Audit Findings (ISA260) Report for Eden District Council

Year ended 31 March 2023

5 September 2024 – initial version presented to Audit Committee on 20 September 2024

22 October 2024 – updated version (changes in blue text) to be presented to Audit Committee on 4 November 2024

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

Gareth Mills

Name: Gareth Mills, Key Audit Partner & Engagement Lead

For Grant Thornton UK LLP

Date: 22 October 2024

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 Eden District Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

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

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

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

Our audit work is complete. We have identified some adjustments to the financial statements, however, these do not impact the Council's useable reserves. Audit adjustments are detailed at Appendix D.

We have also raised recommendations for management as a result of our audit work so far, these are set out at the Action Plan at Appendix B.

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

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

- Receipt of management letter of representation – see Appendix G
- Review of the final set of financial statements.

Our audit opinion is unmodified, with the inclusion of an 'Emphasis of Matter' paragraph highlighting the demise of the Council on 31 March 2023.

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.

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in detail on the 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
- Governance.

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

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

We have identified two areas of significant weakness which result in two key recommendations being raised in our work. These key recommendations cover the governance arrangements for the Voreda House development and capacity to meet the statutory deadline for publishing accounts.

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

Statutory duties

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

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

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

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

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed and agreed with management and is due to be presented to the Audit Committee of W&F Council (the successor body to Eden) on 20 September 2024. The updated version will be presented to the Audit Committee on 4 November 2024.

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
- Review of the group financial reporting requirements in respect of the dissolution of the subsidiary company and transfer of assets and liabilities to the Council.

Conclusion

Our audit of the financial statements is complete and we propose to issue an unqualified audit opinion following the Westmorland & Furness Audit Committee meeting on 4 November 2024.

Our opinion will include an Emphasis of Matter paragraph highlighting the demise of the organisation and the transfer of its services, assets and liabilities into Westmorland and Furness Council from 1 April 2023.

Acknowledgements

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

2. Financial Statements

Our approach to materiality

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

Materiality benchmarks remain the same as reported in our Audit Plan presented to the W&F Audit Committee on 10 June 2024.

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

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	557k	555k	This equates to 1.9% of the Council's draft Gross Expenditure on Cost of Services for 2022-23.
Performance materiality	362k	361k	This has been set at 65% of headline materiality, which is in line with the prior year. This reflects the fact that the Council has a stable financial reporting team with a track record of preparing good quality financial statements, supporting working papers and engaging well throughout the audit process.
Trivial matters	28k	27k	This equates to 5% of headline materiality and represents our threshold for reporting corrected and uncorrected misstatements to the Audit Committee.
Materiality for specific transactions, balances or disclosures - senior officer remuneration	15k	15k	This reflects heightened interest in this sensitive area.

2. Financial Statements - Significant risks

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

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

Risks identified in our Audit Plan	Commentary
The revenue cycle includes fraudulent transactions – rebutted Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. For the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted for all revenue streams, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including the Council mean that all forms of fraud are seen as unacceptable.	Following receipt of draft financial statements we analysed the Council's material revenue and expenditure streams and identified it was still appropriate to rebut those income streams based on the logic detailed in our Audit Plan. As we do not consider this to be a significant risk for the Council we did not undertake any specific work in this area other than our normal audit procedures. **Findings** Our audit work is complete and we have not identified any issues to report.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. 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 is one of the most significant assessed risks of material misstatement.	**Work completed** • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration • tested journals created by the specific users with confliction role combinations • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions • Assessed the design and implementation of IT controls within the journals process. Our work complete and we have not identified any issues to report.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Closing Valuation of land & buildings, council dwellings and Investment properties The Council re-values its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (some £25m for land & buildings and £27m for investment properties) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council's financial statements is not materially different from the current value or the fair value at the financial statements date, where a rolling programme is used. Investment Property is carried at fair value and should be revalued at each year end. We therefore identified the valuation of land, buildings and investment properties, including those formerly held by the Heart of Cumbria Limited, as a significant risk. This is one of the most significant assessed risks of material misstatement.	**Work completed** • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluated the competence, capabilities and objectivity of the valuation expert • discussed with the valuer the basis on which the valuation was carried out • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • 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 • engaged our own valuer to assess the instructions to the Council's valuer, the valuer's report and the assumptions that underpin the valuations. Our work is complete and we have identified the following issues: **Land & Buildings:** Our review of the valuation methodology identified that the build cost indices applied by the external valuer was based on the January 2023 forecast for build costs at 31 March 2023. The actual build cost indices at 31 March increased by 4%. On review of the valuations, we identified that the change in indices would likely lead to a material increase in the valuation of land and buildings and raised this matter with management. Management obtained a revised valuation which resulted in an increase to the value of DRC assets. We have reviewed the updated calculations and the valuation of assets has increased by £545k which has been adjusted in the accounts. We have requested management's assessment of the risk of impairment of assets not revalued, including the assets under construction. The CIPFA code does not require that assets under construction be revalued until they become operational however, there is still a requirement to consider whether there is any indication that the recoverable amount is less than the current carrying value. Management obtained a valuation for Voreda House. The refurbishment and construction work, commencing under Eden Council has been completed by Westmorland & Furness Council. The asset was brought into use in June 2024. The valuation of the building of £2,305k at that date indicates a significant impairment the asset under construction costs of £8,500k. The budget and timeline for delivering the capital project has been revised several times since 2020-21. The revised deliverability and increased costs information could reasonably have been used to assess the risk of impairment and therefore it is appropriate to recognise the impairment retrospectively in accordance with IAS 8. Management has assessed that the impairment should be recognised in proportion to when construction costs were incurred; therefore, 20% of the impairment (£1,224k) has been recognised against the asset under construction of £4,152k in the 2022-23 draft accounts. Additionally, £1,801k has been amended as a prior period adjustment to the asset under construction balance of £2,472k brought forward from 31 March 2022 – please refer to Appendix D. The remaining impairment of £3,169k has been recognised in the Westmorland & Furness Council 2023-24 accounts in line with the costs incurred. **Council Dwellings:** We identified that the properties transferred from the subsidiary, Heart of Cumbria Ltd, were recognised as investment properties in the draft financial statements. The CIPFA code stipulates that council dwellings are a category of operational assets and requires the valuation to be measured using 'existing use value – social housing'. We have confirmed the appropriate basis of valuation has been applied to these assets at a total of £4,627k, however, the accounting of these assets initially as investment properties as opposed to council dwellings, was not compliant with the CIPFA code and, as such, this has been adjusted in the final accounts – please see Appendix D.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Dissolution of the Heart of Cumbria Ltd subsidiary company Following a decision of the Council, the assets and liabilities of Heart of Cumbria Ltd were transferred to the Council on 19 January 2023 and the subsidiary company has become a dormant company. The Council has prepared consolidated financial statements for the period up to 19 January 2023. This is a significant and unusual transaction involving a combination of two entities and transfer of material assets and liabilities including investment properties (c.£4m), the valuation of which are a significant estimate in the draft financial statements. Therefore, we have identified this transaction as a significant risk.	**Work completed:** • updating our understanding of management's procedures for aligning accounting policies and assessing the classification assets and liabilities transferred in accordance with the CIPFA Code • reviewing the accounting treatment for assets and liabilities transferred to the Council's balance sheet • examining the draft disclosures and supporting accounting notes to confirm compliance with the CIPFA Code and fair and accurate representation of business combination • substantively testing the valuation of council dwellings formerly held in the Heart of Cumbria Ltd as part of the Council's portfolio of property assets at 31 March 2023 – (see significant risk in relation to valuation of land & buildings and investment properties on the previous page) • reviewing the Council's narrative report to ensure consistency with the significant transactions reported in the financial statements. As noted on page 9, we have identified these assets were incorrectly classified as investment properties in the draft accounts. They have been reclassified as council dwellings in the revised accounts. The draft accounts have been updated to remove all references to the group financial statements and disclosures have been updated accordingly. Our work is complete, we have no further issues to report.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of the pension fund net liability / asset The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£10,524k in the 2021-22 balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified valuation of the Council's pension fund balance as a significant risk, which was one of the most significant assessed risks of material misstatement. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). However, for the first time since IFRS have been adopted the Council has had to consider the potential impact of IFRIC 14 - IAS 19 - the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability.	**Work completed:** • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls • evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report • obtained assurances from the auditor of Cumbria Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements • evaluate the continued appropriateness of recognising any pension asset position against the Code and IFRIC 14 criteria • assess the calculation performed to identify the IFRIC 14 net pension asset ceiling and where appropriate, challenge management on the validity and appropriateness of the assumptions used in the calculation including the existence of a minimum funding requirement, the future lifetime of the scheme (in years) and the level of future funding contributions (as a % of payroll costs). Our work indicated that: ▪ there is a surplus/asset of £7,608k in the funded defined benefit local government pension scheme as at 31 March 2023, representing the Council's share. This is a fluctuation of £18,132k from the liability position of £10,524k recognised as at 31 March 2022. ▪ management has undertaken an assessment against IFRIC 14 requirements and determined that an asset ceiling caps the net pension asset at £nil and this has been reflected in the draft accounts ▪ the final assurance letter from the pension fund auditor did not contain an significant matters impacting on the Council's accounts. The auditor of Cumbria Local Government Pension Scheme identified that the overall pension scheme valuation provided to the Actuary was £14.912m lower than the scheme valuation. As a result, the Council's share of pension fund net assets as at 31 March 2023 is understated by £289k with a corresponding overstatement of the pension liability. However, this would increase the pension surplus, which is capped at £nil under IFRIC 14 accounting, therefore there is no impact on the Authority's financial statements. Our work is complete and we have no further issues to report in this significant risk area.

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

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

Component	Individually Significant?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach	Findings
Eden District Council	Yes	Audit of the financial information of the component using component materiality.	Risks identified detailed in pages 7 to 11 of this report.	Full scope audit performed by Grant Thornton UK LLP	Refer to summarised findings on pages 7 to 11.
Heart of Cumbria Ltd	No	Analytical procedures at group level.	Following the dissolution of HoCL on 19 January 2023, the assets and liabilities were transferred to Eden DC. (see page 10)	Analytical review procedures at group level.	The Council prepared draft group accounts for 2022-23 however, following the dissolution of the subsidiary, there is no requirement to prepare group financial statements as the Council was the only component at 31 March 2023. The draft accounts have been updated to remove the group accounts and include the appropriate disclosures in the Council single entity accounts. The narrative report has been amended to reflect the changes in the financial reporting arising from this change. We have included the transferred properties within the scope of our review of property valuations. We have not completed any further procedures on the subsidiary company.

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Valuation of Land & Buildings, Council Dwellings and Investment Properties Land and Buildings - £25.506m Council Dwellings - £4.627m Investment properties- £22.777m	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 Walton Goodland Ltd to complete the valuation of properties as at 31 March 2023. The Council's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. Management have opted to obtain asset valuations for all assets as at 31 March 2023 which negates the risk for any assets not revalued having a carrying value that could be materially different to the current value. The year end valuation of Council Dwellings was £4.627 million and have been valued appropriately using Existing Use Value - social housing. The Council does meet the threshold to require a a Housing Revenue Account. Investment properties have been valued at their fair value at year-end. All investment properties were revalued in line with the Code of Practice.	Our work is complete and we identified the following issues: As reported on page 9 – our review of the valuation methodology identified that the build cost indices applied by the external valuer was based on the January 2023 forecast for build costs at 31 March 2023. The actual build cost indices at 31 March increased by 4%. On review of the valuations, we identified that the change in indices would likely lead to a material increase in the valuation of land and buildings and raised this matter with management. Management is seeking a revised valuation and we expect the draft accounts to be amended to reflect the changes. Management obtained a revised valuation which resulted in an increase to the value of DRC assets. We have reviewed the updated calculations; input data and assumptions and the asset valuation has increased by £545k which has been adjusted in the revised accounts. The CIPFA code stipulates that council dwellings are a category of operational assets and requires the valuation to be measured using 'existing use value – social housing'. We identified that the properties transferred from the subsidiary, Heart of Cumbria Ltd, were recognised as investment properties in the draft financial statements. We have confirmed the appropriate basis of valuation has been applied to Council dwellings at a total of £4,627k, however, the accounting of these properties initially as investment properties as opposed to council dwellings, was not compliant with the CIPFA code and, as such, this has been adjusted in the final accounts. We have not further issued to report.	Green We consider management's process is appropriate and key assumptions are neither optimistic or cautious

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
- [Grey] 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

2. Financial Statements: key judgements and estimates

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

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension surplus – £7.608m Net pension asset has been capped at nil in accordance with the requirements of IFRIC 14 IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.	The Council's total net pension surplus as at 31 March 2023 was £7.608m (prior year deficit of £10.524m) This comprises the Cumbria Local Government defined benefit pension scheme obligations. The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund surplus, small changes in assumptions can result in significant valuation movements. There has been a £12.029m net actuarial gain during 2022/23. This is mainly due a significant reduction in the present value of obligations (please see page 11 for more information)	We have: • deepened our risk assessment procedures performed including understanding management's processes and controls for the determination of the estimates. This included understanding methods, assumptions and data used, as well as instructions issued to management's experts and the scope of their work; • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (PwC as auditor's expert) and performed additional procedures as suggested in the report (continued overleaf);	**Green** **We consider management's process is appropriate and key assumptions are neither optimistic or cautious**

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.8%	4.7 – 4.9%	●
CPI Inflation	2.7%	2.7%	●
Salary Growth	4.2%	3.95-4.20%	●
Increase in pensions in payment/deferment	2.8%	2.7%*	●
Life expectancy – Males currently aged 45/65	23.3 / 21.9 years	22.4-24.3 / 21.0-22.6	●
Life expectancy – Females currently aged 45/65	26.0 / 24.2 years	25.3-26.6 / 23.5-24.7	●

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension surplus – £7.608m	Refer to prior page	*Continued from prior page :* • assessed the competence, capability and objectivity of management's experts; • tested the completeness and accuracy of the underlying information used to determine the estimate; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • considered the reasonableness of changes in estimated values based on all of the available evidence; and • considered the adequacy of the disclosure of the estimates in the financial statements. Detailed audit procedures identified that the pension asset should be capped at nil in line with IFRIC 14 accounting principles. The Council already included the asset ceiling in the draft accounts. There are no issues to report.	Green 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 – Minimum (General Fund) £14k	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. At 31 March 2023, the Council's Minimum Revenue Provision (MRP) was £14k (£14k at 31 March 2022). The MRP represents 0.43% of the Council's overall Capital Financing Requirement. This has decreased from 0.71% at 31 March 2022. This is a measure of the pace at which charges to general fund revenue are being made to finance capital expenditure that has not previously been financed. The overarching requirement is for authorities to determine a "prudent" provision, rather than to follow a particular basis of calculation. If the MRP is too low, the burden of financing capital assets will fall on future generations of tax payers.	We have: • assessed whether the MRP has been calculated in line with the statutory guidance • assessed whether the Council's policy on MRP complies with statutory guidance • assessed whether any changes to the Council's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full council • reviewed the reasonableness of the increase in MRP charge. Government consulted (February 2022) on changes to the regulations that underpin MRP, to clarify that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted. The consultation highlighted that the intention is not to change policy, but to clearly set out in legislation, the practices that authorities should already be following. A subsequent survey indicated amended proposals to provide additional flexibilities for certain capital loans. Government has not yet issued a full response to the consultation. For our 2022-23 audit, we compared the MRP charge as a percentage of the Capital Financing Requirement (CFR). Typically, we would expect the charge to be around 2% representing an asset life of 50 years. At Eden for 2022-23, the General Fund MRP charge is £14k against a Capital Financing Requirement of £1,274k which is 1.1% and below the benchmark expectation of some 2% or higher. As a result of this, we have assessed the legacy Council's approach to MRP as 'amber'. In the prior year, we raised a recommendation that the Council reviews its MRP policy to ensure the provision continues to be prudent, in light of Local Government Re-organisation, Westmorland and Furness Council should ensure their MRP policy is prudent. (refer to Appendix B)	**Amber** **We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic**

2. Financial Statements: Information Technology

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

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements (red)
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope (green)

IT application	Audit Area	Level of assessment performed	Overall ITGC rating	ITGC control area rating: Security management	ITGC control area rating: Technology acquisition, development and maintenance	ITGC control area rating: Technology infrastructure	Findings
Concilium Total	Financial reporting & payroll	Detailed ITGC assessment (design & implementation)	● Green	● Green	● Green	● Green	Our work is complete and we have no issues to report.

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any significant 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. Based on our work to date, we have no issues to report.
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 to date.
Written representations	A standard letter of representation has been requested from the Council with the inclusion of a paragraph in respect of the demise of the Council and the transfer of services, assets and liabilities to the new unitary Westmorland & Furness Council. The proposed letter of management representation is included at Appendix G.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bank and investment counterparties. This permission was granted and the requests were sent. All of these requests returned are with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations / significant difficulties	As detailed earlier, we encountered difficulties in a number of areas, we selected samples for a number of areas such as operating expenditure, income, grants and debtors in April 2024 and the supporting evidence was provided in August 2024. We encountered delays in obtaining suitable populations for selecting the creditors sample. During the testing we have encountered delays in obtaining evidence, we undertook in person meetings with finance staff at the Council offices which did help to progress the testing samples but there are a number outstanding (at this time) due to difficulties in answering our follow up sample queries. Whilst we acknowledge the difficulties management have faced with LGR, ongoing legacy audits, closing down the first year of W&F, all with a small finance team. This led to delays in our audit work and are reflective of the slow progress during the audit. Management have not refused to respond to any audit queries so we appreciate this is a capacity issue. We acknowledge and are grateful for the quality assurance performed by the finance team on the evidence provided to the audit team.

2. Financial Statements: other communication requirements

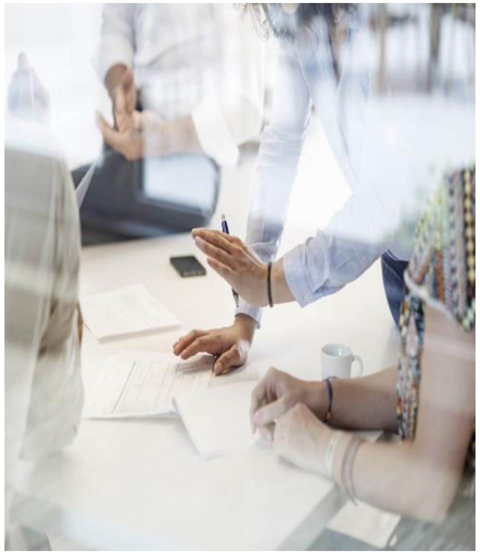
Our responsibility

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

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • evidence that the services delivered by the Council during the 2022-23 year have been transferred and continue to be delivered by Westmorland and Furness Council, following Local Government Reorganisation • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment; and On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our audit opinion will include an 'emphasis of matter' to highlight to the reader of the Accounts which explains the transfer of services to the new unitary Westmorland & Furness Council on 1 April 2023. This does not constitute a qualification of our audit opinion.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement and the Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work noted some presentational matters in the AGS and Narrative Report. These have been adequately rectified by management. These are reported at Appendix D. We plan to issue an unmodified opinion in this respect as reported at Appendix H.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA / SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported any significant weaknesses. Our work is complete and we have nothing to report.
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. As in prior years, only limited work is expected to be required on this, as the Council does not exceed the audit threshold in 2022-23.
Certification of the closure of the audit	We intend to certify the closure of the 2022-23 audit of the Council in the audit report, as detailed in Appendix H.



3. Value for Money arrangements (VFM)

Approach to Value for Money work for the period ended 31 March 2023.

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out:

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial Sustainability

How the body plans and manages its resources to ensure it can deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM: our procedures and conclusions

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

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

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

Risk of significant weakness	Findings	Outcome
No risks of significant weakness identified from our initial risk assessment. A significant weakness in governance arrangements was confirmed after completing further work.	We identified two significant weakness in the Council's governance arrangements for 2021-22 and 2022-23. The Council has not met the deadline for publishing draft financial statements for the past two financial years. We have also experienced delays during the 2021-22 and 2022-23 audits of the accounts, stemming from insufficient capacity of the Council's finance team, which was exacerbated by further workload pressures of local government reorganisation. We also identified a significant weakness in the Council's governance arrangements for Voreda House. Internal audit carried out a lessons learned review of Voreda House and identified key issues in the governance arrangements of this project.	Our joint Auditor's Annual Report for 2021-22 and 2022-23 has been issued in September 2024. We have reported key recommendations to address the weaknesses identified in the Council's arrangements.

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 and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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

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

Details of fees charged are detailed at Appendix E.

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

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

Audit-related service	Fees £	Threats identified	Safeguards
Certification of Housing Benefits	2022-23 £28,440	Self-interest (because this is a recurring fee) Self-review (because GT provides audit services) Management (because providing information to the DWP is the responsibility of management)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £28,440, it is a fixed fee and there is no contingent element to it. The level of the fee for the Housing benefit certification is not significant to the context of the Engagement Lead's portfolio or to the public services part of the firm on which the Engagement lead's performance is judged. To mitigate against the self review threat, the certification work is completed on a separate timeline to the audit. Material errors in this area are unlikely and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. We have not prepared the MPF720A form and are carrying out work on the information submitted to the DWP by the Council. Any changes to the subsidy payable will be determined by DWP and we will have no involvement in the decision. The scope of this work does not include making decisions on behalf of management or recommending a particular course of action for management to follow. We will perform the proposed service in line with instructions and reporting framework issued by DWP and we will report to DWP. Amendments to the form can only be made by the authorised signatory (usually the Director of Finance). These factors all mitigate the perceived threats to an acceptable level.

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

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

4. Independence and ethics

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

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

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

Appendices

A. Communication of audit matters to those charged with governance

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

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings (ISA260) Report

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

B. Action Plan – Audit of Financial Statements

Based on our audit work to date, 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 2023/24 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	**Valuations** Our review of the property valuations based on Depreciated Replacement Cost identified that the build cost indices used were a forecast which had not been updated for the reporting date of 31 March 2023. The subsequent change to build costs indices indicated a material change to the valuations. In the prior year, our audit work identified errors in the valuation calculations. This included errors in obsolesce factors and prior year rental information used. This resulted in adjusted and unadjusted misstatements reported in Appendix D. In addition, the Council was not able to provide all floor plans to evidence the GIA used in the valuation calculations for Penrith Leisure Centre and Swimming Pool. We performed alternative procedures to gain assurance over GIAs.	Ensure the data provided to the valuer is complete and accurate and there is a robust quality assurance process in place for the Council once the valuations have been received. **Management response:** *There has been a full valuation of all the Eden DC assets in 23/24 by Westmorland & Furness' valuers - Montagu Evans. To ensure consistency all the ex District Council assets have been valued by Montagu Evans.*
Medium	**Minimum revenue provision** We expect MRP to be between 2% to 4% of the CFR. The Council's MRP, although increased from 2022-23, is 1.1% of its CFR, which is below the expected range. There is an overarching requirement for authorities to determine a prudent provision, rather than follow a particular basis of calculation. If MRP is too low, the burden of capital assets will fall on future taxpayers. The provision should continue to be prudent and sufficient to finance capital expenditure that has not previously been financed through application of capital receipts, capital grants or direct revenue charges.	Review the Council's MRP policy to ensure the provision continues to be prudent and sufficient to finance capital expenditure that has not previously been financed through application of capital receipts, capital grants or direct revenue charges. **Management response:** *We agree that the MRP policy must ensure that a prudent provision is made. From 1 April 22023 the legacy MRP has been incorporated into the Westmorland & Furness Council policy which was set ahead of vesting day on 1st April 2023.*

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Eden District Council's 2021-22 financial statements, which resulted in 12 recommendations being reported in our 2021-22 Audit Findings report. We note that due to the timing of the prior year audit, which was concluded in February 2024, the ability to implement the recommendations for the 2022-23 financial statements has been limited.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue per management
Due to the timings of the recommendations this will be assessed as part of the 2023-24 audit of Westmorland & Furness	**Journals** Our journal analysis identified high use of suspense accounts and year-end adjustments. Our work also identified that responsibility for the administration of the finance system lies with the finance team. This represents a segregation of duties conflict as users' with a financial reporting or business process role should not be responsible for maintaining and administering the system. **Recommendation(s):** Review the use of suspense accounts and year-end adjustments. Transfer responsibility for the administration of the finance system outside the finance team.	**Management response** The financial year 2022-23 has ended and the ledger has been closed. It is not possible to revisit these changes retrospectively, however, will be addressed fully in 2023-24 under the new Westmorland & Furness Council. The E5 MAS is administered by a separate Systems Team, currently hosted by Cumberland Council.
Closed - This recommendation has been updated for 2022-23 – refer to Appendix B	**Valuations** Our audit work identified errors in the valuation calculations. This included errors in obsolesce factors and prior year rental information used. This has resulted in adjusted and unadjusted misstatements reported in Appendix C. The Council was not able to provide all floor plans to evidence the GIA used in the valuation calculations for Penrith Leisure Centre and Swimming Pool. We performed alternative procedures to gain assurance over GIAs. **Recommendation(s):** Maintain floor plans for all Council properties. Ensure the data sent to the valuer is complete and there is a quality assurance process in place for the Council once the valuations have been received.	**Management response** We accept that the data held for all assets should be complete and accurate. A review of the asset information will be incorporated into the 2023-24 closedown of Westmorland & Furness Council's accounts.

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue per management
Complete	**Grants** Our testing of grants identified instances were sufficient and appropriate evidence was not maintained. It is important that evidence is kept for all transactions, including grant documentation. There was no audit of the Phase 1a Green Homes Grant. It is not clear how the Council has obtained assurance over the grant expenditure on installations. Although Phase 1b and 2 of the Green Homes Grant was subject to audit by TIAA, these reports were not reported to Eden's District Council's committees. **Recommendation(s):** Maintain appropriate grant documentation to support both the expenditure and income. Ensure appropriate oversight and governance of significant grant funding.	**Management response** During 2022-23, the administration of grants was improved and documentation was retained centrally by the Finance Team, whereas in previous years this had been devolved to services. It is expected that the administration of grants will be further enhanced within the new Westmorland & Furness Council from 2023-24.
Due to the timings of the recommendations this will be assessed as part of the 2023-24 audit of Westmorland & Furness	**Cybersecurity** The Council's Personal Data Breach Policy and Data Protection Policy were approved in December 2018. The review date was April 2020. The copy provided to audit did not indicate that this document had been reviewed in accordance with the stipulated review date. There is a risk that key documents become inaccurate if not subject to regular review. **Recommendation(s):** Ensure key policies and procedures are reviewed in line with review dates.	**Management response** The specified documents have not been reviewed and are now superseded by the policies of Westmorland & Furness Council. However we agree that key policies and procedures must be reviewed to remain accurate and fit for purpose.
Due to the timings of the recommendations this will be assessed as part of the 2023-24 audit of Westmorland & Furness	**Property, plant and equipment** At the end of each reporting period, the Code requires review of property, plant and equipment residual values, useful lives and depreciation methods. This is to ensure they remain appropriate. Changes should be accounted for as a change in accounting estimate. The Code also requires that an assessment as to whether there is any indication that an asset may be impaired is undertaken at the end of each financial year. **Recommendation(s):** Review property, plant and equipment residual values, useful lives and depreciation methods at the end of each financial year end. Assess annually whether there is any indication that an asset may be impaired.	**Management response** A review of the asset information will be incorporated into the 2023-24 closedown of Westmorland & Furness Council's accounts.

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue per management
Due to the timings of the recommendations this will be assessed as part of the 2023-24 audit of Westmorland & Furness	**Fully depreciated assets with nil net book values** • The Council's draft asset register included assets with a nil net book value. There are two risks in relation to this issue; and • If these assets are no longer operational, the gross cost and accumulated depreciation balance will be overstated. If these assets are operational, there is a risk that the Council is not assigning appropriate asset lives to its property plant and equipment and intangible assets. At the end of each reporting period, the Code requires review of property, plant and equipment residual values, useful lives and depreciation methods. This is to ensure they remain appropriate. Changes should be accounted for as a change in accounting estimate. **Recommendation(s):** Undertake an annual review of all fully depreciated assets to review if these assets remain in operational and that asset lives are assigned are appropriate.	**Management response** A review of the asset information will be incorporated into the 2023-24 closedown of Westmorland & Furness Council's accounts.
Due to the timings of the recommendations this will be assessed as part of the 2023-24 audit of Westmorland & Furness	**Fixed asset register** We tested a sample of property, plant and equipment assets useful economic lives. We identified that some assets held in the fixed asset register do not have clear / specific descriptions, e.g., "IT purchased 2017/18." Assets with unclear and vague names can make asset identification more challenging. **Recommendation(s):** Review the fixed asset register to ensure asset descriptions are clear and linked to the relevant asset by the Council.	**Management response** We agree that the asset descriptions should be clear. A review of the asset information will be incorporated into the 2023-24 closedown of Westmorland & Furness Council's accounts.
Due to the timings of the recommendations this will be assessed as part of the 2023-24 audit of Westmorland & Furness No issues identified in 2022-23 audit.	**Debtors** Our debtors testing identified two control weaknesses: • One instance where income received had not been allocated against the correct invoice; and • Invoices for 2021/22 private water supplies were not raised until December 2022 due to lack of administration staff. **Recommendation(s):** Ensure controls are in place to ensure the correct allocation of income received. Raise invoices for services delivered in a timely manner.	**Management response** These weaknesses are acknowledged and improvement is expected for the 2022-23 debtors. From 1 April 2023 all debtors are processed and payments applied by the P2P and Receivables Team, currently hosted by Cumberland Council.

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue per management
Closed – Management has undertaken an impairment assessment for assets under construction and this has been amended in the 2022-23 accounts.	**Assets under construction** As at 31 March 2022, the Council held £2.493 million assets under construction (AUC), of which £2.472 million relates to the on-going construction of Voreda House. AUC is held at cost less impairment until become operational and are transferred into use. There is a risk particularly in relation to long running construction projects that the assets could be impaired. We understand that Voreda House is a continuing project and is likely to remain an AUC as at 31 March 2023. **Recommendation(s):** Undertake an impairment review of AUC, at the end of each financial year, to assess whether there are any indicators of impairment for key components of AUC and the resultant impact on their carrying value.	**Management response** Voreda House is an asset under construction beyond the 31 March 2023. We acknowledge the need to recognise any impairment and shall document the position as at 31 March 2023.
Closed - This recommendation has been updated for 2022-23 – refer to Appendix B	**Minimum revenue provision** We expect MRP to be between 2% to 4% of the CFR. The Council's MRP is 0.71% of its CFR, which is below the expected range. There is an overarching requirement for authorities to determine a prudent provision, rather than follow a particular basis of calculation. If MRP is too low, the burden of capital assets will fall on future taxpayers. The provision should continue to be prudent and sufficient to finance capital expenditure that has not previously been financed through application of capital receipts, capital grants or direct revenue charges. **Recommendation(s):** Review the Council's MRP policy to ensure the provision continues to be prudent and sufficient to finance capital expenditure that has not previously been financed through application of capital receipts, capital grants or direct revenue charges.	**Management response** We agree that the MRP policy must ensure that a prudent provision is made. From 1 April 2023 the legacy MRP is incorporated into the Westmorland and Furness Council policy which was set ahead of vesting day and shall be reviewed prior to closing the accounts for 2023-24.
Ongoing – we identified there were some declarations which were not provided by Members as expected in 2022-23	**Declaration of interests** We identified two declaration interest forms were not available on the Council's website. Management provided these for the audit. **Recommendation(s):** Ensure declaration of interest forms are available for all members on the Council's website.	**Management response** We will ensure that all declaration of interest forms for members are available on the Council's website.

D. Audit Adjustments

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Impact on unusable reserves £000
1. Council dwellings that were classified as investment properties in the draft accounts. Resulting in a decrease in the Investment property balance and an increase in Council dwellings.	Reversal of investment properties revaluations 713 Revaluation gain on council dwellings (713)	(4,627) Investment properties 4,627 Council Dwellings (PPE)	-	Revaluation reserve (713) Capital adjustment account 713
2. Revised valuation of Depreciated Replacement Cost (DRC) assets	Revaluation gains/losses (545)	PPE Land & buildings 545	-	Revaluation reserve (545)
3. Impairment of Voreda House asset under construction	Impairment expense 1,224	PPE Land & buildings (1,224)		General fund 1,224 (transferred to capital adjustment account)
Overall impact	679	(679)	**No impact on useable reserves**	679

D. Audit Adjustments

Impact of prior year adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Impact on unusable reserves £000
Impairment of asset under construction in relation to Voreda House	Impairment expense 1,802	Land & Buildings – AUC (1,802)	-	1,802
Overall impact	1,802	(1,802)	None	1,802

D. Audit Adjustments

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

Misclassification and disclosure changes

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

Disclosure / issue / Omission	Adjusted?
Throughout whole financial statements Minor typographical changes, arithmetic errors and presentational changes.	✓
Annual Governance Statement Draft has been updated to correct some minor inaccurate references in relation to the external auditors appointed to complete the Housing Benefit certification.	✓
Group financial statements As the subsidiary company, Heart of Cumbria Ltd, was dissolved on 19th January 2023, there is no requirement to publish group accounts and this has been updated	✓
Narrative report: As a result of the changes made in the accounts in relation to the group financial reporting, the narrative report has been amended to remain consistent with the financial statements as well as some minor changes to financial performance disclosures to resolve consistency issues. During our consistency check it was identified some inconsistencies between the narrative report and the financial statements, such as the net pension surplus.	✓
Note 13 – Property, Plant & Equipment a. Note to be updated to include Council Dwelling as category of assets	✓
Note 23 - Creditors a. Understatement of Covid grant repayable to Central Government. £7.542m to be updated to £7.643m	✓
Note 28 – External Audit Fees a. External audit fee has been updated to £80k b. Housing Benefit certification fee has been updated to £28k	✓
Note 37 - Officers' Remuneration Additional narrative disclosure has been added to explain the remuneration arrangements for the Chief Executive post in 2022-23.	✓
Prior period adjustment Narrative disclosures have been added to explain the basis of the prior period adjustment to the 2021-22 accounts.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on useable reserves £000	Impact on unusable reserves £000	Reason for not adjusting
1. Overstatement of expenditure in relation to the costs of training delayed into 2023-24. This is an extrapolated misstatement; the initial error identified is £26k.	Operating expenditure (88)	Prepayments 88	General fund (88)		Not material
2. Incorrect adjustment for capital additions following revaluation resulting in overstatement of closing balance		PPE Land & buildings (57)		Revaluation reserve 57	Not material
Total	(88)	31	(88)	57	

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

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

These misstatements do not impact on the current year as all land and building assets have been revalued at 31 March 2023.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance sheet £'000	Impact on total net expenditure £'000	Reason for not adjusting
Land and buildings Dr Revaluation reserve Cr Land and buildings Dr Cost of services Cr General fund Being the estimated obsolescence factor applied to Penrith Leisure Centre and Swimming Pool.	71	71 (71) (71)	71	Immaterial
Eden Business Park Dr Property, plant and equipment Dr Cost of services Cr Unusable reserves Cr Usable reserves Being the estimated understatement of property, plant and equipment of unadopted roads.	5	44 (44) (5)	5	Immaterial
Overall impact	**76**	**(76)**	**76**	**Immaterial**

These adjustments are individually and inaggregrate not material.

E. Fees and non-audit services

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

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

Audit fees	2021-22 Final fee	2022-23 Proposed fee (per Audit Plan)	2022-23 Final proposed fee
Eden District Council audit (see detailed breakdown overleaf)	£111,400	£80,046	£103,146
Total audit fees (excluding VAT)	**£111,400**	**£80,046**	**£103,146**

Non-audit fees for other services	2022-23 Final fee
Audit Related Services – Certification of Housing Benefit Claim	£28,440
Total non-audit fees (excluding VAT)	£28,440

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

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

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

The fees reconcile to the financial statements as per follows:

- Fees per financial statements £41k (initial draft)
- Adjusted amount (£39k) to ensure consistency of fee to the Audit Plan issued June 2014.

Total per financial statements (updated) £80k.

Our final proposed fee includes the additional fees to reflect our time and resource on the audit based on the challenges noted earlier in this report in relation timeliness and delivery of the audit

Any fee variations over and above the scale fee are subject to review by PSAA, who will ultimately decide to approve or decline them.

The accounts include a note detailing the non-audit housing benefit certification fee of £24k which is understated by £4k and will be adjusted.

E. Fees: detailed breakdown to date

PSAA Scale fee for 2022-23	**£40,696**
The revised Value for Money (VfM) approach, introduced under the new NAO Code in 2020-21 (after the 2017 PSAA tender)	£9,000
Increased audit requirements relating to ISA 540 Revised - Auditing Accounting Estimates and Related Disclosures	£2,100
Enhanced audit procedures for journals and grants testing, given the risk of management override of controls	£3,000
Enhanced audit procedures for Payroll – Change of circumstances	£500
Enhanced audit procedures for Collection Fund – Reliefs testing	£750
Increased audit requirements of ISA 315 Revised - Identifying and assessing the Risks of Material Misstatement	£3,000
Accounting for and disclosing the demise of the Council – to reflect the additional work performed on the impact of the increased disclosures and the need for the 'emphasis of matter' paragraph within our proposed 2022-23 accounts opinion	£5,000
Review of the define benefit pension scheme net asset and IFRIC 14 assessment	£5,000
Auditor expert for property valuations, including work by the audit team as a result of the auditor's expert	£4,500
Group accounts and review of changes to group structure in year	£5,000
Review of valuation of Investment Properties transferred from subsidiary company	£1,500
Subtotal audit fees 2022-23 (excluding VAT)	**£80,046**
Review of prior period adjustment and updated accounts	£3,900
Review of impairment assessment	£3,600
Review of updated DRC valuations	£4,750
Delays requiring additional resource	£10,850
Final audit fee 2022-23 (excluding VAT)	**£103,146**

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

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

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

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

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

G. Management Letter of Representation (draft)

Eden District Council
Financial Statements for the year ended 31 March 2023

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

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

Financial Statements

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

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

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

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

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

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

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

vii. Except as disclosed in the financial statements:

   vi. there are no unrecorded liabilities, actual or contingent

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

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

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

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

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

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

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

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

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

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

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

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

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

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

xvi. In forming our conclusion that that the accounts should be prepared on the going concern basis we have considered the demise of the Council as a separate legal entity on 31 March 2023. In view of the transfer of the Council's services, assets and liabilities to the new unitary Westmorland & Furness Council that occurred on 1 April 2023, we have made additional disclosures in the accounts explaining the basis of preparation and that we continue to adopt the going concern basis in preparing the accounts. We consider that no further disclosures relating to the management's application of the going concern basis of preparation need to be made in the financial statements.

xvii. We confirm that it is appropriate to account for the pension asset ceiling at £nil in line with IFRIC14 accounting principles. We consider it appropriate to base the asset ceiling calculation on the future contributions shown in the Rates and Adjustments Certificate for Westmorland & Furness Council published alongside the 2022 triennial valuation. There are no factors of which we are aware as at the reporting date that would materially change the contribution rate (as a percentage of pay) in future years.

Information Provided

xvi. We have provided you with:

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

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

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

xvi. 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 the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

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

a. management;

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

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

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

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

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

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

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by Westmorland and Furness' Audit Committee at its meetings on 20 September 2024 and 4 November 2024.

H. Audit opinion (draft)

Our proposed audit opinion is included below. We will provide the Council with an unmodified 'clean' audit report with an 'emphasis of matter' paragraph highlighting the demise of the organisation into the Westmorland and Furness Council from 1 April 2023.

Independent auditor's report to the members of Westmorland and Furness Council in respect of Eden District Council

Report on the audit of the financial statements

Opinion on financial statements

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

In our opinion, the financial statements:

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

Basis for opinion

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

Emphasis of matter – Demise of the organisation

In forming our opinion on the financial statements, which is not modified, we draw attention to note A.28 to the financial statements, which indicates that Eden District Council ceased to exist on 31 March 2023. The assets and liabilities of the Authority transferred to the new Westmorland and Furness Council on 1 April 2023 and there was continuation of service delivery between the Authority and Westmorland and Furness Council.

Conclusions relating to going concern

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

H. Audit opinion

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

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

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

H. Audit opinion

Responsibilities of the Authority and the Director of Resources

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

Our audit procedures involved:

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

H. Audit opinion

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

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

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

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

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

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

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2022.

We have nothing to report in respect of the above matter except:

- on 10 June 2024 we identified a significant weakness in the Authority's governance arrangements for the year ended 31 March 2021 and 31 March 2022. This was in relation to significant delays to the production after statutory reporting deadlines and the audit of the financial statement stemming from a lack of capacity of the finance team. We recommended that the Westmorland and Furness Council should ensure that the finance team has adequate capacity to prepare draft financial statements with supporting working papers in line with statutory timetables and respond to audit in a timely manner.

- on 20 September 2024 we identified a significant weakness in the Authority's governance arrangements for the year ended 31 March 2021 and 31 March 2022. This was in relation to the Authority's governance arrangements for Voreda House. We recommended that Westmorland and Furness Council should consider the issues identified from the lessons learnt report and assess what arrangements Westmorland and Furness Council have in place. If gaps in current monitoring and governance arrangements for significant capital projects are identified, a plan should be developed to strengthen and address the arrangements.

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

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

H. Audit opinion

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

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

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

Report on other legal and regulatory requirements – Audit certificate

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

Use of our report

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

Signature: to be added

Gareth Mills, Key Audit Partner

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

Leeds

Date: to be added

I. Audit letter in respect of delayed VFM work

Chair of Audit Committee

Westmorland and Furness Unitary Council

In respect of Eden District Council

Sent by email

28 September 2023

Eden District Council – VFM Commentary 2022-23

Dear Chair of Audit Committee

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

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

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report by 30 December 2023.

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

Yours faithfully

Gareth Kelly

Gareth Kelly

Director and Engagement Lead for Eden DC

Grant Thornton

grantthornton.co.uk