Public

DRAFT

The Audit Findings for Copeland Borough Council

Year ended 31 March 2019

March 2024

Draft v5.1

Contents

Your key Grant Thornton team members are:

Gareth Kelly
Original Key Audit Partner
T: 0141 223 0891
E:Gareth.Kelly@uk.gt.com

Paul Dossett
Current Key Audit Partner
T: 020 7728 3180
E: Paul.Dossett@uk.gt.com

Stephen Nixon
Senior Audit Manager
T: 0161 234 6364
E: Stephen.R.Nixon@uk.gt.com

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party, acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

Background

The 2018/19 audit has been extremely challenging and protracted for both the Council and Grant Thornton as auditor. The draft accounts were presented for audit in January 2021, considerably later than the June 2019 statutory deadline. This has consequently delayed our audit report beyond the statutory deadline of September 2019.

Copeland Council has a history of missed statutory accounts deadlines and errors in the draft financial statements. This resulted in a qualified audit opinion for 2017/18 issued in October 2020 together with an adverse Value for Money conclusion. The qualification concerned the valuation of property and the completeness of expenditure in the 2017/18 financial statements, and these matters have continued for 2018/19.

The seriousness of the matters arising during the 2017/18 and 2018/19 audits has meant that auditor’s statutory powers were used to issue the Council with statutory recommendations in February 2021 and again in March 2022. The detail behind these matters is contained within this report.

There have been several factors which have protracted the audit process. The draft accounts contained errors which required detailed scrutiny by both the audit team and management, particularly regarding the valuation of land, buildings and investment property. This resulted in a new valuer being appointed by management and a revised valuation report.

We have also received a number of whistleblower allegations during the audit which would be of relevance to our audit. These have included allegations of fraud and governance weaknesses. These have each been followed up and taken into consideration in arriving at our audit opinion.

The passage of time has meant that a number of key staff have left the Council and this has culminated with the Council being abolished in March 2023 upon the creation of Cumberland Council as successor. This gradual loss of corporate knowledge has made it difficult to obtain responses to audit queries, and a number of material matters remain outstanding and cannot be resolved.

Work performed – Financial statements

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

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

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

Due to the passage of time, matters arising and in following up on whistleblower allegations, we have had to carry out further substantive testing, including drawing upon audit specialists. This was not envisaged when we communicated our Audit Plan to you on 20 May 2021.

Our audit work was undertaken remotely with ongoing contact between 2021 and 2023. Our findings are summarised on pages 5 to 18. We identified a number of adjustments to the financial statements which were updated in the December 2022 edition. We have been unable to conclude on the remaining adjustments that are required due to the limitations imposed by management in providing explanations. Audit adjustments are detailed in Appendix C. We have also raised recommendations for the management of Cumberland Council as successor body as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year’s audit are detailed in Appendix B.

Action Plan

We have produced an Action Plan at Appendix A. We are mindful that Copeland Council has ceased to exist in March 2023 and services transferred to Cumberland Council. Under these circumstances the Action Plan does not seek to address all issues identified in this report but only those of relevance to Cumberland Council.

DRAFT

Public

1. Headlines

We have been unable to complete our 2018/19 audit work on the financial statements for the reasons set out on the previous page. We have also concluded that the other information to be published with the financial statements (Narrative Report and Annual Governance Statement) is not consistent with our knowledge of the Council and the financial statements we have audited given the matters arising during the audit. Further detail is provided on the audit work undertaken and conclusions reached in Section 2 of this report. Whilst there are mitigating factors, some of which have been described earlier, the Council processes for producing financial statements has been unacceptable for a public body. Cumberland Council should take due regard of the issues coming from this report and our value for money reports when preparing the 2023/24 accounts.

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk-based review of the Council's value for money arrangements. We have concluded that Copeland Borough Council does not have proper arrangements to secure economy, efficiency and effectiveness in its use of resources due to deficiencies in the arrangements across each of the three criteria set by the NAO (Sustainable resource deployment, Governance and Informed decision making). We therefore anticipate issuing an adverse value for money conclusion, as detailed in Appendix E. Our findings are summarised at Section 3.

Impact on opinion

We have been unable to obtain sufficient audit evidence or responses to audit inquiries in order to complete the audit and therefore propose a disclaimer of audit opinion for the 2018/19 financial statements, including Narrative Report and Annual Governance Statement. This will be presented to the Cumberland Audit Committee on 25 March 2024, as detailed in Appendix E.

We request that management provide the following items to the Committee for audit scrutiny in order that the audit opinion can be completed:

- Responses to management recommendations in this report and the Value for Money Report
- Final set of financial statements
- Updated Annual Governance Statement
- Management representation letter

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

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.

In March 2022 we issued statutory recommendations to Copeland Council to address the matters arising from our value for money arrangements under section 24 of the Local Audit and Accountability Act 2014. The Council is required to consider these recommendations together with the response from management at a full Council meeting. Further details are provided at Section 5.

Statutory recommendations were also issued following the 2017/18 audit in January 2021.

Acknowledgements

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

Summary

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been 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's business and is risk based, and in particular included:

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

We have adapted our Audit Plan communicated to you on 20 May 2021. Due to the passage of time, matters arising and in following up on whistleblower allegations, we have had to carry out further substantive testing, including drawing upon audit specialists. This was not envisaged when we communicated our Audit Plan to you on 20 May 2021.

Conclusion

We have been unable to complete our audit of your 2018/19 financial statements due to the limitations imposed by management on responding to audit queries partly brought about by the passage of time and loss of key staff in the run up to the abolition of the Council in March 2023. We therefore anticipate issuing a disclaimer of audit opinion following the Cumberland Council Audit Committee meeting on 25 March 2024 as detailed in Appendix E.

Our approach to materiality

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

Materiality calculations remain the same as reported in our audit plan.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	381,000	1% of gross cost of services expenditure
Performance materiality	229,000	60% of materiality
Performance materiality for operating expenditure	210,000	55% of materiality (introduced following p/y qualification of operating expenditure)
Trivial matters	19,000	5% of materiality
Materiality for senior officer remuneration expenditure and related party transactions	10,000	Lower level of precisions for detecting errors in these specific accounts

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
1	**Improper revenue recognition** Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. 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 • the culture and ethical frameworks of local authorities, including Copeland Borough Council, mean that all forms of fraud are seen as unacceptable. Therefore we do not consider this to be a significant risk for Copeland Borough Council.	This presumed significant risk has been rebutted and there have been no changes to our assessment reported in the audit plan.
2	**Management override of controls** Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals • analysed the journals listing and 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 • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our sample testing of journals has not identified any significant issues in respect of management override of controls. However during the audit it became apparent that the general ledger is not closed annually following audit and there have been numerous journals posted across different years. Management have asserted that this is considered a normal practice which we do not agree with and do not see in practice at other public bodies. Further work would be required to test the journals impacting multiple years which is not considered to be worthwhile due to the passage of time and difficulties in obtaining explanations. This matter therefore forms part of the basis for the audit disclaimer of opinion.

DRAFT

Public

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
3	**Valuation of land and buildings, and investment property** The Council revalues its land and buildings on a cyclical basis, and its surplus assets and investment property annually to ensure that carrying value is not materially different from current value. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£40.2 million) and the sensitivity of this estimate to changes in key assumptions. In the 2017/18 audit we found unexpected movements from year to year on individual assets and inconsistencies in component schedules produced for larger assets. Following detailed work on the asset valuations we concluded that there were weaknesses in the instructions issued to the valuer, the approach taken by the valuer and the accuracy of the valuations produced. As a result of these findings, we included a limitation of scope qualification in our 2017/18 audit report opinion regarding the valuation of PPE and Investment Property. We have therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	Audit procedures included: • reviewing the controls put in place by management to ensure that land, buildings and investment property is not materially misstated and walking through these controls; • reviewing management's processes and assumptions for the calculation of the estimate; • reviewing the competence, expertise and objectivity of any management experts used; • evaluating 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; and • assessing the impact of any actions taken by management to address weaknesses identified , including those in the limitation of scope audit reporting the prior year audit. For valuations undertaken, we have: - reviewed the instructions issued to valuation experts and the scope of their work; - discussed with the valuer the basis on which the valuation is carried out and challenged the key assumptions; - reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding; and - undertaken sample testing of revaluations made during the year to ensure they are input correctly into the Council's asset register. We raised concerns regarding the valuer's assumptions regarding valuation of land, buildings and investment property during the 2017/18 audit which resulted in a qualified opinion. Our concerns remained with the valuation of these assets at 31 March 2019 given that assumptions were largely unchanged and valuations were outside of our expectations. We also identified misclassification of surplus and investment property assets and incorrect assumptions regarding obsolescence and other matters. Management recognised the challenges faced and employed a temporary finance officer to address the matters and engage with the audit team. Despite the difficulties we recognise the efforts made by this officer to resolve matters against the loss of corporate knowledge and supporting evidence. Management then engaged a new external valuer for the valuation of land, buildings and investment property at 31 March 2019. Again we identified errors in the valuation process including unreliable source data and assets not included in the valuation. We identified material adjustments to the valuation of Property Plant and Equipment in Note 15 which reduced by £13.5m to £26.35m largely within land & buildings and surplus assets. Investment property initial valuation errors (Note 17) resulted in an increase in value of £0.77m to £4.76m. We have continued to raise challenges to management on the valuation of these assets, including assets held for sale (Note 21). Due to staff turnover and loss of corporate knowledge we do not anticipate receiving satisfactory audit evidence to support the valuations. This matter therefore forms part of the basis for the audit disclaimer of opinion.

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
4	**Valuation of pension fund net liability** The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£26.7 million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • updated our understanding of the processes and controls put in place by management to ensure that the Authority'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 Authority's pension fund valuation • assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of our consulting actuary, as auditor's expert, and performing any additional procedures suggested within the report • obtained assurances from the auditor of Cumbria Local Government Pension Scheme as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. When assessing the accuracy of the information provided by the Authority to the actuary it was noted that the incorrect pensionable pay figure had been provided. This required a re-run of the IAS19 by the actuary which has resulted in a change to the primary statements and the disclosure note. We also noted some minor disclosure issues in the Pensions Note in the financial statements and these have been amended.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
5 **Completeness of operating expenditure** Our 2017/18 audit testing identified items which should have been included in creditors in 2016/17 and therefore opening creditors was understated, and 2017/18 expenditure overstated. Our testing also identified items which were not accrued in 2017/18 therefore both closing creditors and 2017/18 expenditure were understated. We were unable to resolve these issues because of the level of testing that would be required to provide assurance that any error was not material. On this basis the 2017/18 opinion was qualified. Our qualification was a limitation of scope so although we regard this as a significant risk it is at the assertion level and not pervasive to the financial statements as a whole. As a result of this we therefore identified completeness of the Council's operating expenditure as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the Council's accounting policy for the recognition of non-pay expenditure for appropriateness • gained an understanding of the Council's system for accounting for non-pay expenditure and evaluated the design of the associated controls • assessed the impact of any actions taken by management to address weaknesses identified in the previous years audit • obtained a listing of non-pay payments made in April, May and June 2019, and sample tested to ensure that transaction have been charged to the appropriate year We have raised the following significant concerns regarding completeness of operating expenditure: The opinion qualification in 2017/18 regarding inaccurate accrual accounting is likely to impact the completeness of the 2018/19 expenditure as items from the previous year may be included The Council received a capitalisation directive in October 2018 of £1.779m from DLUHC to prevent cyber related costs from impacting the General Fund. The directive was allocated as £0.991m in 2018/19 and £0.788m in 2017/18. This capitalisation directive included £261,800 of IT consultancy support expenditure which management was unable to fully substantiate. Total legal and professional fees recorded in 2018/19 contained £404,068 of IT related costs. Records were unavailable and staff transition brought about by the passage of time meant that these costs cannot be fully supported. This represents a failure to keep proper books and records which is a legal requirement. When taken alongside the whistleblower allegations it is not considered safe to accept the consultancy expenditure provided by the Council to support the capitalisation directive or the completeness of operating expenditure. This matter therefore forms part of the basis for the audit disclaimer of opinion.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
6 **Capacity and Capability of the Finance Team** The Council was not able to recruit permanent qualified accountants to its senior technical accounting posts within the finance department. Since the production of the 2014/15 financial statements until mid-2018, the Council has relied upon interim appointments to these roles in order to produce its financial statements. Whilst the Council made progress in appointing permanent finance staff since 2018, the finance department lacked key local government financial expertise and experience in producing the more complex areas of a set of local Council financial statements. These roles are key to the department due to the technical accounting expertise required. We acknowledge that, the Council has worked collaboratively with neighbouring councils and bought in skills and experience from CIPFA and LG Futures, but recognises this incurs additional cost and is not an ideal substitute for an internal fully staffed and skilled finance team. The Finance team has not had a qualified permanent financial reporting technical chief accountant with local government experience for an extended period of time, but since October 2020 it has appointed a suitably qualified person on a part-time basis. However, the retention of key finance team members remains an ongoing challenge for the Council.	Copeland Borough Council has a relatively small finance team up until its demise in March 2023. The recruitment and retention of skilled and qualified finance staff in the locality has been an ongoing and longstanding issue, which the Council attributes primarily due to the neighbouring Nuclear Decommissioning Authority (NDA), who offer more favourable terms and conditions. The Council recruited a new Service Director of Financial Resources in June 2018, who commenced recruitment and filled vacancies, whilst recognising the training requirements needed for the team to function properly. Added to this, the Council has worked collaboratively with neighbouring councils and bought in skills and experience from CIPFA and LG Futures, but recognises this incurs additional cost and is not an ideal substitute for an internal fully staffed and skilled finance team. The Finance team did not have a qualified permanent technical chief accountant with local government experience for an extended period of time, until October 2020 when it appointed a suitably qualified person on a part-time basis. The retention of key finance team members remains an ongoing challenge for the Council. We recognise that the Estates team has been strengthened. As set out in the VFM section of this report, we have significant concerns around the Council's capacity and capability to deal with what is a large volume of significant recommendations raised through a combination of the DLUHC review of financial sustainability on December 2021, CIPFA's reviews of Internal Audit and Audit Committee effectiveness as generated by our previous Statutory recommendation and several other external audit key findings. Copeland Council has produced a draft statement of accounts for the 2019/20 financial year, but none yet for 2020/21. The 2021/22 was due in June 2022. Producing draft accounts and responding to audit queries is likely to continue to stretch the capacity of the Council's finance team. Cumberland Council is the statutory body responsible for preparing and approving the financial statements of Copeland Council up until its demise on 31 March 2023. DLUHC has proposed backstop arrangements to clear the backlog of historic Local Authority financial statements by September 2024. We have made a recommendation at Appendix A that Cumberland Council management should liaise with their auditor to agree a timetable for producing the outstanding financial statements of the legacy Copeland Council.

Significant findings – audit risks

	Risks identified in our Audit Plan	Commentary
7	**Weaknesses in the IT control environment** The Council suffered a severe cyber attack in August 2017, which had a significant impact on the IT systems, council services and financial reporting for an extended period of time. The Council recognise the impact the cyber attack had on the control environment with the recovery continuing throughout 2018-19 and beyond. The Annual Governance Statement action plan demonstrates outstanding key recommendations in relation to feedback sessions following the cyber attack for which progress at January 2021 is 50%. The Council includes a risk concerning their ICT system resilience and availability in their strategic risk register. As a result of the work undertaken by our IT specialists in prior years and the recognition that recovery from the cyber attack is still ongoing, this is deemed to be a significant risk.	We engaged our IT specialists to review the arrangements in place to recover from the cyber attack suffered in August 2017. No issues were identified with the completeness of data in the general ledger that originated from feeder systems. We have however raised concerns about the ledger remaining opening after successive audits and journals being posted across closed financial years. This is addressed at page 6 of the report as a management override of control matter. Our work has identified significant issues in respect of the effectiveness of the recovery, with the Council's IT environment remaining critically weak during 2018/19. Our work has also identified significant weaknesses in the governance arrangements in place to oversee the recovery, including poor monitoring of recovery costs. Please refer to Value for Money Section 3 for further commentary on this risk.

Significant findings - other issues

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

	Issue	Commentary	
1	**Narrative Report** The Narrative Report in the Statement of Accounts requires updating to reflect known changes to balances and the underlying uncertainty arising from disclaimer of audit opinion. Management may also wish to include a more up to date position statement eg abolition of the Council.	Throughout the audit we requested that management update the Narrative Report but this request was not acted upon.	**Auditor view** This matter forms part of the basis for the audit disclaimer of opinion.
2	**Annual Governance Statement** We not consider that the Annual Governance Statement reflects the seriousness of the control weaknesses identified during our audit and value for money review. We do not agree that overall "partial assurance" on the governance arrangements can be justified.	Throughout the audit we requested that management update the Annual Governance Statement but this request was not acted upon,	**Auditor view** This matter forms part of the basis for the audit disclaimer of opinion.
3	**Depreciation of building assets (Note 15) £1.165m** Due to the uncertainty regarding land and buildings valuation reported at page 7, we can take no assurance that the depreciation charge is materially correct.	Annual depreciation charge depends upon there being a reliable estimate of the valuation and useful life of the building asset. We have insufficient audit evidence to determine whether this is the case.	**Auditor view** This matter forms part of the basis for the audit disclaimer of opinion.

Significant findings - other issues

	Issue	Commentary	
4	**Infrastructure assets (Note 15) NBV £1.792m** Management were unable to provide assurance on the existence of infrastructure assets.	We requested that management provided a supporting schedule of infrastructure assets but this proved challenging and ultimately the schedule was unreliable. Management proposed to write off items which were unclear but this does not provide sufficient assurance that the remaining balance is materially correct.	**Auditor view** This matter forms part of the basis for the audit disclaimer of opinion.
5	**General Fund balance £15.532m at 31 March 2019** The Council received a capitalisation directive in October 2018 of £1.779m from DLUHC to prevent cyber related costs from impacting the General Fund. The directive was allocated as £0.991m in 2018/19 and £0.788m in 2017/18. Management have not provided sufficient appropriate audit evidence to support the items of expenditure and lost income which support the capitalisation directive. This was due to records being unavailable and staff transition brought about by the passage of time.	If the supporting evidence for the capitalisation directive cannot be supported then the costs would be chargeable to the general fund rather than treated as REFCUS. This would diminish the Council's General Fund Reserve. We recognise that DLUHC accepted managements confirmation that the terms of the directive were met, however we do not have the evidence to support that the conditions were met.	**Auditor view** Without evidence to support the capitalisation directive we can take no assurance that the terms are met and it is correct to treat as REFCUS. We are not satisfied that laws and regulations are complied with without the evidence being made available. This matter forms part of the basis for the audit disclaimer of opinion.
6	**External Audit Costs (Note 34)** Note 34 to the December 2022 edition of the financial statements reports audit costs of £153,000. This is not consistent with the latest audit cost agreed with management of £268,919.	We expect the reported audit fee to be consistent with the fee agreed by management, noting that a further fee variation to reflect costs up to March 2024 will be required. Management are not proposing to update the notes to the accounts.	**Auditor view** Reporting the audit costs to the reader of the accounts is important, although under the circumstances of disclaimer of opinion we propose no further action other than to bring this matter to your attention. Audit fees are broken down at Appendix D of this report.
7	Capital Financing Requirement (Note 36) The capital financing requirement (CFR) contained an imbalance of £300k which management were unable to explain.	The Capital financing requirement is a formulae based measure of the capital expenditure incurred historically by the Council that has yet to be financed. Management are unable to reconcile the CFR.	**Auditor view** This matter forms part of the basis for the audit disclaimer of opinion.

Significant findings – key judgements and estimates

Accounting area	Summary of management's policy	Audit Comments	Assessment
Provisions for NNDR appeals - £1.465m	The Council are responsible for repaying a proportion of successful rateable value appeals. The calculation is based upon the latest information about outstanding rates appeals provided by the Valuation Office Agency (VOA) and previous success rates. Due to a reduction in outstanding appeals, the provision has decreased by £0.875m in 2018/19.	We have: • Assessed the appropriateness of the underlying information used to determine the estimate • Challenged the valuation method used by management • Assessed the consistency of estimate against peers and industry practice • Assessed the reasonableness and justification for the reduction in the estimate during 2018/19, primarily relating to a reversal of £689k unused provision • Assessed the adequacy of disclosure of estimate in the financial statements	●

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

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Land and Buildings NBV £31.87m (PY £31.711m)* **Total Property Plant and Equipment (PPE) NBV £39.921m (PY £38.359m)*** **Investment Property £3.986m (PY £2.307m)*** * Values published in January 2021 version of Financial Statements	The majority of land and buildings comprises 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. As set out on page 7 of this report, the Council initially engaged AMCAT UK to complete the valuation of properties as at 31 March 2019. The valuation of properties valued by the valuer has resulted in a net increase of £159k. As set out on page 7, following concerns raised by the audit at the estimation and assumptions used by the valuer, another valuation expert, Montagu Evans was appointed by management and this resulted in material amendments to the reported valuation. The Council's accounting policy is to undertake valuation on a five yearly cycle. In the original draft financial statements (January 2021) approximately 54% of land and buildings were revalued. This was increased to 100% with the appointment of Montagu Evans.	Detailed commentary is provided at page 7 of this report. We are not satisfied that management's key estimates and judgements in arriving at property valuation are robust to report values that are materially accurate. The revised revaluation by Montagu Evans went some way to improving the estimate, however we have raised further challenge and have been unable to obtain satisfactory responses from management. Given the demise of the Council and the loss of key staff we do not anticipate that management will be able to provide sufficient appropriate audit evidence. This matter therefore forms part of the basis for the audit disclaimer of opinion.	● (red)

Assessment

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

DRAFT

Public

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
Net pension liability – £26.330m	The Council's total net pension liability at 31 March 2019 is £26.330m (PY £22.410m) comprising funded and unfunded defined benefit pension scheme obligations under the Local Government Pension Scheme. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £4.934 million net actuarial loss during 2018/19 as a result of changes in the financial assumptions used by the scheme actuary	See below	● (green)

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

- Assessed the use of management's expert
- Assessed the actuary's roll forward approach taken, with detailed work undertaken to confirm reasonableness of approach
- Used PwC as auditors expert to assess the actuary and the assumptions made by the actuary – see table below

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.4%	2.4% – 2.5%	● (green)
Pension increase rate	2.3%	2.3% - 2.2%	● (green)
Salary growth	3.7%	3.45% - 3.7%	● (green)
Life expectancy – Males currently aged 45 / 65	25.6 23.3	24.8 – 26.3 22.2 – 23.7	● (green)
Life expectancy – Females currently aged 45 / 65	28.6 25.9	27.9 – 29.0 25.0 – 26.4	● (green)

- Assessed the completeness and accuracy of the underlying information used to determine the estimate
- Assessed the reasonableness of the Council's share of LGPS pension assets and the reasonableness of the movement in the estimate
- Assessed the adequacy of the disclosure of the estimate in the financial statements

When assessing the accuracy of the information provided by the Authority to the actuary it was noted that the incorrect pensionable pay figure had been provided. This required a re-run of the IAS19 by the actuary which has resulted in a change to the primary statements and the disclosure note. We also noted some minor disclosure issues in the Pensions Note in the financial statements and these have been amended.

Assessment

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

Significant findings – matters discussed with management

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

	Significant matter	Commentary	Auditor view
1	**Capitalisation Directive** The Council received extraordinary financial assistance in the form of a £1.779m capital directive in October 2018 to aid recovery from the cyber attack.	Management were challenged on the appropriateness of expenditure financed by the directive. Please refer to page 9 of this report regarding the significant risk to expenditure and also Value for Money Section 3 of this report for details of the challenge and responses thereof.	We have been unable to gain assurance to support all of the £1.779m expenditure under capital direction to support that value for money was achieved.
2	**Accounting Policy Note 3 – Critical Judgements** We identified that Accounting Policy Note 3 Critical judgements in applying accounting policies did not meet the expected disclosure requirements.	Critical judgement disclosure should be confined to areas that have a material effect on the balances in the financial statements and make clear reference to methods applied, inputs used and assumptions made and to include financial values. The judgements should not address non material areas or be a repeat of the accounting policy.	Management should revisit critical judgement disclosure in the 2019/20 financial statements and beyond to ensure it is confined to areas that have a material effect on the balances in the financial statements and make clear reference to methods applied, inputs used and assumptions made and to include financial values. The judgements should not address non material areas or be a repeat of the accounting policy. See Action Plan at Appendix A.
3	**Accounting Policy 4 – Estimation Uncertainty** We identified that Accounting Policy Note 4 Estimation Uncertainty in applying accounting policies did not meet the expected disclosure requirements.	We identified that Accounting Policy Note 4 Estimation uncertainty contains items that may not contain material estimation uncertainty and do not quantify the value of that uncertainty (eg NDR appeals and PFI assumptions).	Review the estimation uncertainty disclosure in the 2019/20 financial statements and beyond to ensure the estimation uncertainty is clearly identified, quantified and material in value. See Action Plan at Appendix A.

Significant findings - Going concern

Our responsibility

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

Going concern material uncertainty

At the end of quarter 2 of 2021/22 the Council is forecasting a £275k underspend in delivering its services. In arriving at the 2021/22 budget management have included a £1.5m capitalisation directive in the form of exceptional financial support from the Department of Levelling Up, Housing and Communities (DLUCH), and a £1.845m transfer from earmarked reserves. The capitalisation directive has yet to be approved by DLUCH and is subject to DLUHC's response to a series of financial governance recommendations which were agreed by the Council at an Exceptional Council Meeting on 13 January 2022.

We have considered the adequacy of the Council's reserves up until the period that the Council is planned to transfer to a successor body under planned Local Government Reorganisation across Cumbria on 31 March 2023. We consider that there are significant risks to the Council's financial sustainability requiring going concern consideration which impact both the 2021/22 and 2022/23 which. The Council will require further use of its financial reserves to pay its expenses in 2022/23. Given the sensitive nature of these disclosures, we have identified this as an area of focus in our audit.

We therefore identified the adequacy of disclosures relating to material uncertainties that may cast doubt on the group and Council's ability to continue as a going concern in the financial statements as a significant risk requiring special audit consideration. Given the sensitive nature of these disclosures, this is one of the most significant assessed risks of material misstatement.

Going concern commentary

Management's assessment process	Auditor commentary
Management produced a going concern assessment in the draft accounts referencing that the Council may not be dissolved without statutory prescription.	• We do not consider that management adequately explained the financial pressures and the pressure on reserves in the draft going concern disclosure note. We consider that there may be sufficient reason to disclose material uncertainty and have requested that management reconsider their disclosure. **revised note awaited and possible emphasis of matter**
Work performed	**Auditor commentary**
We requested that management provided a cash flow forecast covering the 12 month period to February 2023 together with a paper setting out their supporting reasons why the going concern basis of accounting is appropriate	• Management have not provided their forward cash flow forecast or briefing note paper to support going concern • We have reviewed the Council's budget for 2021/22 and 2022/23, in conjunction with the Financial Sustainability Report produced by DLUHC. We consider that there is significant pressure on the Council's reserves and uncertainty regarding approval of the capital direction request for 2021/22 and 2022/23, and unidentified financial pressures caused by MRP and interest rate volatility • More detail on the financial position of the Council is included in the VFM section of this report
Concluding comments	**Auditor commentary**
	• We recognise that management are correct in assuming that the accounts are prepared on a going concern basis based upon current legislation and CIPFA Practice Cote 10 guidance, however we consider that management should disclose the material uncertainty that exists • *** TBC***

DRAFT

Public

3. Value for Money

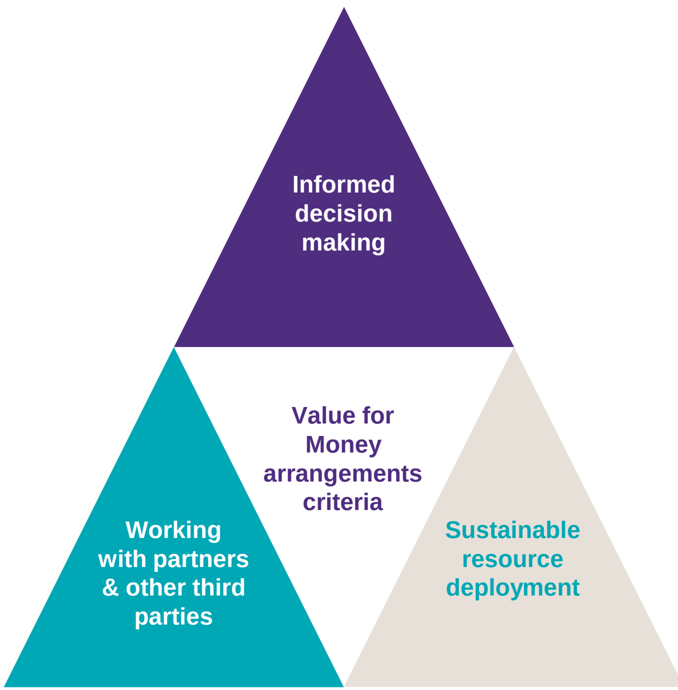
Background to our VFM approach

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

This involves the auditor carrying out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work for 2018/19, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in March 2021 and identified a number of significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks in our Audit Plan dated March 2021.

Our risk assessment is a dynamic process and we have had regard to new information and risks which emerged since we issued our Audit Plan, including follow up of matters raised by whistleblowers. Where our consideration of the significant risks determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements which we report in our VFM conclusion.

Our work

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

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

- Management's capacity to produce financial statements by the prescribed deadline and of sufficient quality. Linked to this is the reporting of outturn performance and forward budget setting without a clear prior year audited financial position
- Management's capacity to respond to and deliver the recommendations and action plans required of external regulators including external audit (including statutory recommendations) and Department of Levelling Up, Housing and Communities (DLUHC). This is in the face of Local Government Reorganisation (LGR) across Cumbria and the proposed transfer of the Council to a successor unitary body on 31 March 2023
- Financial sustainability pressures (both revenue and capital) and pressure on the Council's reserves up until LGR is implemented
- Governance weaknesses identified by CIPFA in their review of Audit Committee and Internal Audit effectiveness
- Deficiencies in the Council's IT control environment during 2018/19

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on the pages that follow. Further details can be found in our separate Value for Money Report covering the period 2018/19 and 2019/20.

Value for Money (cont'd)

Overall conclusion

Because of the significance of the matters we identified in respect of Informed Decision Making and Sustainable Resource Deployment, we are not satisfied that the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We therefore propose to give a qualified 'adverse' conclusion.

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

Basis for adverse conclusion

In considering the Authority's arrangements for securing efficiency, economy and effectiveness in its use of resources, we identified the following matters:

Informed decision making

- inadequate arrangements in place to produce draft financial statements which meet reporting deadlines, statutory requirements and international financial reporting standards (this covers the periods up to 2022/23)
- independent review of the Audit Committee identified deficiencies by CIPFA (14 September 2021)
- independent review of internal audit identified deficiencies by CIPFA (27 August 2021)
- significant control deficiencies surrounding ICT and business continuity
- insufficient capacity, skill and experience within the finance team (resulting in missed deadlines and material errors)
- risk of insufficient management capacity to respond adequately to the scale of recommendations issued (DLUHC, CIPFA, External Audit), and lack of adequate oversight by Members on progress made in implementing the recommendations

Sustainable resource deployment

- accurate budgets cannot be set without audited financial statements setting out the balance sheet position including reserves
- critical financial governance weaknesses were identified by the Department of Levelling Up, Housing and Communities (DLUHC) LG Finance Review (7 December 2021) and Grant Thornton on medium term financial planning, budgeting assumptions and sensitivity analysis
- risk of overcommitment on the Council's capital ambitions especially in the context of dependency on capital directions and the transition to Local Government Reorganisation.
- Dependency on capitalization directives to balance the budget (up until the demise in March 2023)

The above matters highlight pervasive strategic financial planning, financial reporting and governance weaknesses at the Authority. These matters are evidence of weaknesses in proper arrangements for sustainable resource deployment in planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.

Recommendations for improvement

We discussed findings arising from our work with management and have suggested recommendations for improvement directed at the Cumberland Council as successor body. At the time of writing we have not received management responses to these recommendations.

Our recommendations can be found in our separate Value for Money Report covering the period 2018/19 and 2019/20. These recommendations are intended to support Cumberland Council in understanding and avoiding the significant deficiencies reported at Copeland Council.

In making recommendations from the 2018/19 Value for Money audit work it should be noted that our commentary relates to the period 2018/19 although for context we have drawn on later developments where appropriate.

Value for Money (cont'd)

Statutory recommendations

Under the Code of Practice, Auditors are given statutory powers to issue written recommendations under section 24 of the Local Audit and Accountability Act 2014 where matters of significance arise. The following section 24 recommendations were made during the course of the 2018/19 audit:

In February 2021, we issued three statutory recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014. These were for the Council to:

- address slippage in producing statutory accounts;
- put in place arrangements to address audit and Annual Governance Statement recommendations; and
- carry out independent both Internal Audit and Audit Committee effectiveness reviews to assess their impact on improving the Council's internal control environment.

In March 2022, we issued five further statutory recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014. These were for the Council to:

- continue to put in place robust arrangements for the production of late 2019/20, 2020/21 and 2021/2022 financial statements, which meet statutory requirements and international financial reporting standards;
- ensure the critical financial governance weaknesses identified by the Department of Levelling Up, Housing and Communities (DLUHC) review and Grant Thornton on medium term financial planning, budgeting assumptions and sensitivity analysis are implemented with immediate effect to enable the Council to set realistic financial revenue plans for the short term;
- protect against overcommitment on the Council's capital ambitions especially in the context of dependency on capital directions and the transition to Local Government Reorganisation;
- develop a composite and robust action plan from all the Grant Thornton, DLUHC and CIPFA external reviews, ensuring there is appropriate capacity and capability in place to implement the required governance improvements with adequate and regular oversight and challenge from Full Council, Overview and Scrutiny and the Audit Committee; and
- take immediate action to strengthen the Council's internal governance arrangements, especially its Internal Audit service and Audit Committee effectiveness.

Significant difficulties in undertaking our work

Difficulties have arisen due to the passage of time and loss of key staff at Copeland Council in the run up to the Council ceasing to exist and transferring to Cumberland Council. This loss of corporate knowledge has meant that responses to audit inquiries were not always available.

Significant matters discussed with management

Management were unable to fully explain the make-up of the cyber related costs and lost income to support the capitalisation directive of October 2018 due to records being unavailable and staff transition brought about by the passage of time. This is referenced in our separate Value for Money report to the Council.

4. Other communication requirements

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

	Issue	Commentary
1	**Matters in relation to fraud**	We have previously discussed the risk of fraud with the Audit Committee and we were not made aware of any incidents in the period. We have received allegations of fraud from whistleblowers regarding expenditure which we have followed up and which have contributed to our wider assessment of the weaknesses in management's control environment, these contribute to our disclaimer of opinion for 2018/19.
2	**Matters in relation to related parties**	We have followed up whistleblower allegations regarding undisclosed and inappropriate conflicts of interest and related party transactions. Although these relate specifically to previous years, we consider that this is evidence of control deficiency at the Council which remained during 2018/19 and contributes to our disclaimer of opinion for 2018/19.
3	**Matters in relation to laws and regulations**	During audit inquiries you did not make us aware of any significant incidences of non-compliance with relevant laws and regulations. We raised concerns with management regarding compliance with the terms of the DLUHC (formerly MHCLG) capitalisation directive. This uncertainty contributes to our disclaimer of opinion for 2018/19.
4	**Written representations**	A standard letter of representation has been requested from the Council, which is at Appendix F. We require a letter of representation signed by management and a representative of the former Copeland Audit Committee.
5	**Confirmation requests from third parties**	We requested from management permission to send confirmation requests to the Council's bankers and a sample of investment holders. This permission was granted and the requests were sent. We received satisfactory confirmations in response.
6	**Disclosures**	Our audit identified areas where further disclosure was required in the financial statements in order to comply with the Code of Practice. The key matters are reported at Appendix C.
7	**Audit evidence and explanations/significant difficulties**	The draft accounts were presented for audit in January 2021, considerably later than the June 2019 statutory deadline. This has consequently delayed our audit report beyond the statutory deadline of September 2019. Difficulties have arisen due to the passage of time and loss of key staff at Copeland Council in the run up to the Council ceasing to exist and transferring to Cumberland Council. This loss of corporate knowledge has meant that responses to audit inquiries were not always available and are no longer expected to be available. This is a contributory factor for our proposed disclaimer of opinion.

Other responsibilities under the Code

	Issue	Commentary
1	**Other information**	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Inconsistencies have been identified which management have not addressed. This includes our request that the Narrative Report requires editing to reflect the matters arising during the audit (eg where balances have changed) and we do not consider that the Annual Governance Statement reflects the seriousness of the control weaknesses identified during our audit and value for money review and those weaknesses identified by other review agencies. We do not agree that overall “partial assurance” on the governance arrangements can be justified. If these matters are not addressed by management we will issue a modified opinion in this respect – refer to appendix E
2	**Matters on which we report by exception**	We are required to report on a number of matters by exception in a numbers of areas: • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit. We have identified inconsistencies as set out above – see Appendix C. • If we have applied any of our statutory powers or duties. We have issued Section 24 Recommendations to the Council in February 2021 and March 2022 which are set out in the next section of this report (see page 24).
3	**Specified procedures for Whole of Government Accounts**	For Council's we are normally 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. For 2018/19 this work is not required as the Council does not exceed the threshold and the reporting deadline has passed.
4	**Certification of the closure of the audit**	We intend to certify the closure of the 2018/19 audit of Copeland Council shortly after the audit opinion is issued, as detailed in Appendix E.

5. Other statutory powers and duties

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

Issue	Commentary
Section 24 Written Recommendations- Local Audit and Accountability Act **February 2021**	We have concluded that, it is appropriate for us to use our powers to make written recommendations under section 24 of the Act, due to inadequate arrangements in financial governance and the Council's capacity and capability to effectively respond and implement a large number of external review governance related recommendations raised by the Department for Levelling Up, Housing and Communities (DLUHC), Grant Thornton and the Chartered Institute of Public Finance and Accountancy (CIPFA), with the direct financial and human resource costs adding further pressure to a very fragile financial position. The Council's 2019/20 and 2020/21 financial statements and value for money conclusions have not yet been provided for audit as the opening positions are not known until the 2018/19 accounts audit is completed. We issued statutory recommendations in February 2021, for the Council to: • Introduce robust arrangements for the production of late 2018/19, 2019/20 and 2020/21 financial statements, which meet statutory requirements and international financial reporting standards • Implement outstanding audit recommendations and Annual Governance Statement governance related weaknesses and actions, especially those related to ICT and business continuity, and regularly update management and members with progress and implementation of improved controls; and • Carry out independent Internal Audit and Audit Committee effectiveness reviews to assess their impact on improving the Council's internal control environment. We have followed up progress against these recommendations during the 2018/19 audit and we acknowledge that the Council has made some progress on these statutory recommendations We recognise that the dates have lapsed for the Council to produce their 2021/22 and previous financial statements by the deadline. Progress has been made in implementing overdue recommendations although we report separately that we have concerns regarding management capacity to respond to the extant recommendations of external regulators made during 2021. Effectiveness reviews of Internal Audit and the Audit Committee have been undertaken and the deficiencies arising are reported elsewhere in this report. Given the passage of time, the Council has ceased to exist and has transferred to Cumberland Council at the point of issue of this Audit Findings Report. Copeland Council was unable to return to a timetable of meeting statutory reporting deadlines. Further detail is provided in our separate Value for Money Report covering the period 2018/19 and 2019/20.

Other statutory powers and duties (continued)

Issue	Commentary
Section 24 Written Recommendations- Local Audit and Accountability Act **March 2022**	Following on from the statutory recommendations issued in February 2021, and cognisant of the outcomes from Department for Levelling Up, Housing and Communities (DLUHC) and CIPFA during 2022, we concluded that, it is appropriate for us to use our powers to make further written recommendations under section 24 of the Act. We issued statutory recommendations in March 2022, for the Council to: • Continue to put in place robust arrangements for the production of late 2019/20, 2020/21 and 2021/2022 financial statements, which meet statutory requirements and international financial reporting standards. • Ensure the critical financial governance weaknesses identified by the Department of Levelling Up, Housing and Communities (DLUHC) review and Grant Thornton on medium term financial planning, budgeting assumptions and sensitivity analysis are implemented with immediate effect to enable the Council to set realistic financial revenue plans for the short term. • Protect against overcommitment on the Council's capital ambitions especially in the context of dependency on capital directions and the transition to Local Government Reorganisation. • Develop a composite and robust action plan from all the Grant Thornton, DLUHC and CIPFA external reviews, ensuring there is appropriate capacity and capability in place to implement the required governance improvements with adequate and regular oversight and challenge from Full Council, Overview and Scrutiny and the Audit Committee; and • Immediate action is required to strengthen the Council's internal governance arrangements, especially its Internal Audit service and Audit and Governance Committee effectiveness. Given the passage of time, the Council has ceased to exist and has transferred to Cumberland Council at the point of issue of this Audit Findings Report. Copeland Council was unable to properly address the recommendations. Further detail is provided in our separate Value for Money Report covering the period 2018/19 and 2019/20.

6. Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No non-audit services were identified which were charged from the beginning of the financial year to the issue of this report. Audit related services provided, as well as the threats to our independence and safeguards that have been applied to mitigate these threats are shown in the table below.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Subsidy Claim	£11,700 2018/19 £20,000 2019/20 £24,800 2020/21 £27,900 2021/22 £43,000 2022/23 (TBC)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £11,700 (2018/19) in comparison to the proposed total fee for the audit of £141,000 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

Action plan – financial statements

We have identified five recommendations for the Cumberland Council relating to the 2018/19 audit of Copeland Council as a result of issues identified during the course of our audit.

	Assessment	Issue and risk	Recommendations
1.	High (red)	**Follow up by Cumberland Council** Copeland Council has ceased to exist in March 2023 and now forms part of the successor Cumberland Council. It is for Cumberland Council to learn the lessons from the weaknesses raised in this report and to ensure they are not replicated in the successor body.	Management of Cumberland Council to understand the matters reported in this Audit Findings Report for Copeland Council and to ensure they are not repeated. This also includes the recommendations made in the Value for Money Report and Statutory Recommendations made in January 2021 and March 2022. **Management response** TBC
2.	High (red)	**Journal postings across financial years** The Copeland Oracle general ledger (since replaced) was not closed annually following audit closure, and journals were posted to closed periods. This creates the risk that journals do not impact the year of audit.	Ensure that the general ledger is closed annually and no postings made to closed periods. **Management response** TBC
3.	Medium (amber)	**Accounting Policy Note 4 Estimation uncertainty** We identified that Accounting Policy Note 4 Estimation uncertainty contains items that may not contain material estimation uncertainty and do not quantify the value of that uncertainty (eg NDR appeals and PFI assumptions).	Review the estimation uncertainty disclosure in the 2019/20 and beyond financial statements to ensure the estimation uncertainty is clearly identified, quantified and material in value. **Management response** **TBC**

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

Action plan – financial statements

We have identified five recommendations for the Cumberland Council relating to the 2018/19 audit of Copeland Council as a result of issues identified during the course of our audit.

	Assessment	Issue and risk	Recommendations
4.	High (red)	**Copeland Financial Statements 2019/20 to 2022/23** Cumberland Council is the statutory body responsible for preparing and approving the financial statements of Copeland Council up until its demise on 31 March 2023. DLUHC has proposed backstop arrangements to clear the backlog of historic Local Authority financial statements by September 2024.	Cumberland Council management should liaise with their auditor to agree a timetable for producing the financial statements of the legacy Copeland Council. **Management response** **TBC**
5.	Medium (amber)	**Accounting Policy Note 3 Critical judgements** We identified that Accounting Policy Note 3 Critical judgements in applying accounting policies did not meet the expected disclosure requirements. Critical judgement disclosure should be confined to areas that have a material effect on the balances in the financial statements and make clear reference to methods applied, inputs used and assumptions made and to include financial values. The judgements should not address non-material areas or be a repeat of the accounting policy.	Revisit critical judgement disclosure in the 2019/20 and beyond financial statements to ensure it is confined to areas that have a material effect on the balances in the financial statements and make clear reference to methods applied, inputs used and assumptions made and to include financial values. The judgements should not address non material areas or be a repeat of the accounting policy. **Management response** TBC

Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of Copeland Borough Council's 2017/18 financial statements, which resulted in [x] recommendations being reported in our 2017/18 Audit Findings report.

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
1	X	Brought forward from 2016/17 We recommended last year that instructions to the Valuer and control over final valuations and component schedules should be improved. This issue has not been adequately addressed and further action is required to provide clear evidence of the scope and results of the valuation exercise. Our valuer expert has also found the instructions were not clear. Recommendations Provide clear instructions to the Valuer including the format of the final valuation report. The final valuation report should clearly identify the assets that have been revalued and the aggregate value of the individual assets. Componentisation schedules should be included where required.	Not adequately addressed
2	X	Brought forward from 2016/17 We recommended last year that working paper requirements should be agreed with the auditor and that these should include key specified items. Update for 2017/18: There has been improvement in the working papers produced to support the financial statements in 2017/18. However, there remain areas which could be strengthened. **Recommendations** Agree working paper requirements with the external auditor. These should include: • analytical review of figures in the primary statements; • documentation to support critical judgements and estimates; • consideration of whether there may be material discrepancies between current value and carrying value for assets which have not been revalued; and • cash flow projections to evidence going concern.	Whilst a year-on-year analytical review schedule was provided by management, the other key areas listed were not provided to the auditor at the time the audit commenced.

Assessment
✓ Action completed
X Not yet addressed

Follow up of prior year recommendations

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
3	X	Brought forward from 2016/17 We found significant errors in the coding of income and expenditure to the correct financial year. This issue was also reported last year. Recommendations Review cut-off arrangements to ensure that there are appropriate procedures in place to identify income and expenditure which should be accrued at year end.	Management have invested time in year end cut off. However given the matters arising concerning potential posting of journals across closed financial years, and the possible impact of 2017/18 cut off issues impacting the 2018/19 financial statements we do not have sufficient assurance in this area.
4	X	Our audit identified that there was a material difference between current value and carrying value for those assets which had not been revalued. Management had not carried out an exercise of this nature to confirm that the PPE balance did not contain material misstatement. Recommendations Carry out an annual review of potential differences between current value and carrying value of assets not revalued at the year end to demonstrate that no material error has arisen in respect of assets not revalued.	Significant deficiencies were identified with land, buildings and investment property valuations in the financial statements which has required management to commission a new valuation from a new valuation expert.
5	X	We found that the asset register did not contain information in respect of all downward valuations charged to the CIES in previous years. This information is required to ensure that future revaluations are correctly posted. Recommendations Ensure that details of revaluation postings are maintained on the asset register and that revaluation reserve balances and postings to the CIES are rolled forward at the end of each financial year.	Significant deficiencies were identified with land, buildings and investment property valuations in the financial statements which has required management to commission a new valuation from a new valuation expert.
6	X	Our work identified unexpected movements in Fair Value classifications for surplus assets and Investment Property. Some were found to be errors. The financial statements did not provide explanations for transfer of assets between levels in the fair value hierarchy Recommendations Review movements in Fair Value classifications for reasonableness and challenge valuer on unexpected changes. Provide explanation in the financial statements of any transfer of assets between levels in the fair value hierarchy, and the Council's policy on such transfers.	Significant deficiencies were identified with land, buildings and investment property valuations in the financial statements which has required management to commission a new valuation from a new valuation expert.

Assessment
✓ Action completed
X Not yet addressed

Follow up of prior year recommendations

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
7	X	Brought forward from 2016/17 Our work highlighted weaknesses in the bank reconciliation which is difficult to follow and does not lend itself to management review. There is a risk that fraud or error in the accounting system may go unnoticed. Recommendations Ensure that there is a clear timetable in place for the production and review of control account reconciliations. The format of reconciliations should enable the nature and validity of reconciling items to be determined, and senior officer review should be properly evidenced.	No evidence of senior officer review of the bank reconciliation and the reconciliation required additional audit time to understand the processes followed.
8	X	We were unable to agree details of payments made to staff for election duties which were included in our sample testing. Recommendations Ensure documentation is prepared and retained for all payments relating to election duties.	Weaknesses in document retention have continued and disrupted the 2018/19 audit process.
9	X	We found several errors in the disclosure of Senior Officer Remuneration. These errors were relatively minor but this is a sensitive disclosure and should be subject to rigorous quality Assurance Recommendations Introduce additional QA procedures over sensitive disclosure items in the financial statements. This should include Senior Officer Remuneration and Related Party Transactions.	No audit matters arising with Senior Officer Remuneration disclosures, however Related Parties note included figures from previous year and therefore had not been subjected to internal quality assurance procedures.
10	X	There should be realistic agreed response times for external audit queries and sample requests, and arrangements to ensure that these can be met. This is important as we work with the Council to complete the 2018/19 and 2019/20 accounts audits in a timely manner to what are very tight timetables. Recommendations Revisit and agree response times for external audit queries and sample requests and put in place arrangements to ensure that these can be met	Significant delays were experienced in obtaining responses to audit enquiries.

Assessment
✓ Action completed
X Not yet addressed

Follow up of prior year recommendations

	Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
11	X	Brought forward from 2016/17 Audit testing identified several examples of disposals/ derecognitions of PPE which were not accounted for in the correct year. Recommendations Put procedures in place to ensure that any disposals of PPE are notified to the Finance Team and promptly removed from the asset register. In particular, ensure that there is a clear process in place which ensures that the Legal Department notifies the Finance Department promptly, and with supporting evidence, when a Community Asset Transfer takes place so that these can be correctly accounted for in the financial statements	Significant deficiencies were identified with land, buildings and investment property valuations in the financial statements which has required management to commission a new valuation from a new valuation expert.
12	✓	Communication with the management expert (Link Asset Services) to provide fair values of financial assets and liabilities was not retained. Not all required values were obtained. Recommendations Ensure that communication with the management expert for fair value of financial assets and liabilities is properly documented, and retained, and covers all required disclosures.	External valuation evidence was retained for fair value disclosures other than for lease liabilities.
13	X	Management did not prepare an assessment of going concern in the form of a report to Members or the Audit Committee which pulled together their justification for the going concern basis of accounts preparation. Whilst we do not disagree with management in their conclusion that going concern is appropriate, CIPFA bulletin 05 recommends that a formal assessment is undertaken. The assessment should cover the period of 12 months post audit opinion. Recommendations A management paper to support the going concern assessment should be prepared annually for the Audit Committee and submitted with the audit working papers.	Management did not prepare a going concern evaluation to support their assessment.

Assessment
✓ Action completed
X Not yet addressed

Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management. These adjustments reflect the initial audit findings but do not reflect all the matters arising during the audit in view of the absence of sufficient appropriate audit evidence and the proposed audit opinion disclaimer.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2019.

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000
1	Debtor testing identified incorrect accounting treatment adopted for £200,000 contribution due from Sellafield at year-end. The Council is acting as accountable body for the funding from Sellafield's Social Impact Fund. The balance was incorrectly included within debtors (accountable body debtors should not be carried in Copeland's balance sheet) with a corresponding understatement of cash.	Nil	Short Term Debtors (200) Cash and Cash Equivalents 200	Nil
2	When assessing the accuracy of the information provided by the Council to the actuary it was noted that the incorrect pensionable pay figure had been provided. This required a re-run of the IAS19 by the actuary which has resulted in a change to the primary statements and the related disclosure note.	Surplus or Deficit on Provision of services (369) Re-measurement of net defined pension liability (18)	Net Pensions Liability 387 Pensions Reserve (387)	(387)
3	During the year and asset previously classified as an investment property was transferred to assets held for sale and revalued. Per the Code investment property that subsequently meets the classification criteria for assets held for sale must continue to be accounted for (and classified) as investment property. In addition to the amendments to the primary statements relevant disclosure notes including Note 11 Financing and Investment Income and Expenditure, Note 16 Investment Property have been updated & Note 25 Unusable Reserves.	Financing and Investment Income and Expenditure 290 Surplus or Deficit on Provision of services (290)	Investment Property 300 Assets Held for Sale (300) Revaluation Reserve 290	Nil

DRAFT

Public

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.

Item	Detail	Adjusted?
Accounts were not prepared on the basis of new accounting standards IFRS9 or IFRS15	Initial draft accounts did not take account of the new accounting standards IFRS 9 or IFRS 15, therefore disclosures were not in accordance with the CIPFA code or appropriate accounting standards. Revised accounts have updated so these standards are now appropriately reflected in the accounts.	✓
Going concern disclosure	We do not consider that management adequately explain the financial pressures and the pressure on reserves in the draft going concern disclosure note / Narrative Report. We consider that there may be sufficient reason to disclose material uncertainty and have requested that management reconsider their disclosure.	X
Accounting policy note 3: **Critical Judgements**	Critical judgement disclosure should be confined to areas that have a material effect on the balances in the financial statements and make clear reference to methods applied, inputs used and assumptions made and to include financial values. The judgements should not address non material areas or be a repeat of the accounting policy. Management declined our request to update this note. We have raised a recommendation that this takes place for the 2019/20 disclosure. Note that we have challenged management's judgement that the rental income from the Copeland Centre does not qualify the asset to be classed as an investment property. See Land and Buildings valuation errors.	X
Accounting policy note 4 Major Sources of Estimation Uncertainty	We identified that Accounting Policy Note 4 Estimation uncertainty contains items that may not be material estimation uncertainty and do not quantify the value of that uncertainty (eg NDR appeals and PFI assumptions). Management declined our request to update this note. We have raised a recommendation that this takes place for the 2019/20 disclosure.	X
Note 15 Heritage Assets	Note 15 states that valuations are carried out every five years, however last valuation was undertaken in 2012. This reference has been removed, and assets have been revalued in 2019/20 to ensure they are not materially different.	✓
Note 16 Investment Property	Signage error identified where income and expenditure were not consistently shown so the net gain/ (loss) was incorrect. This has subsequently been updated and is now consistent with note 11.	✓
Note 18 Financial Instruments	Fair value has not been obtained for finance lease liabilities and has therefore been disclosed at amortised cost only	X
Note 19 Debtors	In addition to the errors identified in the debtors testing, classification errors were identified within the note whereby debtors were not allocated to the correct subcategory within debtors which has resulted in: Trade receivables decreasing to £365k NNDR receivables increasing to £1,610k Rent receivables increasing to £214k Other receivables decreasing to £1,388k	✓

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.

Item	Detail	Adjusted?
Note 25 Capital Adjustment Account	Line included called Revaluation Losses on Property, Plant and Equipment charged to the CIES contains charges in relation to assets held for sale, and the narrative should be updated to ensure it accurately describes the charge.	✓
Note 33 Audit Fees	This note has been updated to confirm additional external audit fees for both 2017/18 (£113k) and the proposed additional fee for 2018/19 (£100k). The narrative accompanying the disclosure has also been updated.	✓
Note 35 Related Parties	Errors were identified on review which demonstrated that the note had not been appropriately updated for the prior year as values for 18-19 related to the previous year and comparators did not match the prior year signed accounts. A revised note has been provided to correct this with no further errors identified.	✓
Note 37 Leases - Council as Lessee	Carrying value of Vehicles, Plant, Furniture and Equipment under finance leases was understanded and inconsistent with the asset register. This has been amended from £1,007k to £1,114k.	✓
Note 37 Leases - Council as Lessor	Lessor testing identified a lease which had been omitted during 2017/18. This required a restatement to the balance as at 31 March 2018 and resulted in the following changes: Not later than one year to £82k Later than one year and not later than 5 years to £286k Later than five years to £685k	✓
Note 41 Defined Benefit Pension Schemes	The scheme assets summary table – percentage for equities should be 47.4 not 47.1. Per basis for Estimating Assets and Liabilities paragraph it states latest full valuation of scheme as at 31 March 2019, this should state 2016, as 2019 triennial valuation took place after 2018-19 financial year.	✓
Note 43 Nature and Extent of Risks Arising from Financial Instruments	Limits on variable interest rates for investments only was recorded as £0.1m. This should be amended to £100m for consistency with the Treasury Management policy.	✓
Collection Fund	NNDR receivable of £44,634k includes £2,187k reduction in the appeals provision. This should be separately disclosed on the face of the Collection Fund. Renewable energy disregard of £35k is incorrectly shown on the face of the Collection Fund as increase in provision for appeals. Average Rateable Value for 2018/19 is disclosed as £82,842k, whereas should be disclosed as £83,731k.	✓

Audit Adjustments

Impact of unadjusted misstatements

We are unable conclude on unadjusted misstatements as we have not received responses to our audit enquiries where misstatements may exist. The Audit Committee is ordinarily required to approve management's proposed treatment.

Audit Adjustments

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 2017/18 financial statements.

	Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
1	The Council made a prior period adjustment to recognise leases which had been taken out in February 2017 but were not included in the 2016/17 statements. In making this adjustment the Council did not include the lease payments which had been made in 2016/7. The unadjusted error shown should have been recognised in 2016/17 but has been posted in 2017/18. There is no impact on closing balances at 31/3/18.			Nil	Matter not material
	Revenue (interest payment)	5			
	Long term liabilities (capital repayment)		19		
2	This relates to the additional estimated cost attributed to the Council's pension fund liability, calculated by the Pension Fund Actuary, arising from the McCloud legal case concerning age discrimination.			Nil	Matter not material and addressed in 2018/19 actuarial valuation
	Net cost of services (Past Service Cost)	312			
	Re-measurement of pension liability	(312)			
	Pension reserve				
	Pension liability		(312)		
	Overall impact	**£5**	**£(293)**	**£nil**	

DRAFT

Fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non-audit services.

Audit fees	Proposed fee
Audit Scale Fee	41,324
Fee variation approved by PSAA	157,576
Fee variation to PSAA August 2023 awaiting approval	69,919
Fee variation to be agreed at audit closure	TBC*
Total audit fees (excluding VAT)	**£268,819***

* Final fee to be confirmed

A breakdown of the above fee variations has been provided to and agreed by management.

Note 34 External audit costs reports an audit fee of £153,000. This was a best estimate by management at the time the draft accounts were updated (December 2022) and understates the fee estimate above.

Audit related services	Final fee
Housing Benefit subsidy certification	11,700
Total non- audit fees (excluding VAT)	**11,700**

DRAFT

Public

Audit opinion - Draft

We anticipate we will provide the Council with a modified audit report – Disclaimed opinion

See separate document – awaiting Audit Quality approval

Management Letter of Representation

Grant Thornton UK LLP
30 Finsbury Square

London

EC2A 1AG
[Date – to be same as audit opinion]

Dear Sirs

Copeland Borough Council
Financial Statements for the year ended 31 March 2019

This representation letter is provided in connection with the audit of the financial statements of Copeland Borough Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

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

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

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

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. There are no other material judgements that need to be disclosed.

vi. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

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

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

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

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

Management Letter of Representation

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

x. The Council financial statements have been amended for misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions. The financial statements are free of material misstatements, including omissions.

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

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

xiii. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiv. We have provided you with:

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

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

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

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

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

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

a. management;

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

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

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

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

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by Cumberland Council's Audit Committee at its meeting on 25 March 2024.

Yours faithfully

Name…………………………

Position………………………..

Date…………………………..

DRAFT