The Audit Findings for Barrow-in-Furness Borough Council

Year ended 31 March 2021

Barrow-in-Furness Borough Council

April 2022

Contents

Your key Grant Thornton team members are:

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

Matt Derrick
Senior Manager

Natasha Ayre
Assistant Manager

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. Its contents have been discussed with management and will be discussed with the Audit and Governance Committee.

Gareth Kelly

Name : Gareth Kelly
For Grant Thornton UK LLP

Date : 27 April 2022

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

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Barrow-in-Furness Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2021 for those charged with governance.

Financial Statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

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

Our audit work has been conducted remotely from October 2021 to April 2022. Our findings are summarised in this report.

We have identified five adjustments to the financial statements. These have resulted in an overall adjustment of £370,000 to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C.

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

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

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion Appendix F or material changes to the financial statements (other than that set out above), subject to the following outstanding matters;

- Review of the final version of the financial statements
- Managements consideration of events after the reporting period
- Receipt of management representation letter.

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

Our anticipated audit report opinion will be unqualified, but we will be unable to certify the audit closed until our work on the whole of government accounts, consideration of issuing statutory recommendations is complete, and we have issued our Annual Auditor's Report (covering our work on the Council's value for money arrangements).

We have included an emphasis of matter paragraph in our report in respect of the uncertainty over valuations of the Council's land and buildings given the Coronavirus pandemic. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year.

1. Headlines

Value for Money (VFM) arrangements

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

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

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in Appendix G to this report. We expect to issue our Auditor's Annual Report by 31 July 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our planning work, we considered whether there were any potential risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our risk assessment regarding your arrangements to secure value for money identified the following risks of significant weakness:

- Financial sustainability
- Procurement and contract management arrangements.

Our work on this risk is underway and an update is set out in the value for money arrangements section of this report. We have identified significant weaknesses in the Council's arrangements for procurement and contract management.

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 view of the significant weaknesses identified in relation to procurement and contract management arrangements, we are currently considering whether we need to exercise any of our additional statutory powers or duties in respect of 2020/21. Whilst this should not delay us signing the opinion on the financial statements, we will delay certifying the closure of the 2020/21 audit until we have reached a decision on this.

We expect to certify the completion of the audit upon the completion of our work on the Council's Value For Money arrangements, which will be reported in our Annual Auditor's Report, as well as the completion of our work on the Whole of Government Accounts procedures.

Significant Matters

Management's assumptions and estimates

The revised auditing standard in relation to estimates has led to heightened scrutiny over the estimates in the accounts, particularly property and pension valuations.

For property valuations in particular, there has been significant enquiry and challenge with the Council's valuers and management over the inputs and assumptions applied, as discussed on pages 8 and 11 to 14, and we have reported several recommendations for improvement in Appendix A page 29.

2. Financial Statements

Overview of the scope of our audit

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

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

Audit approach

Our audit approach was based on a thorough understanding of the 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 not had to alter our audit plan, as communicated to you in September 2021.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion pending satisfactory conclusion of all outstanding matters. The outstanding matters are listed on page 3. We will update the Committee verbally of progress against these matters at the meeting on 27 April 2022.

Acknowledgements

The impact of the pandemic has meant that both your finance team and our audit team faced audit challenges again in respect of remote access working arrangements i.e. video calling, verifying the completeness and accuracy of information provided remotely produced by the Council, access to key data (which we would otherwise just view in person) etc.

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff, and look forward to working more face to face again in future.

2. Financial Statements

Our approach to materiality

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

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

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

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	£0.924m	This is equivalent to approximately 1.95% of the gross revenue expenditure.
Performance materiality	£0.647m	The performance materiality has been set at 70% of financial statement materiality. This reflects a standard benchmark based on risk assessed knowledge of potential for errors arising.
Trivial matters	£0.046m	Triviality is set at 5% of materiality
Materiality for senior management remuneration	£0.020m	Senior officer remuneration due to the public interest in the disclosures.

2. Financial Statements - Significant risks

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

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management over-ride 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.	Our audit work included, but was not restricted to: • evaluating the design effectiveness of management controls over journals • analysing the journals listing and determine the criteria for selecting high risk unusual journals • testing unusual journals made during the year and after the draft accounts are produced for appropriateness and corroboration • gaining an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness (see detailed assessment of estimates on pages 11-17) • evaluating the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our work in this area is complete and we have not identified any issues in respect of management override of controls.
The revenue cycle includes fraudulent transactions – rebutted Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. For Barrow Borough Council we have determined that the risk of fraud arising from revenue recognition can be rebutted for other revenue streams, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Barrow Borough Council mean that all forms of fraud are seen as unacceptable.	Following receipt of draft financial statements, we analysed the Council's material revenue and expenditure streams and identified that it was still appropriate to rebut those income streams based on the logic detailed in our audit plan. As we do not consider this to be a significant risk for the Council, we did not undertake any specific work in this area other than our normal audit procedures. Our testing in this area is complete. Performance of procedures to sample test income have not identified any matters to report.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings (including council dwellings) The Council revalues its land, buildings and dwellings on a rolling basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value of buildings and dwellings not revalued in year in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date. We therefore identified valuation of land, buildings and dwellings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.	The Council's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. We have: • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • Evaluated the competence, capabilities and objectivity of the valuation expert • Written to the valuer to confirm the basis on which the valuation was carried out • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation • Tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. Due to the potential impact that Covid-19 has on the value of your land, buildings and dwellings at 31 March 2021, your valuer has disclosed a material valuation uncertainty within their valuers report. Following audit, you have disclosed this material uncertainty within Note 4 of the financial statements. We will reflect your disclosures within an "emphasis of matter" paragraph in our audit report opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted the same material valuation uncertainty. We have encountered some delays in obtaining sufficient and appropriate evidence and supporting explanations for the key assumptions used by the valuer and we have identified some recommendations for improvement in Appendix A page 29.
Contract expenditure Our previous Value for Money work and the work of Internal Audit, has identified weaknesses in the Council's procurement and contract management arrangements. In our prior year audit, whilst we did not identify any financial misstatements, we did identifiy several instances where the Council's processes for new contracts was not followed and we also reported that our recommendation from 2018-19 had not been addressed. We have therefore identified the occurrence and accuracy of expenditure from contracts as a significant risk, which is one of the most significant assessed risks of material misstatement.	In response to this risk we have: • Evaluated the design of the associated controls and the Council's system of accounting for contract expenditure • Completed more transactional testing by elevating the risk for categories of transactions and balances affected such as expenditure and payables • Evaluated the adequacy of the disclosures in the financial statements of any material uncertainty that the Council may have identified through the work completed by Internal Audit • Discussed with management the implications for the audit report • Considered whether any of the findings from our investigation work results in the use of our wider formal powers.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of net pension fund liability The Authority's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Authority's pension fund net liability as a significant risk.	We: • Updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • Obtained assurances from the auditor of Cumbria Local Government Pension Scheme as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. The estimate of the Council's share of assets held by the Cumbria Local Government Pension Scheme was based on an estimated valuation of the pension scheme at 31 March 2021. The audited accounts have been updated to reflect this increase in value. See Appendix C for further details. Our audit work has not identified any significant issues in relation to this significant risk.

2. Financial Statements – other risks

Risks identified in our Audit Plan	Commentary
Covid-19 grant funding- recognition and presentation The Council has received significant additional funding via several different schemes implemented as part of the Government's response to Covid-19. The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding, as distinct from restrictions that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	In response to this risk we have: • evaluated management's processes and assumptions for determining **the** recognition and accounting policies for new grants • reviewed the conditions of the grant schemes to assess whether management's assessment of whether the Council is acting as principal or agent is reasonable • substantively tested a sample of grant income and balances on hand at year end • Reviewed the completeness and accuracy of the disclosures. Our work in this area is complete. We encountered some difficulty in reconciling the draft accounts disclosures in note 6 with supporting working papers. We have identified a minor inaccuracy in the description of the Tax Income Guarantee scheme as receipts in advance and we have requested management to update the disclosures. We also requested management amend the narrative report and the accounts disclosures to ensure clarity and consistency in respect of Covid grants recognised on a principal basis and agency basis.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Other - £61.750 million	Land and buildings comprises specialised assets such as, sports and leisure centres, public conveniences and museums. These are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings including car parks are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. Surplus assets are required to be valued annually and at fair value. The Council has engaged Lambert Smith Hampton Group Limited to complete the valuation of properties as at 31 March 2021. The Council's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates.	In response to this risk we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements. • We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. • The underlying information and sensitivities used to determine the estimate was considered to be complete and accurate. • The valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. • We have uplifted assets not-valued in year using Gerald Eve indices and considered local market factors to support management's assessment that there has been no material changes to the valuation of land and buildings not-valued in year.	We consider managements process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings valuations (continued)	The Council revalues its land and buildings on a rolling programme with a maximum period of four years between revaluations. The majority of land and building assets that are subject to valuation were revalued during 2020/21. Management has considered the year end value of non-valued land and buildings, and the potential valuation change in the assets revalued at 31 March 2021, to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the value. The Council re-measured some of the significant assets valued using Depreciated Replacement Cost (DRC) and this identified significant differences in the valuations which have been amended in 2020-21.	Due to the potential impact that Covid-19 has on the value of your land, buildings and dwellings at 31 March 2021, your valuer has disclosed a material valuation uncertainty within their valuers report. Following audit, you have disclosed this material uncertainty within Note 4 of the financial statements. We will reflect your disclosures within an "emphasis of matter" paragraph in our audit report opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted the same material valuation uncertainty. We have engaged our internal specialist valuations team to review the valuations for DRC assets and concluded that the overall approach is reasonable but highlighted some of the assumptions for build costs were higher than the expected range. We have considered management's assessment of these assumptions and requested additional detail to be added to the disclosures in the accounts and we have requested specific representations in the letter of representations from management. We have reviewed the amended valuations for assets which were re-measured in 2020-21 and the changes to the valuations are included as adjustments to the draft accounts in Appendix C page 31. These changes also impact the prior year valuations however, we are satisfied that no prior period adjustment is required as the net impact is immaterial. We have encountered some delays in obtaining sufficient evidence and supporting explanations for the key assumptions used by the valuer and we have identified some recommendations for improvement in Appendix A page 29.	We consider management s process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings valuations (continued)		Our work is now complete and we have obtained sufficient and appropriate audit assurance to conclude that: • the basis of the valuation of land and buildings and council dwellings is appropriate • the assumptions and processes used by management in determining the estimate of valuation of property are reasonable. • the valuation of land and buildings disclosed in the financial statements is reasonable. • management's approach to this significant estimate is appropriate; and • management's assessment of assets not revalued is reasonable.	We consider managements process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Dwellings - £70.221 million	The Council owns dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Lambert Smith Hampton Group Limited to complete the valuation of these properties. The year end valuation of Council Dwellings was £70.221 million, a net decrease of £0.048m million from 2019/20 (£70.269 million).	• We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. • The underlying information and sensitivities used to determine the estimate was considered to be complete and accurate. • The valuer prepared their valuations in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The valuer used the beacon methodology using the information that was available to them at the valuation date in deriving their estimates. Our work is complete and we have obtained sufficient and appropriate audit assurance as noted in Land, Buildings and Council Dwellings above.	We consider managements process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

2. Financial Statements - key judgements and estimates

<table>
<tr><th>Significant judgement or estimate</th><th>Summary of management’s approach</th><th>Audit Comments</th><th>Assessment</th></tr>
<tr>
<td>Net pension liability – £31.178 million</td>
<td>The Council’s net pension liability at 31 March 2021 is £31.178m (PY £29.163m) comprising the Cumbria Local Government Pension Scheme benefit obligations.
The Council uses Mercer to provide actuarial valuations of the Council’s assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £2.015m increase in the net pension liability during 2020/21.</td>
<td>

We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council.
We have used the work of PwC, as auditors expert, to assess the actuary and assumptions made by the actuary. See below for consideration of key assumptions made by the actuary (see table below):

<table>
<tr><th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr>
<tr><td>Discount rate</td><td>2.1%</td><td>2.1 – 2.2%</td><td>● (G)</td></tr>
<tr><td>Pension increase rate</td><td>2.7%</td><td>2.7%</td><td>● (G)</td></tr>
<tr><td>Salary growth</td><td>4.2%</td><td>2.5%-4.2%</td><td>● (G)</td></tr>
<tr><td>Life expectancy – Males currently aged 45 / 65</td><td>45: 24.3
65: 22.7</td><td>22.5 – 24.7
20.9 - 23.2</td><td>● (G)</td></tr>
<tr><td>Life expectancy – Females currently aged 45 / 65</td><td>45: 27.2
65: 25.3</td><td>25.9 – 27.7
24.0 – 25.8</td><td>● (G)</td></tr>
</table>

No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate.
There have been no changes to the valuation method since the previous year, other than the updating of key assumptions above.
We are content with the adequacy of the disclosure of the estimate in the financial statements.

Conclusion
We are satisfied that the estimate of your net pension liability is not materially misstated.
</td>
<td>We consider management s process is appropriate and key assumptions are neither optimistic or cautious</td>
</tr>
</table>

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision - £0.503 million	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance and the Council's policy for the calculation of MRP is set out in its annual budget setting report presented to Council. The year-end MRP charge was £0.503m, a net decrease of £0.003m from 2019/20.	At 31 March 2021, the Council's MRP was £0.503m. At 31 March 2020 the MRP was £0.506m. The MRP represents 1.38% of the Council's overall Capital Financing Requirement. This has increased from 1.34% at 31 March 2020. This is measure of the pace at which charges to revenue (GF) are being made to finance capital expenditure that has not previously been financed. The overarching requirement is for authorities to determine a "prudent" provision, rather than to follow a particular basis of calculation. If the MRP is too low, the burden of financing capital assets will fall on future generations of taxpayers. We have recommended that the Council review its MRP policy to ensure the provision continues to be prudent and is sufficient to finance capital expenditure that has not previously been financed through the application of capital receipts, capital grants or direct revenue charges. See Appendix F for this recommendation. We consider the level of disclosure in the financial statements to be appropriate.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

Assessment

●	Dark Purple	We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
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2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation - £31.400m	The Council receives a number of grants and contributions and must determine whether the Council is acting as principal/ agent, and if there are any conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income. The Council is acting as the principal and credited the following grants to the Comprehensive Income and Expenditure Statement: • Covid-19 funding • Benefits related grants • Business rates reliefs • Developer contributions The Council is acting as an agent and does not recognise grant income in respect of £25.955m of Covid-19 funding to support local businesses. The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver.	Our audit work included consideration of: • whether the Council is acting as the principal or agent which would determine whether the authority recognises the grant at all • Completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • Impact for grants received, whether the grant is specific or non specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES. • Adequacy of disclosure of judgement in the financial statements. Our work in this area is complete. We have identified a minor inaccuracy in the description of the Tax Income Guarantee scheme as receipts in advance and we have requested management to update the disclosures.	We consider managements process is appropriate and key assumptions are neither optimistic or cautious

Assessment

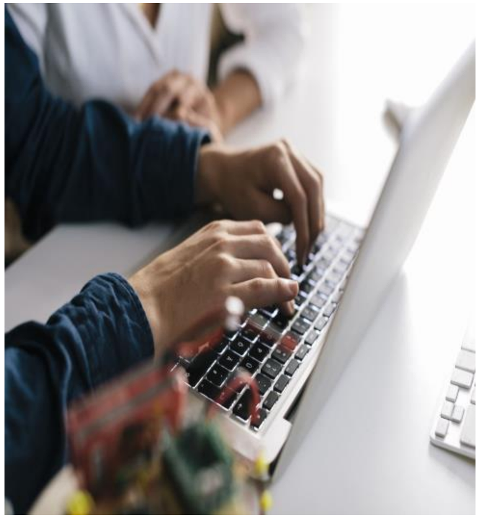
- ● Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider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

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee and Internal Audit. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is appended at Appendix E. Specific representations have been requested from management in respect of the significant assumptions applied in the accounting estimates for valuations of land and buildings.

2. Financial Statements - other communication requirements



Issue	Commentary
Confirmation requests from third parties	We requested from management permission to send confirmation requests to those organisations with which it banks, borrows and in which it invests. This permission was granted and the requests were sent. All of these requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements: see Appendix C for the most significant amendments made to disclosures. In addition a small number of amendments were made to improve clarity for the reader.
Audit evidence and explanations/ significant difficulties	Management has been co-operative in providing information throughout the course of the audit. Management’s assumptions and estimates The revised auditing standard in relation to estimates has led to heightened scrutiny over the estimates in the accounts, particularly property and pension valuations. For property valuations in particular, there has been significant enquiry and challenge with the valuers over the inputs and assumptions applied, as discussed on pages 8 and 12.

2. Financial Statements - other communication requirements

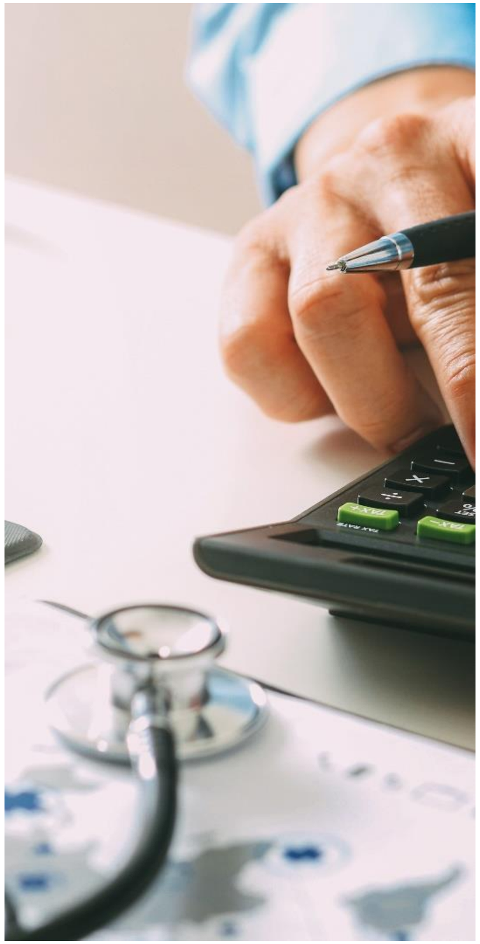
Our responsibility

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

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect – refer to appendix E
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have identified significant weaknesses in the Council’s arrangements for procurement and contract management and an update is set out in the value for money arrangements section of this report.



2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. However, the Council is below the threshold (as set out in the Group Instructions) and therefore no further work is required.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2020/21 audit of Barrow-in-Furness Borough Council in the audit report, as included in Appendix F, due to VFM work being incomplete.

3. Value for Money arrangements

Revised approach to Value for Money work for 2020/21

On 1 April 2020, the National Audit Office introduced a new Code of Audit Practice which comes into effect from audit year 2020/21. The Code introduced a revised approach to the audit of Value for Money. (VFM)

There are three main changes arising from the NAO's new approach:

- A new set of key criteria, covering financial sustainability, governance and improvements in economy, efficiency and effectiveness
- More extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria.
- Auditors undertaking sufficient analysis on the Council's VFM arrangements to arrive at far more sophisticated judgements on performance, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor's Annual Report by 31 July 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

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

We have performed further procedures in respect of these risks and have completed our review of the Council's procurement and contract management arrangements. Our conclusions are detailed below. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code, see Appendix E.

Risk of significant weakness	Procedures undertaken	Conclusion	Outcome
Procurement and contract management arrangements Our previous Value for Money work and the work of Internal Audit, has identified weaknesses in the Council's procurement and contract management arrangements. We identified several instances where the Council's processes for new contracts was not followed and we also reported that our recommendation from 2018-19 had not been addressed.	As part of our risk assessment, we have completed a review of key documentation relevant to these risks, including Council and Committee papers and reports from Internal Audit. We have engaged colleagues from our specialist VFM team to undertake a focussed review and requested additional information from management. We have assessed the Council's progress in strengthening the arrangements and considered whether significant improvement has been achieved.	We have identified significant weaknesses in the Council's arrangements for procurement and contract management.	We have identified key recommendations for improvement. The Council should ensure that: - procurement activities are conducted in accordance with the contracting standing orders and procurement regulations - procurement and contracting documentation is available to Internal Audit to support their assurance reviews - changes to contracting and procurement procedures are supported by appropriate training and guidance to officers - procedures are in place to monitor compliance with the updated contracting and procurement procedures. In view of the weaknesses identified, we are currently considering whether we need to exercise any of our additional statutory powers or duties in respect of 2020/21. Whilst this should not delay us signing the opinion on the financial statements, we will delay certifying the closure of the 2020/21 audit until we have reached a decision on this.

3. VFM - our procedures and conclusions

Our work on this risk is underway and an update is set out below.

Risk of significant weakness	Work performed to date
Financial sustainability The Council faces some significant challenges in the short and medium term. Achieving future planned savings will be even more challenging in context of Covid-19 impact and recovery and there is uncertainty around future arrangements for the delivery of leisure services.	As part of our risk assessment, we have completed a review of key documentation relevant to these risks, including Council and Committee papers and reports from Internal Audit.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention, in addition to those we have already drawn to your attention in our Audit Plan.

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.

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

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk)

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, which were charged from the beginning of the financial year to September 2021, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

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

Audit-related service	Fees £	Threats identified	Safeguards
Certification of Housing Benefit Claim	41,100 (expected)	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 £41,100 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the certification work is completed after the audit has finished. Material errors in this area are unlikely and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing capital receipts grant	6,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,000 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the certification work is completed after the audit has finished. Material errors in this area are unlikely and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of Financial Statements

We have identified 2 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021/22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	Minimum Revenue Provision At 31 March 2021, the Council's MRP was £0.503m. At 31 March 2020 the MRP was £0.506m. The MRP represents 1.38% of the Council's overall Capital Financing Requirement. This has increased from 1.34% at 31 March 2020. This is measure of the pace at which charges to revenue (GF) are being made to finance capital expenditure that has not previously been financed. The overarching requirement is for authorities to determine a "prudent" provision, rather than to follow a particular basis of calculation. If the MRP is too low, the burden of financing capital assets will fall on future generations of taxpayers.	Review the Council's MRP policy to ensure the provision continues to be prudent and is sufficient to finance capital expenditure that has not previously been finance through the application of capital receipts, capital grants or direct revenue charges. **Management response** The MRP Policy was thoroughly reviewed in 2016 as a project within the Budget Strategy (the Council's response to austerity). The Council's MRP Policy aligns the annual charges to revenue against the period of time that service delivery benefits from the assets created and improved. The MRP Policy is considered annually when preparing the Treasury Management Strategy Statement. The Policy has remained the same since the 2016 review and management accept that it is timely to bring forward another detailed review to the Executive Committee for consideration.

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
High	Valuation of land & buildings We have encountered some delays in obtaining sufficient evidence and supporting explanations for the key assumptions used by the valuer. We identified issues with reconciling the detailed asset calculations to the valuers overall report. The valuers supporting evidence and explanation for some key assumptions for DRC assets was limited and we subsequently engaged our internal specialists valuations team to review the external valuers work.	Management should ensure: 1) Complete, accurate and up to date source data is provided to the Valuer (in particular up to date lease agreements and lease terms) 2) review of valuation report in terms of completeness and challenge of valuers key assumptions 3) robust management assessment on the assumptions adopted for all valuations and for DRC assets including consideration of the modern equivalent asset approach 4) clear instructions are issued to valuer in terms of assets to be revalued, valuation basis, tenant update and changes to any key inputs and assumptions Management Response Management recognise that the information required to support the Valuer carrying out the Council's instructions must be complete, accurate and up-to-date, and shall ensure that the relevant departments work together to achieve this. Management shall strive to secure the Valuers Report in good time to allow the completeness and key assumptions to be reviewed and challenged. The assessment of assets valued at depreciated replacement cost (DRC), including the consideration of the modern equivalent asset (MEA) approach, was new for 2020-2021; management recognise that the DRC MEA assumptions should be robust and disclosed to the Valuer. Management shall ensure that clear instructions are issued to the Valuer in all aspects that are relevant to the valuations required.

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the audit of Barrow-in-Furness Borough Council's 2019/20 financial statements, which resulted in two recommendations being reported in our 2019/20 Audit Findings report. We have followed up on the implementation of the recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Segregation of duties conflicts between Oracle system administration and finance roles** To support our opinion on the financial statements for the year-ended 31 March 2020, our specialist IT audit team completed an audit of the design and implementation effectiveness of the IT General Controls (ITGC) within the IT environment. During the IT Audit visit, we also completed an Oracle authorisation and security design review to help provide assurance over Oracle controls for the financial statements. We observed two users that had conflicting IT and Finance responsibilities assigned. This combination of access rights allows the users a wide range of access to change and configure the system, users and data therein. In addition we also observed 10 Finance users with access assigned to critical functions that allows them to change system configuration including cross validation rules, functions, profile options responsibilities and key flex fields values. We recommended that management address segregation of duties conflicts between the Oracle system administration and finance roles.	We note that the segregation of duties conflicts identified previously remain prevalent in 2020-21 and management asserts this is unavoidable due to the nature and capacity of the finance team. Our audit procedures have not identified any instances of an override of controls in relation to these issues. We are satisfied that they have not impacted the financial statements for the year ended 31 March 2021.
✓	**Valuation of Land, Buildings and Dwellings** The Council has been slow to provide evidence to support key assumptions and source data underpinning the valuation of its land, buildings and dwellings. This has made it difficult for management to support the assumptions and source data used by its valuer, and in turn has added delays to the audit process. We recommended that management provide evidence to support all source data and key assumption used in the annual valuation of land, buildings and dwellings.	The Council has commissioned physical surveys of significant assets valued using Depreciated Replacement Cost (DRC) where one of the key inputs to the valuation is the internal floor area and/or site area. This has been undertaken for five buildings and the results identified significant differences in floor areas when compared to existing records. Upon review, we are satisfied that the net impact on the land & buildings asset value is immaterial, although some individual changes to asset values are material. Management has also considered the risk that other DRC assets are misstated and we are satisfied this assessment is appropriate. We are satisfied the original issues identified and our recommendation has been implemented however, we have identified further issues during our 2020-21 audit, as detailed in Appendix A

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

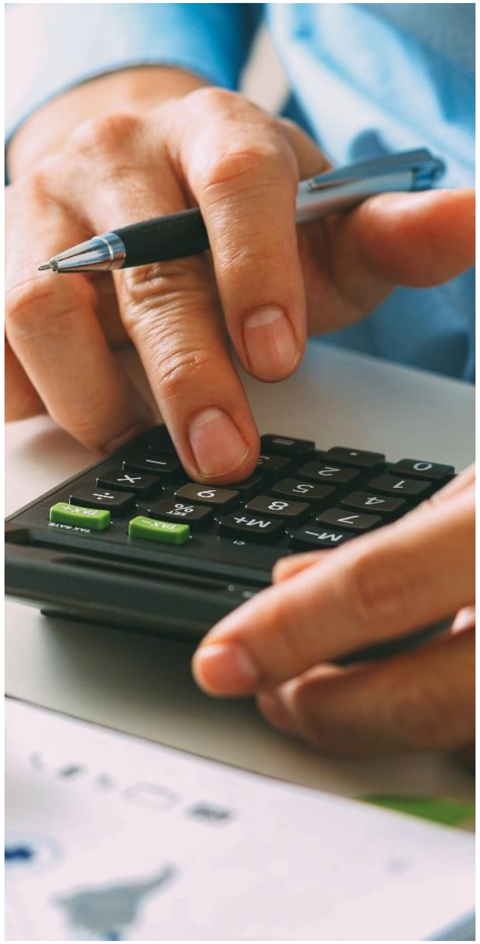
We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2021. Note that there are elements of our audit which are still underway as at the time of writing and therefore there could be further amendments required.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £'000	Impact on total net expenditure £'000
The Council re-measured some of the significant assets valued using Depreciated Replacement Cost (DRC) and this identified significant differences in the valuations which have been amended in 2020-21.			
Forum	(£200)	£200	(£200)
Dock Museum	(£100)	£100	(£100)
Crematorium	(£400)	£400	(£400)
Cavendish Park	(£30)	£30	(£30)
Barrow Town Hall	£1,100	(£1,100)	£1,100
Overall impact	**£370**	**(£370)**	**£370**

C. Audit Adjustments



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2020/21 audit which have not been made within the final set of financial statements. The Audit and Risk Committee is required to approve management's proposed treatment of all items recorded within the table below. Note that there are elements of our audit which are still underway as at the time of writing and therefore there could be further amendments required.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
• Our testing of additions identified £179,000 classified as capital expenditure in 2020/21. This has been incorrectly treated as an addition in 2020/21, as it relates to the prior year. The impact on in-year depreciation is trivial.	nil	nil	nil	n/a
Overall impact	nil	nil	nil	

Impact of prior year unadjusted misstatements

Our prior year audit findings report included an unadjusted misstatement in relation to the impact of the McCloud Judgement and a change in the value of the Council's share of Cumbria Local Government Pension Scheme assets. The net impact of these two issues would have been to increase the net defined benefit pension liability by £107,000. This difference is included in the prior year comparator in the 2019/20 financial statements and is immaterial. The Council's net defined pension liability at 31 March 2021, as disclosed in the 2019/20 financial statements, reflects the most up to date valuation of Cumbria Local Government Pension Scheme assets and includes an estimate of the impact of the McCloud Judgement.

C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure	Details	Adjusted?
Prior year comparatives	The Council made some amendments to the prior year comparative figures which had been brought forward into the draft accounts inaccurately.	✓
Accounts consistency	Updates made to references in the accounts and minor amendments to ensure consistency.	✓
Narrative report	Updates made to figures drawn from the accounts to ensure consistency	✓
Accounting policies	Heritage Asset accounting policy is required this year due to this becoming a material balance in 2020/21.	✓
Remuneration disclosures	The Council made some amendments to the disclosures in the Officers Remuneration note. We identified some omissions in the disclosure of allowances and expenses paid during the year.	✓
Grants disclosures	The Council added further information to the explanation of the accounting and recognition of funds received from Covid-19 grants and amended the disclosure of grant funding received in advance	✓
Critical judgements & uncertainty	The Council has amended the disclosures in notes 4 and 5 where there are no critical judgements applied or significant uncertainty likely to result in material future adjustment to transactions or balances in the account.	✓
Financial instruments	Updates made to disclosures of financial instruments and reconciliation to the balance sheet	✓
Going concern	Further details are required to provide the users of the financial statements with an overview of Local Government reform and the reasoning behind the accounts still being prepared on a going concern basis.	✓
Audit fees	Updates made to disclosure the full external audit costs in the accounts.	✓

D. Fees

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

Audit fees	**Proposed fee**	**Final fee**
Council Audit	£62,772	TBC
Total audit fees (excluding VAT)	£62,772	TBC

* See overleaf for a breakdown of the fee. This information was provided in our Audit Plan but is reproduced overleaf for completeness.

The disclosure in Note 37 of the accounts is as follows and with the exception of rounding we are satisfied that statutory fees as well as non-audit fees for other services as set out in this report, reconciles to the financial statements.

Non-audit fees for other services	**Fees**
Audit Related Services:	
• Certification of Housing benefits	£41,100**
• Certification of Housing capital receipts grant	£6,000
Total non-audit fees (excluding VAT)	**£47,100**

** These are proposed fees as the work in respect of these grant claims is not yet complete. Therefore we are not in a position to confirm final fees as at the time of writing.

G. Audit letter in respect of delayed VFM work

Note that this letter does not form part of our formal communications under ISA 260 (Communication with Those Charged with Governance) but is included here for ease of reference.

Councillor Burns
Audit and Governance Committee Chair
Barrrow-in-Furness Borough Council
Town Hall
Duke Street
Barrow-In-Furness
LA14 2LD

Dear Councillor Burns, Chair of Audit and Governance Committee as TCWG,

Under the 2020 Code of Audit Practice, for relevant authorities other than local NHS bodies we are required to issue our Auditor's Annual Report no later than 30 September or, where this is not possible, issue an audit letter setting out the reasons for delay.

As a result of the ongoing pandemic, and the impact it has had on both preparers and auditors of accounts to complete their work as quickly as would normally be expected, the National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible could be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 31 July 2022.

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

Yours faithfully

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

Grant Thornton

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