstatement of £3.079 million.	3,079 Cost of services income	(3,079) Short-term creditors	3,079	3,079	Management have not adjusted on the grounds of materiality
Creditors Our sample testing of creditors identified two misstatements. One item where a purchase order had been accrued for twice, leading to an overstatement of creditors and expenditure of £1,875. The second item related to an error in the calculation of an accrual, leading to an understatement of creditors and expenditure of £267,626. We have extrapolated against the population of creditors. This indicates a potential overstatement of expenditure and creditors of £1.559 million.	(1,559) Cost of services expenditure	1,559 Short term creditors	(1,559)	(1,559)	Management have not adjusted on the grounds of materiality
Overall impact	£1,520	(1,520)	1,520	1,520	

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

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

Detail	CIES £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Pension Assets During the audit of the Cumbria Local Government Pension Scheme, it was identified that the opening position of employer assets at 31 March 2021 was overstated. This was because the actuary failed to take account of audit adjustment posted in 2020/21. This overstatement is partially offset by further adjustments identified by the pension fund auditor. The valuation in the pension fund financial statements for nine investment managers were misstated 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 fund net assets. The net impact of these two issues is that the Council's share of pension fund net assets as at 31 March 2022 is overstated by £3.9 million with a corresponding understatement of the net pension liability. This issue would not impact the closing balance at 31 March 2023, as the actuary has provided an valuation of the net defined benefit liability.	3,900 Remeasurement of net defined benefit pension liability	3,900 Unusable reserves (3,900) Net pension liability	3,900	Management have not adjusted on the grounds of materiality
Property Plant and Equipment Our detailed testing of land and building valuations identified a typographical error in the valuation report. As a result, the value entered in the asset register was understated by £0.200 million for one asset. We have extrapolated this error over the sub-population of assets with valuation movements not in line with expectations. The extrapolated error is that the value of Property Plant and Equipment is understated by £1.029 million at 31 March 2022. We have not identified any similar issues and the extrapolation indicates that there is not a risk of material misstatement in relation to this issue. This issue would not impact the closing balance at 31 March 2023, as the Council's property valuer has carried out a valuation at 31 March 2023 for 61% of the Council's land and buildings. For the remaining 39% of land and buildings, the Council has demonstrated that there is not a material difference between current and carrying value of those assets not revalued at 31 March 2023.	(1,029) Other Comprehensive Income and Expenditure	(1,029) Unusable reserves 1,029 Property Plant and Equipment	(1,029)	Management have not adjusted on the grounds of materiality
Overall impact	£2,871	NIL	£2,871	

E. Fees and non-audit services

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

Audit fees	Proposed fee
Scale fee published by PSAA	£98,042
Additional audit procedures arising from a lower materiality	£5,000
Additional work on Value for Money (VfM) under new NAO Code	£19,000
Increased audit requirements of revised ISAs 540 / 240 / 700	£6,000
Enhanced audit procedures on journals testing (not included in the Scale Fee)	£3,000
FRC response – additional internal review processes	£1,500
Enhanced audit procedures for Infrastructure	£2,500
Increased audit requirements of revised ISA 315	£5,000
PPE Valuation - appointment of auditor's expert	£5,000
PPE Valuation- work on assets not revalued at 31 March 2023	£2,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Total proposed audit fees 2022-23 per Audit Plan (excluding VAT)	**£147,542**
Pension Valuation- review of IFRIC 14	£4,000
Additional income and expenditure cut off testing due to LGR	£4,000
Additional journals testing	£500
Delays in provision of IT audit evidence	£1,500
Delays in provision of business process evidence	£1,000
Delays relating to errors in schools payroll change in circumstances listing	£250
Total proposed audit fees 2022-23 (excluding VAT)	**£158,792**

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee
Audit Related Services	
Certification of Teachers Pension Claim 2021-22	£7,500
Certification of Teachers Pension Claim 2022-23	£10,000
Harbour Authority Accounts specified procedures 2022-23	£1,000
Harbour Authority Accounts specified procedures 2021-22	£1,000
Harbour Authority Accounts specified procedures 2020-21	£1,000
Harbour Authority Accounts specified procedures 2019-20	£1,000
Non Audit Related Services	
None	

The external audit fee disclosed in Note 16 is £156,000. This is made up of the PSAA scale fee of £98,000 and an accrual for additional fees in relation to the 2021-22 audit of £58,000. At the time of publishing the draft accounts, the audit fee for 2022-23 had not been agreed, so additional fees as outlined on page 33 were not accrued. The footnote in Note 16 has been updated to confirm the proposed audit fee per this report. This will be accrued for by the predecessor councils in the 2023/24 financial year.

Fees payable in respect of other services provided by the external auditor in Note 16, include costs in relation to 2022-23 Teachers Pension Claim and Harbour Authority Specified procedures for 2019-20, 2020-21, 2021-22 and 2022-23. There is a trivial £2,000 rounding difference compared to the amounts disclosed above. The 2021-22 Teachers Pension Claim fee is shown in the prior year comparator.

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

Grant Thornton UK LLP is also the auditor of Cumbria Local Government Pension Scheme. Audit fees and audit related services relating to Cumbria Local Government Pensions are reported in the Cumbria Local Government Pension Scheme Audit Findings Report. Audit and audit related services provided to Cumbria Local Government Pension Scheme have no impact on our independence as auditor of Cumbria County Council.

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

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

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

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

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

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

G. Audit opinion

We anticipate we will provide the Council and group with an unqualified audit report

Independent auditor's report to the members of Westmorland and Furness Council in respect of the audit of Cumbria County Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Cumbria County Council (the 'Authority') and its subsidiaries and joint ventures (the 'group') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies, and include the Firefighters' Pension Fund Financial Statements comprising the Fund Account, the Net Assets Statement and Notes to the Firefighters' Pension Scheme Financial Statements. The notes to the financial statements include the Accounting Policies, Notes to the Accounting Statement, Introduction to the Group Accounts and the Notes to the Group Accounting Statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

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

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Emphasis of matter – Demise of the organisation

In forming our opinion on the financial statements, which is not modified, we draw attention to Note 3 to the Accounting Statements , which indicates that Cumbria County Council ceased to exist on 31 March 2023. The assets and liabilities of the Authority have transferred to Cumberland Council, Westmorland and Furness Council and the Police, Fire and Crime Commissioner for Cumbria (PFCC) on 1st April 2023 and there is a continuation of service delivery between Cumbria County Council and the successor Councils and the PFCC.

Conclusions relating to going concern

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

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

G. Audit opinion

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

G. Audit opinion

Responsibilities of the Authority and the Director of Resources

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's and the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority and the group without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

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

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

We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks, the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Fire and Rescue Services Act 2004 and the Local Government Act 1972. We also identified the following additional regulatory frameworks in respect of the firefighters' pension scheme accounts; the Public Service Pensions Act 2013, the Firefighters' Pension Scheme (England) Regulations 2014 and the Firefighters' Pension Scheme (England) Order 2006.

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

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

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

We assessed the susceptibility of the Authority and group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to unusual journals with specific risk characteristics and large value journals and significant accounting estimates and critical judgements made by management. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals,

G. Audit opinion

- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of pension liability, valuation of PFI liability, valuation of land and buildings, provisions, year-end income and expenditure accruals, depreciation and fair value disclosures, 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.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to valuation of pension liability, valuation of PFI liability, valuation of land and buildings, provisions, year-end income and expenditure accruals, depreciation and fair value disclosures. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

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

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

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

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

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

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

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

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

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

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

G. Audit opinion

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

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

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

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

Report on other legal and regulatory requirements – Audit certificate

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

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the 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:

Name Sarah Ironmonger, Key Audit Partner

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

Manchester

Date:

grantthornton.co.uk