Final Audit Findings for Eden District Council

Year ended 31 March 2022

Eden District Council

February 2024

Contents

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

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

A L Mack

Name: Andy Mack
For Grant Thornton UK LLP
Date: 13 February 2024

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 2022 for those charged with governance.

Financial Statements

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

- the 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 was completed remotely during December 2022 to February 2024. Our findings are summarised in this report.

We have identified adjustments to the financial statements that have resulted in a £2.758 million adjustment to the Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C.

The misstatement identified are not indicative of any management override of controls.

We have raised recommendations for management in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.

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

Our audit report opinion is unmodified. However, it includes an emphasis of matter paragraph highlighting the demise of the organisation.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We have not yet completed all of our Value For Money (VFM) work therefore are not in a position to issue our Auditor's Annual Report. We wrote to you in March 2023 explaining the reasons for the delay. This audit letter is attached in the Appendix G to this report. Due to the delays in the audit of the financial statements, we now expect to issue our Auditor's Annual Report in March 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Within our Audit Plan, we did not identify any risk of significant weakness. Our work on VFM is underway, including review of whether there is a risk of significant weakness in relation to capacity of the finance team. An update is set out in the value for money arrangements section of this report.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's Report in March 2024.
Significant Matters	We have encountered delays throughout the audit, which have stemmed from the six months late receipt of accounts, timeliness and quality of responses to audit queries. We included an improvement recommendation in our 2020/21 Auditor's Annual Report relating to arrangements in place to support the preparation and audit of the Council's financial statements. Our prior year audit findings report also included a recommendation in relation to this point. In Appendix B, we reflect this recommendation is still to be fully addressed. Management should look to implement this recommendation to minimise delays to the audit of the Council's 2022/2023 financial statements.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management and the Westmorland and Furness Council's Audit Committee in respect Eden District Council.

As your 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 group's business and is risk based. This included:

- An evaluation of the group's internal controls environment, including its IT systems and controls.
- An evaluation of the component of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an audit of the valuation of land and buildings and analytical procedures at group level in relation to other areas of the financial statements was appropriate for Heart of Cumbria Limited. This work was carried out by the engagement team.
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have made no changes to our Audit Plan, as communicated to you in December 2022.

Andy Mack assumed the Engagement Lead role on the audit in December 2023.

Conclusion

We have issued an unqualified audit opinion with an emphasis of matter regarding the demise of the organisation.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff, particularly given the additional workload and change resulting from Local Government Reorganisation.

We have encountered delays throughout the audit, which have stemmed from the timeliness and quality of responses to audit queries.

This has increased the amount of time required to deliver the audit, which in turn has resulted in additional costs being incurred. Our audit fee is detailed in Appendix D.

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.

We have revised the performance materiality due to the actual gross expenditure changing significantly from that at the planning stage resulting in a review of the appropriateness of the materiality figure.

We detail in the table our determination of materiality for the Council and group.

	Group (£)	Council (£)	Qualitative factors considered
Materiality for the financial statements	493,000	466,000	1.9% of 2021/22 draft gross expenditure for the Council.
Performance materiality	321,000	303,000	65% of materiality for the financial statements.
Trivial matters	25,000	23,000	5% of materiality for the financial statements.
Materiality senior officers' remuneration disclosures	5,000	5,000	Due to heightened reader 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 commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending in delivering services and this could potentially place management under pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates and transactions outside the normal course of business as a significant risk for the Council. This is one of the most significant assessed risks of material misstatement.	In response to this risk we have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness – detailed on pages 18-23. We did not identify any changes to accounting policies, significant changes in estimation process or unusual transactions. Our audit work identified weaknesses in the journal control environment. These weaknesses were factored into our journal testing approach: • The Interim Director of Resources (S151 Officer) of Eden District Council has journal posting rights on the financial system. Whilst no journals were posted in 2021/22, this represents a weakness in internal controls and creates a heighten risk of management override of controls. • Supporting documentation is not submitted at the time of posting a journal making it difficult for journals to be meaningfully reviewed and the working papers are prepared retrospectively at times. • Responsibility for the administration of the finance system remains within 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. We previously reported the first two points within our 2020/21 Audit Findings Report and included an associated recommendation – see Appendix B for details. This recommendation has not yet been fully addressed. Our analysis of journals also identified the high use of suspense accounts and year-end adjustments. We have raised a further journal recommendation in relation to responsibility for the administration of the finance system in Appendix A. Our work has not identified any other matters in relation to this significant risk.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Fraud in revenue and expenditure recognition (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. In addition, Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition, for instance by deferring expenditure to a later period. These presumptions can be rebutted if the auditor concludes that there is no risk of material due to fraud relating to revenue and expenditure recognition. We rebutted these presumed risks within our Audit Plan.	As part of our initial planning risk assessment, we considered the risk factors set out in ISA (UK) 240 and Public Audit Forum Practice Note 10 and the nature of the revenue and expenditure streams at the Council, we rebutted the risk of fraud arising from improper recognition due to: • there is little incentive to manipulate revenue or expenditure recognition; • opportunities to manipulate revenue and expenditure recognition is limited; and • the culture and ethical frameworks of local authorities, including the Council, mean that all forms of fraud are seen as unacceptable. Therefore, we do not consider this to be a significant risk for the Council. There are no changes to our assessment reported in our Audit Plan. We therefore do not consider this to be a significant risk for Eden District Council.
Valuation of land and buildings and investment properties The Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code") requires the revaluation of land and buildings should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Investment Property is carried at fair value and should be revalued at each year end. These valuations represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of the estimate to the changes in key assumptions. We therefore identified the valuation of land, buildings and investment properties, including those held by the Heart of Cumbria Limited, as a significant risk. This is one of the most significant assessed risks of material misstatement.	In response to this risk we have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the valuation experts and the scope of their work, as outlined on page 18; • evaluated the competence, capabilities and objectivity of the valuation expert; • made direct inquiries to the Council's valuer to confirm the basis on which the valuations were carried out; • challenged the information and assumptions used by the Council's valuer to assess completeness and consistency with our understanding; • tested a sample of valuations at 31 March 2022 to understand the information and assumptions used in arriving at any revised valuations; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions 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. Land and buildings Our testing of a sample of land and buildings valuations identified two adjusted misstatements (reported in Appendix C): • Frenchfield Sports Centre - £0.169 million An incorrect obsolescence factor was used in the calculation of the asset's valuation. The result of this error is an understatement of the asset by £0.169 million. This misstatement has been corrected in the final version of the financial statements. The impact of this adjustment is a £0.169 million increase to land and buildings a corresponding increase to the revaluation reserve.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings and investment properties – continued	• Frenchfield Football Stadium - £0.086 million Our testing identified an error in the valuation calculation. The result of this error is an understatement of the asset by £0.086 million. This misstatement has been corrected in the final version of the financial statements. The impact of this adjustment is a £0.086 million increase to land and buildings a corresponding increase to the revaluation reserve. We have also reported an unadjusted misstatement in Appendix C: • Penrith Leisure Centre and Swimming Pool Our work also identified three components within Penrith Leisure Centre and Swimming Pool in which no obsolescence factor was applied. The estimated impact of this error is £0.071 million, which has not been corrected in the final version of the financial statements. This is not material to the financial statements. The Council was not able to provide all floor plans to evidence the Gross Internal Areas (GIA) used in the valuation calculations. We performed alternative procedures to gain assurance over GIAs. Floor plans should be maintained for every asset held by the Council. We have raised a recommendation in Appendix A. Investment properties Our testing of the investment property, Penrith New Squares, identified that car parking rent used in the valuation calculation was based on prior year information, although 2021/22 information was available. This resulted in a £0.800 million understatement of the asset's valuation. This has been corrected in the final version of financial statements. The impact of this adjustment is a £0.800 million increase to investment properties with a corresponding increase to the revaluation reserve. This adjustment is reported in Appendix C. Assets not revalued The Council has a bi-annual valuation programme. Their leisure assets were revalued in 2021/22. Other operational assets were revalued in the prior year and will be revalued in 2022/23. The Code requires that land and buildings are valued with sufficient frequency to ensure that there is not a material difference between the carrying amount and current value. The Council engaged their valuer Walton Goodland to provide assurance that there is not a material difference between the carrying amount and the current value of assets not revalued. In our 2020/21 Audit Findings Report, we noted that the valuer considers the movement in BCIS indices and details the percentage movement in the rates for each asset in their report. The report does not estimate the potential difference between current and carrying value, which means it is difficult for management to demonstrate that is immaterial. We also raised a recommendation that the Council quantifies the potential difference between the current and carrying value of land and buildings not revalued (Appendix B). Our findings for 2021/22 are consistent with those reported in 2020/21. We have challenged management and the valuer in this area. We have carried out our own assessment to demonstrate that there is not a risk of material misstatement in relation to this issue. Our work did not identify any other issues in relation to this significant risk.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is a significant estimate due to the size of the numbers involved (£10.542 million) in the Council's balance sheet and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a +/- 0.1% change in these two assumptions would have approximately +/- 2% effect on the liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	In response to this risk we have: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluate the design of the associated controls; • evaluated the instructions issued by management to their management expert, an actuary, for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary, as auditor's expert, and performed additional procedures suggested within the report; and • obtained assurances from the auditor of the 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. The Council is an admitted body to Cumbria Pension Fund. Every three years an actuarial valuation is undertaken for the pension scheme. When the Council's draft 2021/22 accounts were prepared, the 2019 LGPS triennial valuation informed the measurement of the defined benefit liability. The requirements of IAS 19 and the Code are such that valuations of an employer's pension obligations are to be updated for any material transactions and other material changes in circumstances up to the end of the reporting period. The recent publication of 31 March 2022 LGPS triennial valuation is an event after the 2021/22 reporting period. The requirements are outlined in Section 3.8 of the Code and the underlying requirements of IAS 10 Events After the Reporting Period. This valuation, which is as at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions. As a result, we requested that management obtain a revised report from their actuary, detailing what impact this updated information had on its net pension liability disclosures at 31 March 2022. This revised report showed that the impact was material and management has adjusted the financial statements accordingly. The Council's share of the pension fund's assets has increased by £0.063 million and pension fund's liabilities has decreased by £1.772 million. There is an overall decrease in the net pension liability of £1.709 million.

2. Financial Statements - Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability - continued	We reviewed these adjustments within the revised financial statements supporting disclosure notes, including note 44. Retirement Benefits and to reflect an adjusting event within note 7. Events after the reporting date. We are satisfied that these adjustments were appropriately made. Additional audit work has been required in respect of this issue. This included obtaining assurance in respect of updated membership data, considering the reasonableness of revised assumptions and estimates and checking the accuracy of management's adjustments to the financial statements. This additional audit work has resulted in an increase to the audit fee (see Appendix D). Our findings in relation to the revised assumptions and estimates are detailed on page 19. We have received a letter of assurance from the auditor of the Cumbria Pension Fund. Our work did not identify other matters in relation to this significant risk.
Finance team capacity There have been significant delays to the production and audit of 2019/20 and 2020/21 financial statements. The Council has experience a high turnover of staff within the finance team in recent years, with posts being filled by a number of interim appointments. Whilst these appointments have address strategic finance requirements, there is a lack of capacity in the finance team in relation to the timely closedown, production of financial statements and to support the audit process.	In response to this risk we have: • updated our understanding of the mitigating arrangements management has in place; • made inquiries of management as to the alternative arrangements made in ensuring appropriate capacity is in place to ensure technical financial accounting entries and financial reporting areas are undertaken by / or with the support of individuals with the right level of knowledge, expertise and experience; and • ensured management has a robust and documented quality assurance process in place to mitigate the risk of error occurring in the preparation of the financial statement supported by robust working papers. As noted on page 3, we have encountered delays throughout the audit, which have stemmed from the timeliness and quality of responses to audit queries. Local Government Reorganisation has also increased workload demands of the finance team. We included an improvement recommendation in our 2020/21 Auditor's Annual Report relating to arrangements in place to support the preparation and audit of the Council's financial statements. In addition, our prior year Audit Findings Report also included a recommendation in relation to this point. In Appendix B, we reflect this recommendation is still to be fully addressed. Management should look to implement this recommendation to minimise delays to the audit of the Council's 2022/23 financial statements. We will also consider progress as part of our Value for Money work, as detailed on page 29.

2. Financial Statements - Other risks

Risks identified in our Audit Plan	Commentary
Recognition and presentation of Grant Income The Council receives a number of grants and contributions and is required to follow the requirements set out in sections 2.3 and 2.6 of the Code. The main considerations are to determine whether the Council is acting as principal / agent, and if there are any conditions outstanding, as distinct from restrictions, that would determine whether the grant be recognised as a receipt in advance or income. The Council also needs to assess whether grants are specific, and hence credited to service revenue accounts, or of a general or capital nature in which case they are credited to taxation and non-specific grant income.	In response to this risk we have: • documented our understanding of the processes and controls put in place by management to ensure that grant income is correctly recognised and presented; and • performed detailed testing on a sample of grant income to agree classification and subsequent recognition in the financial statements, if accounted for on a principal or agent basis. **Covid-19 funding** The Council received £17.934m of grants in 2021/22. We have performed testing to confirm whether Covid-19 funding has been accounted for appropriately, on an agent or principal basis, and whether specific conditions of grants have been met. This work identified that: • Energy Refund Grant £0.102 million was misclassified within note. 23 Creditors. This grant has been reclassified within the final financial statements from government to receipts in advance; and • New Burdens funding of £0.058 million was incorrectly classified within the line Local Restrictions Support Grant (Christmas Support). This has been corrected in the final version of the financial statements. Our work also identified that the grant income disclosures in the financial statements required enhancing in respect of explaining the basis for Covid-19 grants, the different types of funding received and how it has been recognised either in the CIES or excluded, depending on the principal or agency basis of funding. **Green Homes Grants** The Council is the administering authority for Green Homes Grants (GHG) Programmes, funded by Department for Energy Security and Net Zero (formerly the Department for Business, Energy & Industrial Strategy, BEIS) in partnership with EON. The schemes are to deliver energy improvement adaptations to dwellings not owned by the Council. In 2021/22 the Council recognised £1.520 million GHG funding and a creditor of £2.666 million. We have reviewed whether the Council is acting as a principal or agent for this funding, to determine whether the Council recognises the grant income within their accounts. The Council has discretion over the energy improvement awards: • determines eligibility and amounts; and • makes choices about how to use limited funding. These factors indicate that the Council is not acting as an agent but has control and is acting as principal. £4.136 million of the £4.503 million of the funding received by the Council has been accounted for on a principal basis. The remaining funding (£0.367 million) was passed onto the five other Cumbrian district councils. The other Cumbrian district councils have control over this funding – they were responsible for determining eligibility criteria for awarding the grants. This funding has been accounted for on an agent basis, therefore not included within the Council's financial statements. We are satisfied that this funding has been accounted for correctly within the Council's financial statements. In 2021/22, the Council spent £1.906 million of which £1.354 million was on installations within homes. We experienced difficulties obtaining sufficient and appropriate documentation to support the accuracy of grant expenditure. We understand that EON sent breakdowns of the individual installations made to support request for payment through email to the Council.

2. Financial Statements - Other risks

Risks identified in our Audit Plan	Commentary
Recognition and presentation of Grant Income - continued	We requested copies of these emails sent by EON. Management was unable to locate and provide these. We verified the expenditure to the latest version email available with below trivial difference noted. We have raised a recommendation within the action plan in Appendix A. The installation expenditure is comprised of three phases: • Phase 1a £0.382 million • Phase 1b £0.353 million • Phase 2 £0.618 million. BEIS required an audit of Phases 1B and 2 income and expenditure. There was no requirement for the audit of Phase 1a. TIAA undertook the review of Phases 1B and 2 and their reports were sent to Liverpool City Council, as accountable body for Phase 2. We understand that these reports were not reported to Eden's District Council's committees. Management should ensure that there is appropriate oversight and governance of significant grant funding. We have raised a recommendation within action plan – Appendix A. We will also consider these arrangements as part of our VFM work. Other grants Our testing of grant funding identified two grants where management was not able to provide appropriate documentation to support these transactions. These grants were individually and in aggregate are below our trivial threshold. We also calculated the projected misstatement and found that this was also below our trivial threshold. Although the value of these errors is trivial, management should ensure there is appropriate documentation to support all transactions. We have raised a recommendation within the action plan – Appendix A. Our work has not identified any other recognition and presentation of grant income issues.
Value of infrastructure assets and the presentation of the gross cost and accumulated depreciation in the property, plant and equipment note Infrastructure assets includes roads, highways, streetlighting and coastal assets. In accordance with the Code, infrastructure assets are measured using the historical cost basis, and carried at depreciated historical cost. With respect to the financial statements, there are two risks which we plan to address: The risk that the value of infrastructure assets is materially misstated as a result of applying an inappropriate Useful Economic Life (UEL) to components of infrastructure assets. The risk that the presentation of the property, plant and equipment note is materially misstated insofar as the gross cost and accumulated depreciation of Infrastructure assets is overstated. It will be overstated if management do not derecognise components of infrastructure assets when they are replaced.	The Council carries infrastructure assets with gross cost of £0.598 million and net book value £0.474 million. As this is less than two times materiality, we do not consider there to be a risk of material misstatement and have not carried out any further audit procedures. The Code of Practice requires the Council at end of each reporting period for all its' assets to: • review of the residual value, useful life and depreciation method to ensure these remain appropriate; and • assess whether there is any indication that an asset may be impaired. Although, we do not consider there to be a risk of material misstatement in this regard, we recommend that the Council undertakes this assessment annually, as detailed in Appendix A.

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

Component	Findings	Group audit impact
Eden District Council	• Statutory audit performed by Grant Thornton UK LLP. • Significant risks are those outlined on pages 7 to 11 of this report.	We have reported issues arising on pages 7 to 13 of this report.
Heart of Cumbria Limited	• Analytical procedures performed at group level to review the consolidation process. • Heart of Cumbria is a subsidiary. • We have reviewed the consolidation undertaken by the Council to the financial records of the component. • We have carried out specific procedures on land and buildings.	The consolidation has been agreed through to the supporting records of the Council and to the financial records of the component, which are held at the Council. We have carried out specific audit procedures on the valuation of land and buildings (as outlined on pages 8 and 9). Our work has not identified any issues in this area. The Council's draft accounts were prepared using the Heart of Cumbria's draft accounts. At the date of preparation, as the audit of the Heart of Cumbria's accounts was not complete. The Council's accounts have been updated to reflect Heart of Cumbria's audited accounts, as reported in Appendix C. Adjustments to the supporting disclosure notes have also been made within the final accounts, which are included in Appendix C: • We identified a misclassification between long and short-term debtors. Long-term debtors are overstated by £0.157 million within note G3. Long term debtors and note G4. Short-term debtors are understated by the same amount. • The Group MIRS has been amended to disclose both authority share of group reserves and adjustments between group and authority accounts for both 2021/22 and 2020/21. This amended has no impact on the totals of the Group MIRS. • These disclosure requirements were not included within the draft financial statements. • Note G3. Long term debtors – narrative was included in the draft accounts indicating that there is a long term debtor with the Council's leisure contractor. This was repaid in 2020/21. This wording has been removed. • Note G7. Capital expenditure and financing 2020/21 figures corrected to agree to the corresponding figures in the 2020/21 audited accounts. • Note G7. Capital expenditure and financing 2021/22 figures corrected to account for group transactions, which were not in the draft accounts.

2. Financial Statements – new issues and risks

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

Issue	Commentary	Auditor view
IFRS 16 implementation Following consultation and agreement by FRAB, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. If management elect to implement IFRS 16 from April 2022 (early adoption) then in 2021/22 accounts as a minimum, we expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts.	Management has closely followed the consultation and elected not to early adopt IFRS 16 from April 2022 and therefore no disclosures are made in the 2021/22 accounts.	As management decided not to early adopt IFRS 16, we do not expect any associated disclosures in the 2021/22 accounts. We consider this to be appropriate.
IT Control deficiencies Our assessment of the relevant Information Technology (IT) systems and controls operating over them, was performed as part of obtaining an understanding of the information systems relevant to financial reporting.	In accordance with ISA (UK) 315, we obtained an understanding of the information systems relevant to financial reporting to identify and assess the risks of material misstatement. We obtained an understanding of the controls operating over relevant Information Technology (IT) systems i.e. IT general controls (ITGCs). Our audit work involved completing an assessment of the design of ITGCs related to security management, technology acquisition, development and maintenance, and technology infrastructure.	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. We have raised an associated recommendation in Appendix A. We do not place reliance on the operation of application controls / IT dependent. Our work has not identified any other issues in this respect.
Eden Business Park In 2020/21, a prior year adjustment was made to write out the expenditure and depreciation when each of the plots of Eden Business Park had been disposed of. Management reviewed this adjustment as part of the 2021/22 accounts preparation process and estimated £0.132 million of the disposed roads have not been adopted.	The estimated understatement of note. 13 Property, plant and equipment is: • £0.132 million gross cost; • £0.084 million accumulated depreciation; and • £0.048 million net book value. The impact on the primary statements is the £0.048 million understatement of property, plant and equipment recorded in the Balance Sheet.	We have reviewed and challenged management's 2021/22 assessment. We are satisfied that this estimated misstatement is not material to the financial statements. This error is not adjusted for on the grounds of materiality and details are included on pages 43 and 44.

2. Financial Statements – new issues and risks

Issue	Commentary	Auditor view
Accruals Our testing of accruals identified inconsistencies in the application of the deminimis limit for accruing expenditure. Our work has identified different members of the finance team were applying different levels.	We included a similar recommendation in our prior year Audit Findings Report. See Appendix B for further details.	This recommendation has not yet been fully implemented. We recommend that the de-minimis limit for accruals is properly documented, communicated and consistently applied for the preparation of the 2022/23 financial statements.
Fully depreciated assets The Council's draft asset register included eight assets with a nil net book value. These assets have a gross cost of £0.190 million and are fully depreciated in the asset register.	We challenged management whether these assets remained in use by the Council and still existed as at 31 March 2022. Management confirmed that these assets were still in use at the Balance Sheet date beyond the expiry of their accounting useful lives.	There are two risks in relation to this issue: • if these assets are no longer operational, the gross cost and accumulated depreciation balance will be overstated; • if these assets are operational, there is a risk that the Council is not assigning appropriate asset lives to its plant and equipment assets. The impact of these risks is that the gross book value and accumulated depreciation / amortisation disclosed within note. 13 Property, plant and equipment is overstated. We recommend that management undertake an annual review of all its assets with a nil net book value to review if these assets remain operational and that asset lives assigned are appropriate. We have requested specific representation on this matter with the letter of representation.
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, for example "IT purchased 2017/18."	Assets with unclear and vague names can make asset identification more challenging.	Management should review the fixed asset register to ensure asset descriptions are clear and linked to the relevant asset by the Council. We have raised an associated recommendation in Appendix A.
Exit packages and earmarked reserves 16 termination packages were agreed in 2021/22 are disclosed within note 37b. Officers' remuneration. Earmarked reserves are disclosed within in note 9. Transfers to/from earmarked reserves.	We confirmed that the exit packages disclosed in the 2021/22 financial statements were considered by the Council's Change Management Panel, although management were unable to provide minutes of this meeting. The final Revenue Outturn Report 2021/22 did not include a breakdown of earmarked reserves, reporting use and transfer to reserves,	Management should ensure minutes of panels and committees are retained and a breakdown of reserves is reported within outturn reports.

2. Financial Statements – new issues and risks

Issue	Commentary	Auditor view
Prior period adjustments **Note 33 Expenditure and income analysed by nature** In the draft accounts, the Council restated the 2020/21 amounts reported in note 33. Expenditure and income analysed by nature. Within this note narrative describes the nature of the restatement. **Group Movement in Reserves Statement (MIRS)** The Group MIRS 2021/22 has been updated to disclose: • authority share of group reserves; and • adjustments between group and authority accounts. The 2020/21 figures have been restated to ensure consistency in presentation.	International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors requires the nature of the prior period errors, the amount of the correction: for each financial statement line item affected, and the amount of the correction at the beginning of the earliest prior period presented.	**Note 33 Expenditure and income analysed by nature** Within note 33 of the draft accounts, the nature of the prior period error was disclosed. The draft accounts did not disclose the amount of the correction for each line item. The final accounts have now been updated. **Group MIRS** The Group MIRS has been amended to disclose both authority share of group reserves and adjustments between group and authority accounts for both 2021/22 and 2020/21. This amended has no impact on the totals of the Group MIRS. These amendments are included in Appendix C. International Standards on Auditing 580 requires auditors to obtain specific representation made to correct prior period financial statements and comparative information. We have therefore requested specific representation within the Letter of Representation.
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.	Our work identified two weaknesses in the control environment relating the raising, processing and recording of revenue. Although these control deficiencies did not result in an error, we are required to communicate deficiencies in controls under our responsibilities International Standards on Auditing ISA 265.	We have raised a recommendation within our Action Plan in relation to these control deficiencies – Appendix A.
Assets under construction As at 31 March 2023, 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 are held at cost less impairment until they 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 requested management undertake an impairment review of AUC as at 31 March 2022 to assess whether there are any indicators of impairment and the resultant impact on their carrying value. This assessment confirmed that there was no impairment required to AUC as at 31 March 2022.	From our review of management's assessment, we are satisfied that there is no impairment required as at 31 March 2022. We understand that Voreda House is a continuing project and is likely to remain an AUC as at 31 March 2023. Management should undertake an impairment review of AUC, at the end of each financial year, to assess whether there are any indicators of impairment and the resultant impact on their carrying value. We have raised a recommendation in Appendix A.

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
Land and building valuations – £21.097 million Investment property valuations - £21.922 million	Other land and buildings comprises of specialised assets such as public conveniences and leisure centres, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. Investment properties have been valued at their fair value at year-end. The Council engaged Walton Goodland to complete the valuation of properties as at 31 March 2022, on a bi-annual rolling basis. 73% of other land and buildings were revalued during 2021/22 and all investment properties in line with the Code of Practice. Management also requested their valuer to consider the year-end value of non-valued properties. The valuer has provided an estimate of potential movement in value by applying BCIS indices modified by a Cumbria location factor to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has determined that there is no material change to the properties' value. Assets not revalued as at 31 March 2022 were valued in the prior year, as at 31 March 2021.	The valuation report has been used to inform the measurement of property assets at valuation in the financial statements. We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. The underlying information and sensitivities used to determine the estimate was considered to be complete and accurate. The valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. We have uplifted assets not-valued in year using Gerald Eve indices and considered local market factors to support the valuer's assessment that there has been no material changes. We have requested further evidence from the valuer to support this assessment. We have considered the disclosures made in the financial statements and consider these to be appropriate. We have noted areas for enhancement in Appendix C. **Conclusion** We are satisfied that the estimate of your land and buildings and investment property valuation is not materially misstated. In our 2020/21 Audit Findings Report, we raised a recommendation that management's assessment of assets not revalued should be strengthened by calculating an estimated difference between current and carrying value. Full details are included in Appendix B.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

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

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and building valuations and investment properties - continued	The total year end valuation of other land and buildings was £22.288 million, a net increase of £1.191 million from 2020/21 (£21.097 million) and investment properties was £21.922 million, a net increase of £2.011 million from 2020/21 (£19.911 million).	Our work undertaken in 2021/22 has confirmed that this recommendation has not yet been fully implemented. We recommend that this recommendation is implemented for the preparation of the 2022/23 financial statements.	
Net pension liability – £10.524 million	The Council's net pension liability at 31 March 2022 is £10.542 million (prior year £15.164 million). This comprises the Cumbria Local Government Pension Scheme obligations. The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. The pension liability has decreased from £15.164 million as at 31 March 2021 to £10.524 million at 31 March 2022.	In understanding how management has calculated the estimate of the net pension liability we have: • undertaken an Assessment of management's expert; • assessed the approach taken by the actuary and undertaken work to confirm reasonableness of approach; • used PwC as an auditors expert to assess actuary and assumptions made by actuary – see table on the following page; • assessed the completeness and accuracy of the underlying information used to determine the estimate; • undertook a reasonableness test of the Council's share of LGPS pension assets and the reasonableness of the movement in the estimate; and • assessed the adequacy of disclosure of estimate in the financial statements. As noted on page 10, the latest triennial valuation for Cumbria Pension Fund was recently published. The triennial valuation contains information that better reflects conditions that existed as at 31 March 2022. The Council has obtained a revised report from their actuary which confirms the net pension liability has reduced by £1.709 million as at 31 March 2022. The financial statements have been amended to incorporate the revised report as detailed in Appendix C.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability - continued		(see table and text below)	

Assumption	Actuary Value	PwC range	Assessment
Discount rate	2.80%	2.70-2.80%	●
Pension increase rate	3.50%	3.00-3.50%	●
Salary growth	4.9%	4.25-5.00%	●
Life expectancy – males currently aged 45 / 65 - Future pensioner age 65 in 20 years' time - Current pension age 65	 24.1 years 22.6 years	 22.2-24.8 years 20.7-23.3 years	●
Life expectancy – females currently aged 45 / 65 - Future pensioner age 65 in 20 years' time - Current pension age 65	 27.1 years 25.3 years	 25.7-27.5 years 23.8-25.5 years	●

Additional procedures have been required to gain assurance over the reasonableness of the revised assumptions and estimates. This included reviewing changes in financial assumptions (as these were not expected), the reasonableness of the revised duration of liability assumptions and updated demographic assumptions and checking that updated membership data from the triennial valuation is used in the actuary's calculations.

We have received a letter of assurance from the auditor of Cumbria Local Government Pension Scheme.

Conclusion

From our work performed, we have gained reasonable assurance over the net pension liability.

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Grants Income Recognition and Presentation	Over the last two years due to the Covid-19 pandemic, the Council has received Covid-19 related grant funding. The Council received funding to distribute to businesses and individuals. This has compromised of mix of discretionary and non-discretionary schemes. There are three main considerations for accounting for grants: • whether the Council is acting as the principal or agent and particularly whether it controls the goods or services before they transfer to the service recipient. Management's assessment considers all relevant factors such as who bears credit risk and responsibility for any overpayments, who determines the amount, who sets the criteria for entitlement, who designs the scheme and whether there are discretionary elements. • whether there are conditions outstanding (as distinct from restrictions) that would require the grant to be recognised as receipt in advance, otherwise grant should be recognised as income. • whether the grant is a specific or non-specific grant. General un-ringfenced grants are disclosed on the face of the CIES, whereas ringfenced grants are required to be credited to service revenue accounts.	We have tested a sample of grants received to confirm the following: • whether the Council is acting as the principal or agent which would determine whether the Council recognises the grant at all; • assessed the completeness and accuracy of the underlying information used to determine whether there are conditions outstanding (as distinct from restrictions) that would determine whether the grant be recognised as a receipt in advance or income • assessed the impact for grants received, whether the grant is specific or non-specific grant (or whether it is a capital grant) – which impacts on where the grant is presented in the CIES; and • reviewed the adequacy of disclosure of judgement in the financial statements meeting the requirements of IAS 1:125. **Conclusion** From our work performed, we have gained reasonable assurance over the recognition of grant income and presentation. The findings from our testing of grants is detailed on pages 12 to 13. We have raised recommendations within Appendix A.	We consider management's process and key assumptions are neither optimistic or cautious.

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Depreciation and useful economic lives of assets	Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated. Management's accounting policy is that property depreciation should be applied with a straight-line allocation over the life of the property as estimated by the valuer.	In response to this estimate we have: • reviewed the accounting policy; • recalculated the depreciation charge based on the useful economic lives as provided by the valuer as well as an overall recalculation of depreciation; • assessed the reasonableness of the useful economic life for a sample of assets; and • assessed the appropriateness of the policy in line with the financial reporting framework. **Conclusion** Our audit work has identified assets held in the fixed asset register, which are fully depreciated. This is reported in more detail on page 16. We have separately tested a sample of asset lives and we are satisfied that appropriate asset lives are being assigned. Our audit work has not identified any other issues in respect of useful economic lives.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious.
Accruals	Management do not have any individually material accruals. Management adopt the accrual basis of accounting, accruals are based on expenditure incurred that has not yet been paid or income due that has not yet been received. Accruals are based on principally known values, based on prior year figures or through the latest information available.	We have included accruals within our creditors sample testing, for each tested accrual we have: • reviewed the accounting policy; • considered the appropriateness of the underlying information used to determine the estimate; • compared the estimate to actual income/expenditure received or paid after the preparation of the draft financial statements; • considered the impact of any changes to valuation method; • where possible, compared the accrual to prior year values and methodology; and • considered the adequacy of disclosure of estimate in the financial statements. **Conclusion** On page 16, we report that our accruals testing identified inconsistencies in the application of the de-minimis limit for the making of accruals. We have raised an associated recommendation in Appendix A. Although our work has identified inconsistencies in the application of the de-minimis limit for making accruals, we have gained sufficient and appropriate assurance over the accruals made in the 2021/22 accounts.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

Assessment

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

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision	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. The Council's year end MRP charge was £0.014 million, an increase of £0.002 million increase from 2020/21. As at 31 March 2022, the Council's MRP was 0.71% of its overall Capital Financing Requirement (CFR).	In response to this estimate we have assessed: • whether the MRP has been calculated in line with the statutory guidance; • whether the Council's policy on MRP complies with statutory guidance; • assess 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; and • the reasonableness of the increase/decrease in MRP charge. **Conclusion** We are satisfied that the MRP has been calculated in line with the statutory guidance and the Council's own policy. There have not been any changes to the Council's policy on MRP in year. 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. In our Audit Findings Report 2020/21, we noted that the Council should keep its MRP policy under review. 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. See Appendix A for recommendation raised.	We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic

Assessment

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

2. Financial Statements - matters discussed with management

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

Significant matter	Commentary
Significant events or transactions that occurred during the year	Local Government Re-organisation (LGR) took place in Cumbria on 1 April 2023. Cumbria County Council, and the six Cumbrian district councils were replaced by two unitary councils. These two unitary councils are responsible for the services currently delivered by Cumbria County Council and the six district councils. Eden District Council merged with South Lakeland District Council and Barrow Borough Council and approximately half of a disaggregated Cumbria County Council to form a new unitary authority to be known as Westmorland and Furness Council. This is disclosed appropriately within the Narrative Report. An additional disclosure note has added been to the financial statements 'Note A27. Demise of the organisation' to explain the impact of LGR. Our audit opinion is unmodified however includes an emphasis of matter highlighting the demise of the organisation and draws attention to 'Note A27. Demise of the organisation.' For all other matters discussed with management refer to Appendix A Recommendations and Appendix C Audit adjustments.
Business conditions affecting the group / Council, and business plans and strategies that may affect the risks of material misstatement	None to report.
Concerns about management's consultations with other accountants on accounting or auditing matters	None to report.
Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	None to report.
Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	None to report.
Other matters that are significant to the oversight of the financial reporting process.	None to report.

2. Financial Statements - other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have not been made aware of any other incidents in the period and no other issues have been identified during our audit procedures.
Matters in relation to related parties	Our audit work identified one related party was not disclosed in note 40. Related party transactions within the draft financial statements. The final version of the financial statements has been updated to disclose this, as noted in Appendix C. We identified two declaration of interest forms were not available on the Council's website. Management provided these for the audit. We have raised a recommendation within Appendix A. We are not aware of any other related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council as required by auditing standards. We have requested representation on two matters: assets held at nil net book value (see page 16) and two prior period adjustments (see page 17).
Confirmation requests from third parties	We requested from management permission to send confirmation requests in relation to all cash, investment and borrowing balances. This permission was granted, the requests were sent out and positive confirmations were received.
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. Changes were identified to improve compliance and readability of the accounts and full details are included in Appendix C.
Audit evidence and explanations / significant difficulties	As noted on page 11, we have encountered delays throughout the audit, which have stemmed from late submission of accounts for audit, the timeliness and quality of responses to audit queries. We have included an improvement recommendation in our Auditor's Annual Report relating to arrangements in place to support the preparation and audit of the Council's financial statements. Our 2020/21 Auditor's Annual Report and 2019/20 Audit Findings Report included a recommendation in relation to this point. In Appendix B, we reflect this recommendation is still to be fully addressed. Management should look to implement this recommendation to minimise delays to the audit of the Council's 2022/23 financial statements.

2. Financial Statements - other communication requirements

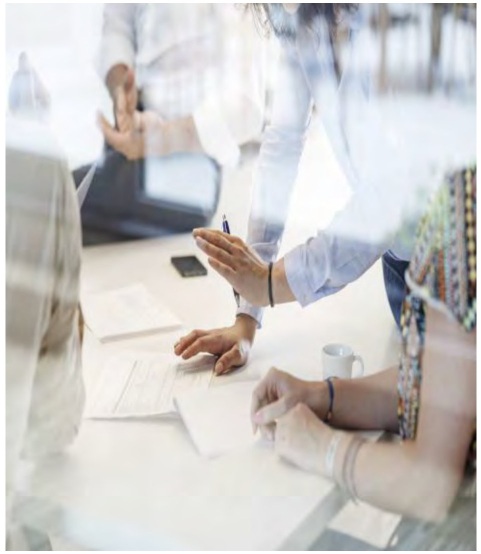
Our responsibility

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

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

2. Financial Statements - other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement (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. Inconsistencies have been identified but have been adequately rectified by management. Full details of these changes are outlined within Appendix C. We plan to issue an unmodified opinion in this respect – refer to appendix E.
Matters on which we report by exception	We are required to report on matters by exception in the following 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; and • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters to date. Our work in relation to VFM is not yet complete, details are included on pages 28-29.
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 the Council does not exceeds the specified group reporting threshold of £2 billion, we are not required to undertake any procedures.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021/22 audit of Eden District Council in the audit report, as detailed in Appendix E, as our VFM work is not yet complete (pages 28-29). The NAO Code of Audit Practice and Supplementary Guidance Note 02 (SGN 02) permits auditors to issue commentary covering more than one financial year. Our work on VFM for 2021/22 currently in progress and we will report our commentary within our Annual Auditor's Report.



3. Value for Money arrangements

Approach to Value for Money work for 2021/22

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

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

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

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

Statutory recommendation

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

Key recommendation

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

Improvement recommendation

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

3. VFM - our procedures and conclusions

We have not yet completed all our VFM work and so are not able to issue our Auditor's Annual Report. We expect to issue our Auditor's Annual Report by March 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

In our Audit Plan, communicated to you in December 2022, we did not identify any risk of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Our VFM work for 2021/22 in currently in progress. As part of our work, we are reviewing the Council's arrangements and undertaking further work to establish whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

As noted on page 11, we have experienced delays during the audit of the financial statements resulting from capacity of the finance team. We are undertaking further work to establish whether this similarly represents risk of significant weakness for VFM. Our work will also consider the arrangements for the dissolution for the Heart of Cumbria.

The NAO Code of Practice 2020 expected 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 following the end of each financial year. The NAO issued Supplementary Guidance Note 02 (SGN 02) in August 2022. This guidance confirms auditors are permitted to produce a VFM commentary covering more than one financial year is which consistent with the requirements set out in the Code of Audit Practice.

Due to delays in the 2021/22 audit, we are undertaking our VFM work for 2021/22 and 2022/23 concurrently. This work is currently in progress. We recognise as more time passes, the less relevance this reporting will have, due to the demise of Eden District Council and the creation of the new Westmorland and Furness Council on 1 April 2023.

Our audit letter explaining the reasons for the delay and this is attached in the Appendix G. We now expect now to issue our Auditor's Annual Report by the end of March 2024.

4. Independence and ethics

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

In this context, we disclose the following to you that Gareth Kelly was serving his sixth as your Appointed Auditor. Engagement leads typically serve for 5 years in their role with an audit client. This mitigates the perceived familiarity threat that comes from long associations with a client.

The Ethical Standards identify three examples where flexibility may be necessary to safeguard the quality of the audit. One of these applies directly to the Council's audit, namely the substantial change to the nature of the Council's business as a direct result of Local Government Re-organisation. The transition period leading up to the establishment of the new Council's represents a major change for the Council. During this period, it is vitally important for the quality of the audit that there is continuity at Engagement Lead level. Gareth knows and understands the Council and risks well. He ensured that the audit focuses on the right areas. This extension was discussed and agreed with Public Sector Audit Appointments Ltd and our Central Ethics team and is also applicable to the 2022/23 audit.

As outlined on page 6, Andy Mack assumed the Engagement Lead role on the audit in December 2023. Andy is independent from Eden District Council and has no previous connection to the Council. Andy has received a briefing on the Council and has undertaken a detailed review of the audit.

We confirm that there are no other significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention.

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

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

Details of fees charged are detailed in Appendix D.

Transparency

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

4. Independence and ethics

Audit and non-audit services

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

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of housing benefit subsidy grant 2022/23	23,940	Self-Interest	This fee relates to the certification of the housing benefit subsidy claim for 2022/23. We have not taken this certification work for the Council prior to 2022/23. 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 £23,940 in comparison to the total fee for the audit (see page 45) and in relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

This services is 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.

Appendices

A. Action plan – Audit of Financial Statements

We have identified eleven recommendations during our audit. We have agreed our recommendations with management. We will report on progress on these recommendations during the 2022/23 audit. The matters reported here are limited to those deficiencies that we have identified during our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
High	**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.	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 and Furness Council. The E5 MAS is administered by a separate Systems Team, currently hosted by Cumberland Council.
Medium	**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.	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 and Furness Council's accounts.

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**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.	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 and Furness Council from 2023/24.
Low	**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.	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 and Furness Council. However we agree that key policies and procedures must be reviewed to remain accurate and fit for purpose.
Medium	**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.	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 and Furness Council's accounts.

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**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.	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 and Furness Council's accounts.
Medium	**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.	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 and Furness Council's accounts.
Low	**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.	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.

Controls

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

A. Action plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**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.	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.
Medium	**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.	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.
Low	**Declaration of interests** We identified two declaration interest forms were not available on the Council's website. Management provided these for the audit.	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.

Controls

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

B. Follow up of prior year recommendations

We identified the following issues in the previous audit of Eden District Council's financial statements, which resulted in recommendations being reported in our Audit Findings reports. We have followed up on the implementation of our recommendations and four are in progress.

2020/21 Audit Findings Report

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	**Journals** The Interim Director of Resources, Chief Finance Officer (S151 Officer) has the ability to post journals. Whilst no journals were posted in year, this represent a weakness in the control environment which creates a heightened risk of management override of controls. Supporting documentation is not submitted at the time of posting a journal making it difficult for journals to be meaningfully reviewed and the working papers are done retrospectively at times. **Recommendation** Revoke senior management's ability to post journals in the finance system. Introduce a requirement that evidence is submitted to support all manual journals.	Our 2021/22 journals testing identified that issues remain and have not been fully addressed.
✓	**Cash** We identified an active bank account with a trivial balance at 31 March 2021 which had been excluded from the statement of accounts. Whilst no transactions were posted in year, this represents a weakness in the control environment which increases the risk of fraud. **Recommendation** Clear and close all Council bank accounts which are not being used.	Completed.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

2020/21 Audit Findings Report - continued

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
In progress	**Accruals** We identified inconsistencies in the application of the deminimus limit for the making of accruals. Our inquiries indicated different members of the finance team were applying different levels, between £100 and £5,000. **Recommendation** Ensure the de-minimis limit for accruals is properly documented, communicated and consistently applied.	During the 2021/22 audit, we also identified similar inconsistencies in the application of the de-minimus limit for making accruals. This recommendation has not yet been fully implemented. We recommend that the de-minimis limit for accruals is properly documented, communicated and consistently applied for the preparation of the 2022/23 financial statements.
In progress	**Assets not revalued** The code requires that land and building is valued with sufficient frequency to ensure that there is not a material difference between current and carrying value. The Council has engaged their valuer Walton Goodland to provide assurances that there is not a material difference between current and carrying value of assets not revalued. The valuer considers the movement in BCIS indices and details the percentage movement in the rates for each asset in their report. The report does not estimate the potential difference between current and carrying value which means it is difficult for management to demonstrate that it is immaterial. **Recommendation** Quantify the potential difference between current and carrying value of land and buildings not revalued.	Our findings for 2021/22 are consistent with those reported in 2020/21. This recommendation has not yet been fully implemented. We have carried out our own assessment to demonstrate that there is not a risk of material misstatement in relation to this issue. This recommendation should be implemented for the preparation of the 2022/23 financial statements.

Assessment

✓ Action completed

X Not yet addressed

B. Follow up of prior year recommendations

2019/20 Audit Findings Report

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Heritage Assets** The Council's insurance valuation for heritage assets is a desktop valuation only. The 2018/19 valuation stated that "there remains a large bulk of lower value items that I have not personally seen nor handled and which will need to be appraised at some point for us to be able to continue to provide an insurance valuation on those items". This has not happened due to Covid. Recommendation Ensure an updated insurance valuation for heritage assets is in place for 2020/21.	Insurance valuation of all heritage assets was undertaken for 2021/22. Completed.
In progress	**Finance Team Capacity** As a result of the sickness in the finance team due to COVID, under capacity and lack of experience of the team and pressures on key officers because of other Council commitments, we have experienced delays in obtained information requested for the audit. Accounts were received later than the statutory deadline of 1 August 2021 – and response to some requests have not been as timely as anticipated. Some of the delays are in respect of issues around the valuation of land and buildings which has taken some time to resolve. Recommendation We recommend the Council now look to make permanent appointments in key roles and to ensure that finance team capacity is sufficient to produce accounts and working papers on a timely basis.	This recommendation is in progress and not yet fully addressed.
✓	**Heritage Assets** The Council's insurance valuation for heritage assets is a desktop valuation only. The 2018/19 valuation stated that "there remains a large bulk of lower value items that I have not personally seen nor handled and which will need to be appraised at some point for us to be able to continue to provide an insurance valuation on those items". This has not happened due to Covid. Recommendation Ensure an updated insurance valuation for heritage assets is in place for 2020/21.	Insurance valuation of all heritage assets was undertaken for 2021/22. Completed.

Assessment

✓ Action completed

X Not yet addressed

C. Audit Adjustments

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

Impact of adjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £' 000	Impact on total net expenditure £'000
Land and buildings			
Dr Land and buildings		255	
Cr Other comprehensive income and revaluation reserve	(255)	(255)	(255)
Being the correction of the valuation of Frenchfield Sports Centre £0.169 million and Football Stadium £0.086 million.			
Investment properties			
Dr Investment properties		800	
Cr Financing and investment income and expenditure and general fund	(800)	(800)	
Dr General fund		800	
Cr Capital adjustment account		(800)	(800)
Being the correction of the valuation of Penrith New Squares.			
Revised IAS 19 report			
Dr General fund		1,709	
Cr Remeasurement of the net defined benefit liability	(1,709)	(1,709)	(1,709)
Dr Pension liability			
Cr Unusable reserves - pension reserve			
Being the adjustment for the revised IAS 19 report.			
Heart of Cumbria			
Dr Surplus / Deficit on Revaluation of Financial Assets and unusable reserves	6	6	6
Cr Long term investments		(6)	
Being the adjustment to the accounts for the audited Heart of Cumbria accounts.			
Overall impact	**£(2,758)**	**£nil**	**£(2,758)**

C. Audit Adjustments

Misclassification and disclosure changes

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

Disclosure change	Auditor recommendations	Adjusted?
Narrative report and accounts	Minor formatting and presentational changes made throughout the narrative report and accounts. Reference to the dissolution of the Heart of Cumbria has been added.	✓
Narrative report	Operating model has been updated to reflect that Heart of Cumbria is dissolved and being brought back in house.	✓
Note A27. Demise of the organisation	An additional disclosure note to the financial statements has been added. This note explains that although Eden District Council will cease to exist on 31 March 2023 due to LGR, the assets and liabilities of this Council will transfer to the new Westmorland and Furness Council on 1 April 2023. There will be continuation of service delivery between Eden District Council and the new Westmorland and Furness Council.	✓
Note 5. Assumptions made about the future and other major sources of uncertainty	We challenged management to enhance the disclosure in relation to estimation uncertainty of land and buildings within this note and where the material uncertainty in relation to debtors and creditors lies. Management has not updated this within the final set of accounts for these points. Provisions are not material within the accounts. Note 5 has been updated to remove provisions.	Partially
Note 7. Events after the balance sheet date	This note has been updated to disclose the following: • the impact of political and economic volatility since 31 March 2022, a non-adjusting event; • triennial valuation of the Cumbria Pension Fund; and • Local Government Reorganisation on 1 April 2023.	✓
Note 8. Adjustments between accounting basis and funding basis	Application of capital grants to finance new capital expenditure has been corrected from £2.982 million to £3.072 million.	✓
Note 12. Taxation and non-specific grant income	Narrative has been added to show how Note 12. Taxation and non-specific grant income reconciles to Note 39. Grant Income and Other Contributions.	✓

C. Audit Adjustments

Misclassification and disclosure changes - continued

Disclosure change	Auditor recommendations	Adjusted?
Note 13. Property, plant and equipment	**Valuation basis table** The valuation basis table in the draft financial statements incorrectly disclosed that community assets depreciation and asset life is not applicable. The note should disclose that these assets are depreciated on a straight-line basis over their asset life. **Contractual commitments** Within the draft financial statements, no contractual commitments for the acquisition of property, plant and equipment were disclosed. The final financial statements have been updated to disclose this.	✓
Note 15. Investment properties	Comparatives were incorrectly heading 2019/20. This has been corrected to state 2020/21.	✓
Note 23. Short term and long term creditors	The note has been updated to disclose long term creditors 2020/21 and 2021/22. Energy refund grant £0.102 million reclassified within note 23 from government to receipts in advance.	✓
Note. 33 Expenditure and income analysed by nature	The 2020/21 figures were restated within Note 33. Expenditure and income analysed by nature. A table and narrative have been added to show the amount of correction and the nature of the error to meet the disclosure requirements of International Accounting Standard 8 Accounting Policies, Changes in Accounting Estimates and Errors.	✓
Note 37(b). Officers renumeration - officers earning more than £50,000	Within the draft financial statements, the comparative 2020/21 figures were nil values. These figures have been updated to disclose the correct comparative figures.	✓
Note 38. External audit fees	The audit fee disclosed payable for current year has been updated to include the interim additional audit fee.	✓
Note 39. Grant income and other contributions	The following amendments have been made to note 39: • a table and narrative has been added to the note to provide further information on the accounting treatment of Covid-19 grants; and • £0.058 million has been reclassified within note 39 from within the line Local Restrictions Support Grant (Christmas Support) to New Burdens Grants.	✓

C. Audit Adjustments

Misclassification and disclosure changes - continued

Disclosure change	Auditor recommendations	Adjusted?
Note 40. Related party transactions	This note has been updated to disclose a related party in respect of the shared Chief Executive arrangement with Carlisle City Council during 2021/22.	✓
Note 41. Capital expenditure and capital financing	The description in the table has been updated from 'Property, plant and equipment' to 'Land and buildings.'	✓
Note 43. Leases	The note has been updated to disclose the comparative future minimum lease payment in relation to Penrith New Squares as at 31 March 2021.	✓
Eden District Council Group Accounts	The Group Accounts were updated for the following changes: • At the time of preparing the Council's draft accounts the final Heart of Cumbria accounts were not available. The Council's draft accounts were prepared using the Heart of Cumbria's draft accounts. The Council's accounts have been updated to reflect Heart of Cumbria's final accounts. • Reclassify £0.157 million from long term debtors to short term debtors within the Balance Sheet and corresponding notes G3 .Long term debtors and G4 Short term debtors. • The Group MIRS has been amended to disclose both authority share of group reserves and adjustments between group and authority accounts for both 2021/22 and 2020/21. This has resulted in a restatement of the 2020/21 figures, see page 16. This amended has no impact on the totals of the Group MIRS. • Note G3. Long term debtors - reference to a loan with the Council's Leisure Contractor removed as this is no longer relevant. • Note G7. Capital expenditure and financing 2020/21 figures corrected to agree to the corresponding figures in the 2020/21 audited accounts. • Note G7. Capital expenditure and financing 2021/22 figures corrected to account for group transactions, which were not in the draft accounts.	✓
Annual Governance Statement	The draft AGS has been amended for the following disclosure omissions / issues: • Correct terminology and update references from 2020/21 financial year to 2021/22. • Include references to the following: - governance arrangements relating to the Group; - how the Council ensures effective arrangements in place for the discharge of the head of paid service function; - capacity of the finance team and delay to the production of the 2021/22 financial statements; and - Head of Internal Audit Opinion and limited or no assurance internal audit reports. • The AGS conclusion was updated to confirm that there were no significant weaknesses. • Details of the constitution breach in relation to the Homelessness and Housing Advisory Services Contract.	✓

C. Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

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

These adjustments are individually and inaggregrate not material.

C. Audit Adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2020/21 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance sheet £'000	Impact on total net expenditure £'000
Short Term Debtors			
The Council's short term debtors includes £0.048 million in relation to a claim for funding to cover damage caused by Storm Ciara. As the claim has still not been submitted and is more than 2 years has passed from the storm, we do not agree that that the conditions for income recognition have been met.			
Cost of services income	48		48
Short Term Debtors		(48)	
Short Term Creditors			
The Council's short term creditors includes £0.109 million in relation to an amount due to North West Development Agency. We have seen evidence which confirms that this is not a liability to the Council and it should therefore be excluded from its creditors balance.			
Cost of Services Expenditure	(109)		(109)
Short Term Creditors		109	
Prior Period Adjustment			
A prior period error was identified in relation to the accounting for Infrastructure assets. In the draft accounts, the Council incorrectly posted an in year adjustment to correct this prior period error. As the impact of error was is material, the correct treatment is to restate the prior periods impacted. A prior period adjustment has been posted in the final set of accounts. Our work however identified that an error was made in posting this adjustment. The impact of this error is an understatement of the net book value of Property, Plant and Equipment of £0.050million at 31 March 2020 (0.055 million at 31 March 2021).			
Cost of Services Expenditure	5		5
Property, Plant and Equipment		50	
Usable reserves		(5)	
Unusable reserves		(50)	
Overall impact	(56)	61	(56)

The first two adjustments are corrected in the 2021/22 accounts. The third adjustment is an estimated unadjusted error, which corresponds to misstatement noted on page 44 – Eden Business Park.

D. Audit fees

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

Audit fees	Proposed fee*	Interim fee**	Final fee***
Council Audit	£66,397	£95,147	£107,650
Heart of Cumbria Ltd	£3,750	£3,750	£3,750
Total audit fees (excluding VAT)	**£70,147**	**£98,987**	**£111,400**

* Analysis of the proposed audit fee published in our Audit Plan is provided on page 46.

** The interim audit fee was agreed in principle by the Assistant Director of Resources (Deputy S151 Officer) in August 2023 and is subject to PSAA approval.

*** Further additional fees of £15,013 in relation to the completion of the audit of the 2021/22 financial statements. The estimated final fee for the 2021/22 is £107,650 and is subject to PSAA approval.

Non-audit fees for other services	Proposed fee	Final fee****
Audit related services – housing benefit certification 2022/23	£47,880	TBC
Total non-audit fees (excluding VAT)	**£47,880**	TBC

****The certification of the 2022/23 housing benefit subsidy certification is not yet complete. Further fees may arise due to any errors identified and resulting required additional testing.

Audit fees for 2021/22 are disclosed within note 38. External audit fees of the financial statements:

- Fees payable in respect of audit services for current year £99,000.
- This reconciles to the total interim audit fee of £98,987 disclosed in the table to the left.

The financial statements are rounded to the nearest thousand.

Audit fees – detailed analysis

Below provides analysis of our proposed audit fee disclosed on page 46.

Proposed audit fee communicated in our Audit Plan	
Original scale fee published by PSAA	£32,296
Ongoing increases to scale fee first identified in 2019/20 and 2020/21	
Raising the bar/regulatory factors	£5,625
Enhanced audit procedures for Property, Plant and Equipment	£2,188
Enhanced audit procedures for Pensions	£2,188
Additional work on Value for Money (VfM) under new NAO Code	£9,000
Increased audit requirements of ISA 540	£2,100
Journals testing	£3,000
New increases for 2021/22	
Local risk factors – finance team capacity	£5,000
Remote working	£5,000
Total proposed audit fees for the Council audit (excluding VAT) page 46	£66,397

Audit fees – detailed analysis

Below provides analysis of the interim audit fee and revised audit fee disclosed on page 46.

Total interim audit fee	
Total proposed audit fee communicated in our Audit Plan	**£70,147**
Additional fee components:	
IAS 19 report re-run	£6,000
Payroll changes in circumstances testing	£500
Collection fund reliefs and discounts testing	£750
Accruals and grants testing issues	£3,850
Property, plant and equipment – assets not revalued, asset under construction and revaluation errors	£5,450
Journal control weaknesses	£1,445
Delays receiving working papers and responses to audit queries	£10,755
Sub-total additional fee	**£28,750**
Total interim audit fee (excluding VAT) page 46	£98,897

E. Audit opinion

Our audit opinion is included below. We provided the group with an unmodified audit report with an emphasis of matter.

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

Report on the Audit of the Financial Statements

Opinion on financial statements

We have audited the financial statements of Eden District Council (the 'Authority') and its subsidiary (the 'group') for the year ended 31 March 2022, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, the Group Movement in Reserves Statement, the Group Comprehensive Income and Expenditure Statement, the Group Balance Sheet and the Group Cash Flow 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2022 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and 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.27 The Demise of the Organisation' to the financial statements, which indicates that Eden District Council ceased to exist on 31 March 2023 and the assets and liabilities of Eden District Council transferred to Westmorland and Furness Council on 1 April 2023.

Conclusions relating to going concern

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

In our evaluation of the Director of Resources conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22 that the Authority 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 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the group and Authority and the group and Authority's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's or 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.

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority, the other information published together with the financial statements in the Statement of Accounts 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.

E. Audit opinion

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

As explained in the Statement of Responsibilities [set out on page 18], the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's 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 there is an intention by government that the services provided by the Authority and the group will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the 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 (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2021/22, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.
- We enquired of senior officers 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 senior officers, 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 officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - unusual journals with specific risk characteristics and large value journals; and
  - significant accounting estimates and critical judgements made by management.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Resources has in place to prevent and detect fraud;
  - journal entry testing, with a focus specific risk characteristics and large value journals;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pension liability valuations.
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related of land and buildings, investment property and defined benefit pension liability valuations.
- 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
  - 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.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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.

E. Audit opinion

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

Responsibilities of the Authority

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Eden District Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

Use of our report

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

To be signed

Andy Mack, Key Audit Partner

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

London

To be dated

F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Sirs

Eden District Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Eden District Council and its subsidiary undertaking, Heart of Cumbria Ltd for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the group and Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

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

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the group and Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the group and 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 group and Council 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 other land and buildings valuation, investment property valuation, defined benefit pension liability valuation, deprecation and year-end accruals. 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. There have been no changes to estimation techniques or processes during the year. 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 group and Council financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the [group and]Council has been assigned, pledged or mortgaged

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

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 group and Council 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 and attached. 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. 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. The prior period adjustments disclosed in the Group Movement in Reserves Statement and Note 33 Expenditure and income analysed by nature to the financial statements are accurate and complete. There are no other prior period adjustements to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the group and 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 group and Council means that, notwithstanding any intention to cease the group and Council 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 group and Council's system of internal control has not identified any events or conditions relevant to going concern.

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

F. Management Letter of Representation

xvii. The Council's asset register included property, plant and equipment assets with a nil net book value and are fully depreciated in the asset register. We acknowledge that are two risks in relation to this issue:

a. if these assets are no longer operational, the gross cost and accumulated depreciation balance will be overstated;

b. if these assets are operational, there is a risk that the Council is not assigning appropriate asset lives to its property, plant and equipment.

The impact of these risks is that the gross book value and accumulated depreciation disclosed within Note 13. Property, plant and equipment is overstated. There is no impact on the primary financial statements, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet, and Cash Flow Statement.

Information Provided

xviii. We have provided you with:

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

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

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

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

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

xxi. 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.

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the group and 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.

xxiii. 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.

xxiv. 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.

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

xxvi. 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

xxvii. 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.

Annual Governance Statement

xxvii. 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

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

Approval

The approval of this letter of representation was minuted by Westmoorland and Furness Council's Audit Committee in respect of Eden District Council at its meeting on 20 September 2023.

Yours faithfully

Name................................

Position..............................

Date.................................

Name................................

Position..............................

Date.................................

Signed on behalf of the Westmorland and Furness Council in regards of Eden District Council

F. Management Letter of Representation

Appendix 1 – unadjustment misstatements

The table below provides details of adjustments identified during the 2021/22 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance sheet £'000	Impact on total net expenditure £'000
Land and buildings	71	71	71
Dr Revaluation reserve		(71)	
Cr Land and buildings		(71)	
Dr Cost of services			
Cr General fund			
Being the estimated obsolescence factor applied to Penrith Leisure Centre and Swimming Pool.			
Eden Business Park			
Dr Cost of services	5		5
Dr Property, plant and equipment		44	
Cr Usable reserves		(5)	
Dr Unusable reserves		(44)	
Being the estimated understatement of property, plant and equipment of unadopted roads.			
Overall impact	76	(23)	76

G. Audit letter in respect of delayed VFM work

Chair of Audit Committee for Westmorland and Furness Council in respect of Eden District Council

Sent by email

Grant Thornton UK LLP
Civic Centre
Rickergate
Carlisle
CA3 8QG

14 September 2023

Dear Councillor Coles,

Eden District Council 2021/22 and 2022/23

The original expectation under the approach to Value for Money (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.

The draft 2021/22 financial statements were only presented for audit on 30 November 2022, well past the statutory deadline for submission of 31 July 2022. The audit deadline for publishing audited local authority accounts for 2021/22 was 30 November 2022. Due to the late production of the financial statements, we have been unable to complete our work in this timeframe.

We wrote to Councillor Eyles as the former Chair of the Accounts and Governance Committee for Eden District Council in March 2023, to confirm that we expected to publish our Auditor's Annual Report 2021/22, including commentary on arrangements to secure value for money, no later than 31 August 2023. We will not be able to issue our Auditor's Annual Report 2021/22 by this date due to delays to the financial statements audit.

The 2022/23 draft financial statements have not been presented for audit yet. We will not be able to issue our Auditor's Annual Report 2022/23 by 30 September 2023.

The NAO issued Supplementary Guidance Note 02 (SGN 02) in August 2022. This guidance confirms auditors are permitted to produce a VFM commentary covering more than one financial year is which consistent with the requirements set out in the Code of Audit Practice.

We recognise as more time passes, the less relevance this reporting will have, due to the demise of Eden District Council and the creation of the new Westmorland and Furness Council on 1 April 2023. We are undertaking our VFM work for 2021/22 and 2022/23 concurrently. We now expect to publish our Auditor's Annual Report for 2021/22 and 2022/23 by no later than 31 December 2023.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay for 2021/22 and 2022/23.

Yours faithfully

Gareth Kelly

Director