The Audit Findings Report for Cumbria County Council

Year ended 31 March 2020

November 2020

Contents

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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cumbria County Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council. As well as leading the County's response to the pandemic, the Council has had the additional challenges of reopening services under new government guidelines. Council staff have had to adapt to working from home and accessing key systems remotely. Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.	Our audit risk assessment identified a financial statement level risk in respect of Covid -19. The pandemic has also impacted our value for money work on financial sustainability. This was communicated via our audit plan, which was presented to the Audit and Assurance Committee in September 2020. Further detail is set out on page 6 of this report. Restrictions for non-essential travel has meant both Council and audit teams have had to adapt to new remote access working arrangements. The accounts were provided to us on 30 July 2020 and working papers have been provided throughout the audit. This has included the use of video calling and screensharing for the verification of completeness and accuracy of information produced by the entity, and information sharing through our cloud based software. Due to the potential impact that Covid-19 has on the value of your land and buildings, and on the valuation of the Council's share of Cumbria Local Government Pension Scheme's investments in UK Properties and Property Funds at 31 March 2020, your valuer has disclosed a material valuation uncertainty within their valuer's report (as per the RICS Red Book Global.). We will reflect these material uncertainties within an "emphasis of matter" paragraph in our audit report opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted the same material valuation uncertainty.
Financial Statements	Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements: • give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. We are also required to report whether other information published together with the audited financial statements, including the Annual Governance Statement (AGS), Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.	Our audit work was completed remotely during July-November 2020. Our findings are summarised in this report. We have identified one adjustments to the financial statements that has resulted in a £12.490 million adjustment to the Council's Net Pension Liability. This adjustment had no impact on the Council's Useable Reserves. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B. Our work is now complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements. We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. As outlined above, our audit report opinion is unqualified including an emphasis of matter paragraph, highlighting land and building valuation material uncertainties in respect of the Council's own assets and the Council's share of the Cumbria Local Government Scheme's direct property investments and investments in indirect unquoted property funds. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year. A paragraph has been added to indicate this matter, which is now adequately disclosed in the Council's financial statements and we consider is fundamental to a readers' understanding of the financial statements.

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Cumbria County Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Value for Money arrangements	Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').	We have completed our risk based review of the Council's value for money arrangements. We have concluded that Cumbria County Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources. We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19. We therefore issued an unqualified value for money conclusion, as detailed in Appendix E. Our findings are summarised on pages 18 to 21.
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 • certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We have completed our work under the Code with the exception of Whole Government Accounts, which due to an operational IT technical matter experienced by the Council, we are unable to certify the completion of the audit in our audit report opinion.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times. These complex set of financial statements have been produced to a very high standard and the finance team have produced good working papers and have been responsive to our audit queries.

Audit approach

Overview of the scope of our audit

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

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

- an evaluation of the Council's internal controls environment, including its IT systems and controls;
- an evaluation of the components of the group, no changes were required to our planned approach, which was communicated in our audit plan as follows;
  - full scope – Cumbria County Council
  - analytical procedures – Cumbria County Holdings Limited; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter our audit plan, as communicated to you in September 2020.

Conclusion

We have now completed our audit of your financial statements and we have issued an unqualified and unmodified audit opinion in line with 30 November 2020 statutory deadline, as detailed in Appendix D.

Our approach to materiality

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

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

	Group Amount (£)	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	12,920,000	12,396,000	1.3 % of prior year gross cost of services expenditure, which we believe equates to what would be material to the reader of the accounts.
Performance materiality	8,398	8,057	65% of headline materiality, reflecting the Council's strong control environment and history of producing high quality financial statements.
Trivial matters	646,000	620,000	5% of headline materiality.
Materiality for Senior Officer Remuneration	20,000	20,000	Based on what would be material to the reader of the accounts for this sensitive area.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Covid– 19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. The pandemic circumstances will have had an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to: - remote working arrangements and redeployment of staff to critical front line duties may impact on the quality of the production of the financial statements, and the evidence we can obtain through physical observation - volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates - financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and - disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties. We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.	We worked with management to understand the implications of and the response to the Covid-19 pandemic had on the organisation’s ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 30 July 2020. We have also: • liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose; • evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic; • evaluated whether sufficient audit evidence could be obtained using alternative approaches whilst working remotely; • evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and pension fund net liability valuations; • evaluated management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment; and • discussed with management the implications for our audit report opinion. The results of our work concluded that appropriate arrangements have been put in place to manage the Covid-19 situation and suitable disclosures have been made in the financial statements. This includes the use of alternative arrangements in the decision-making process as permitted by the Council Constitution. We were able to obtain sufficient audit evidence by utilising screensharing for the verification of completeness and accuracy of information produced by the Council, and share information through our cloud based software. Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, your valuer has disclosed a material valuation uncertainty within their valuers report (as per the RICS Red Book Global.). You have disclosed this material uncertainty within Note 3 of the financial statements. Following audit, Note 3 has been updated to reflect the impact of Covid-19 on the valuation of the Council's share of Cumbria Local Government Pension Scheme’s investments in UK Properties and Property Funds. The note states property valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per the RICS Red Book Global. We will reflect these material uncertainties within an “emphasis of matter” paragraph in our audit report opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted the same material valuation uncertainty. There were no other findings in respect of this significant risk.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
Valuation of land and buildings The Council revalues its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£555.239m) and the sensitivity of this estimate to changes in key assumptions. Additionally, management need to ensure the carrying value in the Council financial statements is not materially different from the current value at the financial statements date, where a rolling programme is used. An arithmetic error was discovered in the depreciated replacement cost (DRC) valuation template used to calculate the value of some of the Council's buildings in 2018/19. Management has investigated the issue and identified a potential understatement on land and buildings of £17.474m, in assets revalued as at 31 March 2019. Further more, assets that had not been revalued in 2018/19 were assessed again to determine whether the Balance Sheet was still materially correct. This piece of work concluded that there was a potential understatement of some £35m, at which stage a further 63 desktop valuations of buildings has been undertaken with the final figure being £32.001m. The Council is proposing a prior period adjustment in 2019/20 accounts to correct for this issue. We therefore identified valuation of land and buildings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	The Council's valuer prepared their valuations at 31 March 2020 and 31 March 2019 in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • written to the valuer to confirm the basis on which the valuation was carried out; • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation; • tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. • engaged an auditor valuation expert to review methods and assumptions adopted by management's valuer. Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, your valuer has disclosed a material valuation uncertainty within their valuers report in accordance with the RICS Red Book Global. You have disclosed this material uncertainty within Note 3 of the financial statements. We will reflect your disclosure within an "emphasis of matter" paragraph in our audit report opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted the same material valuation uncertainty. We have reviewed the prior period adjustment in relation to the valuation of the Council's land and Buildings at 31 March 2019. We have agreed the accounting treatment and disclosures made in Note 43 to the accounts. Our work identified 10 assets, with a value of £13.688 million, which were omitted from the valuation to support the prior period adjustment. Our work indicates that there is a potential immaterial understatement of land and buildings of £1.3 million as at 31 March 2019. The impacted assets have all be revalued at 31 March 2020. Given the amounts on the omitted assets are immaterial, we concluded that the prior period adjustment was complete and fairly stated. As part of our work on the prior period adjustment we reviewed the model used by the valuer to derive depreciated replacement cost valuations. The model is reliant on key inputs, relating to build costs, build cost indices and obsolescence being kept under regular review and updated as necessary. As outlined in Appendix A, we recommend that, the Council integrate the review of this model into their closedown procedures to ensure that it is updated on a consistent and accurate basis. Our auditors valuation expert has concluded that in overall terms, the valuation process is in line with the mandatory requirements specified by RICS and the CIPFA Code of Practice. However, as shown in Appendix A we have raised a recommendation that in future the valuer should complete a formal valuation report covering the valuation process. Our audit has identified that there are 41 assets carried in the balance sheet at an estimated valuation. The Council's finance team estimated the DRC valuation for these assets at 31 March 2019 with input from the in-house valuation team. The estimated value was £74.571 million. These assets were subsequently formally valued as at 31 March 2019 to be £69.038 million, by the in-house valuation team in September 2020 post submission of the accounts for audit. This indicates the values included in the balance sheet at 31 March 2019 are overstated by £5.532 million. This also has an immaterial impact on the depreciation charge for 2019/20 (£0.267 million), the amount charged to Other Comprehensive Income and Expenditure in 2018/19 and the closing balance at 31 March 2020. This has no impact on the Council's usable reserves balances.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
The Council's pension fund net liability, as reflected in its balance sheet as the net pension liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£855.5722million in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions. We therefore identified the valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.	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 evaluated the design of the associated controls; • evaluated the instructions issued by management to their actuary for this estimate and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; • undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and • obtained assurances from the auditor of Cumbria Local Government Pension Scheme as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Similarly to the valuation of land and buildings, there is also an impact of Covid-19 on the valuation of the LGPS pension fund property assets. Cumbria's Local Government Pension Scheme's accounts include a material uncertainty around the valuation of pension fund's property assets and the auditor of Cumbria Pension Fund intends to include an emphasis of matter in their auditor's report in respect of the effects of Covid-19 on the valuation of its direct, indirect and pooled property holdings. Your financial statements disclosures have been updated within Note 3 to reflect this and our audit report opinion will also contain an "emphasis of matter" paragraph in this respect. The estimate of the Council's share of assets held by the Cumbria Local Government Pension Scheme was based on an interim valuation of the pension scheme. Cumbria LGPS's draft accounts show that, the actual value of the pension scheme was £16.014 million lower than the interim valuation. The Council's share of this reduction in value was £12.490 million. The audited accounts have been updated to reflect this reduction in value. See Appendix C for further details. The auditor of Cumbria Local Government Pension Scheme has communicated to us that they identified an understatement of £1.438 million in their testing of level 3 investments. The Council's share of the pension scheme's assets is approximately 57%. We are satisfied that the impact of this issue is immaterial to the estimate of the Council's pension fund liability. Our audit work has not identified any other issues in respect of this risk.

Significant audit risks

Risks identified in our Audit Plan	Auditor commentary
The revenue cycle includes fraudulent transactions (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Cumbria County Council, mean that all forms of fraud are seen as unacceptable Therefore we did not consider this to be a significant risk for Cumbria County Council.
Management over-ride of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. Our 2018/19 audit identified two control weaknesses in relation to the Council's manual journal review process and journal upload tool. We are aware that both of these weaknesses have been addressed by management during the 2019/20 financial year. We therefore identified management override of control, in particular journals, management estimates, judgements and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	We have: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determine the criteria for selecting high risk unusual journals; • tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. As reflected in Appendix A, we have carried out audit procedures to confirm that the two control weaknesses in relation to the Council's manual journal review process and journal upload tool have been addressed during the 2019/20 year. We have carried out additional procedures, including an analytical review of journals posted prior to the issue being addressed and additional sample testing of impacted journals. This work did not identify any issues. Our audit work is complete and we have not identified any evidence of management over-ride of controls.

Significant findings arising from the group audit

Component	Component auditor	Findings	Group audit impact
Cumbria County Holdings Limited	Desktop review performed by Group audit team.	We performed a desktop review including analytical procedures and gained an understanding of the consolidation process.	Our audit work has not identified any issues in respect of the analytical procedures performed on the group consolidation.

The Code of Practice on Local Authority Accounting in the United Kingdom for 2019/20 Appendix E concludes that schools are separate entities and that under IFRS 10, maintained schools (but not free schools or academies) meet the definition of entities controlled by local authorities which should be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the 2019/20 Code allows local authorities to account for maintained schools within their single entity accounts. This includes school income and expenditure as well as assets and liabilities. This is the approach adopted by the Council.

Significant findings – other issues

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

Issue	Commentary	Auditor view
IFRS 16 implementation has been delayed by one year Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would 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	Note 2 makes reference to IFRS16 and discloses the date of implementation and that there is still some uncertainty about the extent of the impact.	We are satisfied that your disclosure is consistent with the requirements of IAS 8.
Dedicated Schools Grant (DSG) The Council had a cumulative overspend of £6.991 million as 31 March 2020 due to insufficient government funding. We have reviewed the statement from CIPFA which confirms the guidance in LAAP bulletin 99 Local Authority Reserves and Balances remains extant i.e.. it “neither anticipates nor allows for a voluntary earmarked balance to be presented in a deficit position.”	The Council’s negative Dedicated Schools Grant balance of £6.991 million, is included as part of its overall usable reserves balance. The Council has adequately disclosed the reasons for its negative Dedicated Schools Grant in Note 16 to the accounts.	We concluded that the Council’s Usable Reserves are properly stated and that as such a user of the financial statements will be able to take an informed view of the Council’s overall level of balances and reserves based on the information within the statements. It is important for the Council to keep this under regular review as the cumulative overspend on DSG is projected to be material in future years.
Prior Period Adjustments The Council’s accounts include four prior period adjustments, relating to: • Capital Grants Receipts in Advance; • Cash Held on Behalf of Accountable Bodies; and • Valuation of Land and Buildings • Financial Instruments	The Council has disclosed the impact of the prior period adjustments in Note 43. The Council has included a third balance sheet to reflect the impact on opening balances at 1 April 2018. The draft accounts included 3 prior period adjustments. Our work on Financial Instruments identified that the prior year comparator for Non-Financial Liabilities was inconsistent with the prior year audited accounts. There has been a change of £15.943 million in the net pensions liabilities comparative figure in the Financial Liabilities table in Note 24 from what was published in the audited 2018/19 accounts. This was an oversight when finalising the prior year accounts, where the figure was not updated to reflect the adjustment to the pension liability in the balance sheet, brought about by the McCloud ruling. Note 43 has been updated in the final accounts to reflect this correction of a prior period error.	We have reviewed the prior period adjustments, as disclosed in Note 43 and reflected in the financial statements. We are satisfied that the prior period adjustments are complete, accurate and accounted for in line with the requirements of IAS 8.

Significant findings – other issues

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

Issue	Commentary	Auditor view
McCloud In July 2020, The Ministry of Housing, Communities & Local Government (MHCLG) published its consultation on reforms to public sector pension schemes, this included the proposed remedy to address the discrimination caused by previous protections offered for those closer to retirement age.	We have discussed the potential impact of the McCloud remedy with management in consultation with management's expert, Mercers. An allowance for McCloud has already been included in the IAS 19 valuation as at 31 March 2020 and the approach taken by Mercers in arriving at this estimate is consistent with the MHCLG proposed remedy.	We are satisfied that the impact of McCloud is properly reflected in the Council's pension liability. We are satisfied that the approach taken by Mercers is consistent with MHCLG's proposed remedy.
Grant income Our testing of Grant Income identified the Council's Winter Pressures Grant (value £2.507 million) had been incorrectly credited to Taxation and non-specific Grant Income and Expenditure. The correct treatment would be to credit this Grant to Services, in line with the conditions of the Grant.	Management has not adjusted for this issue on the grounds of materiality. Management has carried out an exercise to confirm that this error is isolated and does not impact any other items included in Taxation and non specific Grant Income. Management will ensure the correct accounting treatment is adopted in 2020/21 financial statements.	This item is reflected as an unadjusted misstatement in Appendix B. We have reviewed the additional work carried out by management and are satisfied that this is an isolated issue.

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £555.239 million	Other land and buildings comprises £487.6 million of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings, including DRC land, (£67.6 million) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end. The Council has engaged their internal valuation team to complete the valuation of properties as at 31 March 2020 on a five yearly cyclical basis. 28% of total assets were revalued during 2019/20. As reflected on page 7, 103 specialised assets (£293.657 million) were revalued to support the prior period adjustment to the value of Land and Building at 31 March 2019. This has resulted in a restatement of £49.5 million to the value of land and buildings at 31 March 2019. In line with RICS guidance, the Council's valuer disclosed a material uncertainty in the valuation of the Council's land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 3. Management has carried out an exercise to demonstrate that there is a not a material difference between the carrying value and current value of assets not revalued at 31 March 2020 and 31 March 2019. This indicates a potential difference of £8.399 million at 31 March 2019 and £3.956 million at 31 March 2020, which management has concluded is immaterial to the financial statement.	The Council's accounting policy on valuation of land and buildings is included at Accounting Policy xi. **Key observations** The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements. • In line with RICS guidance, the Council's valuer has identified a material uncertainty regarding the valuation of land and buildings and investment property due to market uncertainty arising from the Covid-19 pandemic. Management have disclosed this material uncertainty in Note 3 to 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. • Our auditors valuation expert has concluded that in overall terms, the valuation process is in line with the mandatory requirements specified by RICS and the CIPFA Code of Practice • We have uplifted assets not-valued in year using Gerald Eve indices and considered local market factors to support management's assessment that there has been no material changes to the valuation of land and buildings not-valued in year. • We consider the level of disclosure in the financial statements to be appropriate. **Conclusion** Our work is now complete. We have raised 2 recommendations in Appendix A, relating to producing a formal valuation report and integrating a review of the model used to arrive at Depreciated Replacement Cost valuations into closedown processes. As described on page 7, our work indicates that the values included in the balance sheet at 31 March 2019 are overstated by £5.532 million. See Appendix C for further details.	● (green)

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Net pension liability – £855.6 million	At 31 March 2020, the Council's net pension liability was £855.6 million (31 March 2019: £868.162 million) comprising the Cumbria Local Government Pension Scheme (LGPS) £556.9 million, Firefighters Pension Schemes £270m and Teachers Pension Scheme £28.7 million Local Government defined benefit 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. The latest full actuarial valuation was completed as at 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £12.6 million fall in the net pension liability during 2019-20.	In understanding how management has calculated the estimate of the net pension liability we have: • assessed the use of a management's expert actuary and their calculation approach; • used PwC as auditors expert to assess actuary and assumptions made by the actuary (see table below);	● (green)

Assumption	Actuary Value		PwC range	PwC assessment of assumptions
	LGPS	Fire		
Discount rate	2.4	2.4	2.3% - 2.4%	●
Pension increase rate	2.2	2.2	2.1% - 2.2%	●
Salary growth	3.6	3.6	3.35% - 3.6%	●
Life expectancy – Males currently aged 45 / 65	24.2/ 22.6	Note 1	22.5 – 24.7 / 20.9 – 23.2	●
Life expectancy – Females currently aged 45 / 65	27.1/ 25.2	Note 1	25.9 – 27.7 / 24.0 – 25.8	●

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

Conclusion

As disclosed on page 8, the net pension liability was restated by £12.490 million change in net pension liabilities, following audit and a material uncertainty was added to Note 3 in relation to the Council share of Cumbria Local Government Pension Scheme's direct property investments and investments in unquoted property funds. We are satisfied that the estimate of your net pension liability is not materially misstated.

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

Assessment

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

Significant findings – going concern

Our responsibility

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

Going concern commentary	Auditor commentary
Management's assessment process	Management's assessment has considered the applicable guidance relating to public sector bodies. This presumes in local government that, the going concern assumption does apply unless there is specific evidence to the contrary. Management's assessment has concluded that no material uncertainty in respect of going concern exists. We consider management's process to be adequate and demonstrates consideration of the relevant factors.
Work performed We have reviewed management's assessment of the going concern assumption and basis of preparation of the financial statements	We have reviewed management's assessment and note the following key findings: • A balanced budget has been set for 2020/21 and the five year rolling Medium Term Financial Strategy has been agreed. • The Council has responded proactively to the threat of COVID-19 and have updated both the Medium Term Financial Strategy and 2020/21 budget to reflect its impact. • The balanced budget position for 2020/2021 assumes that additional costs associated with the second wave of Covid-19 will be funded by the government. An unfunded pressure of £11.704 million was reported to Cabinet at its meeting in September, which the Council expects will be offset by one-off delays to expenditure, mostly related to delays in staff recruitment during the first wave of the pandemic. Cabinet will receive an update on an improving position to this forecast, at its meeting in December and the assumptions and updated estimates in relation to the December report. We are satisfied that these are reasonable assumptions to make, although given the current climate these will have to be closely monitored and agilely managed, for any significant changes. • In order to deliver a balanced budget in 2021/22 and meet statutory responsibilities, the current planning assumptions will require £17.667 million of new savings in 2021/22. The Council has a strong track record of delivering savings. In setting the 2020/21 budget, the Council agreed budget savings, which in total since 2011/12 amount to £282 million, with £272.8 million of those savings having been delivered. • As at 31 March 2020 the Council had a general fund balance of £15.056 million and earmarked general fund reserves of £60.592 million. The forecast closing balances at 31 March 2021 are £15.056 million £79.682 million respectively. • As at 31 March 2020 the Council had cash and short term investments of £119.289 million. The Council's cash forecasts confirm balances will remain above minimum levels through the 2020/2021 and 2022/2023 financial years.
Concluding comments Overall, we are satisfied that the preparation of the financial statements using the going concern principal is reasonable and sufficient disclosure has been made in the financial statements of this, no additional disclosures have been required as a result of Covid-19. Based on the above comments in this regard, we have issued an unmodified opinion.	Overall, we are satisfied that the preparation of the financial statements using the going concern principal is reasonable and sufficient disclosure has been made in the financial statements of this, no additional disclosures have been required as a result of Covid-19. Based on the above comments in this regard, we are have issued an unmodified opinion.

Other matters for communication

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	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Assurance Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation was requested and received from the Council, including specific representations in respect of the prior period adjustments and the impact of Covid-19.
Confirmation requests from third parties	We requested from management permission to send confirmation requests in relation to all cash, investment and borrowing balances. This permission was granted and the requests were sent and no issues to report on confirmations received.
Disclosures	Our review found no material omissions in the financial statements. A small number of changes were made following audit. These included changes to Note 3, Note 21, Note 38 and Note 43. Detail on these changes are included in Appendix C.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements, including the Annual Governance Statement, Narrative Report and Pension Scheme Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Minor changes were made to the Annual Governance Statement and Narrative Report following audit. References to the Medium Term Financial Strategy were updated in the Narrative Report and a disclosures added around cash flow forecasting. A reference to the Local Government Pension Board was added and the existing disclosure on the Pensions Committee was enhanced in the Annual Government Statement. No inconsistencies with other information have been identified.
Matters on which we report by exception	We are required to report on a number of matters by exception in a numbers of areas if: • the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • we have applied any of our statutory powers or duties We have nothing to report on these matters. We have not had to apply any of our statutory powers or duties during the 2019/20 audit.
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 exceeds the specified group reporting threshold we examine and report on the consistency of the WGA consolidation pack with the Council's audited financial statements. Note that work is not yet completed. We have not completed our work on the Whole Government Accounts, which due to an operational IT technical matter experienced by the Council.
Certification of the closure of the audit	We have not completed our work under the Code with the exception of Whole Government Accounts, which due to an operational IT technical matter experienced by the Council, we are unable to certify the completion of the audit in our audit report opinion. Therefore, we have not certified the closure of the 2019/20 audit of Cumbria County Council in the audit report, as detailed in Appendix E.

Value for Money

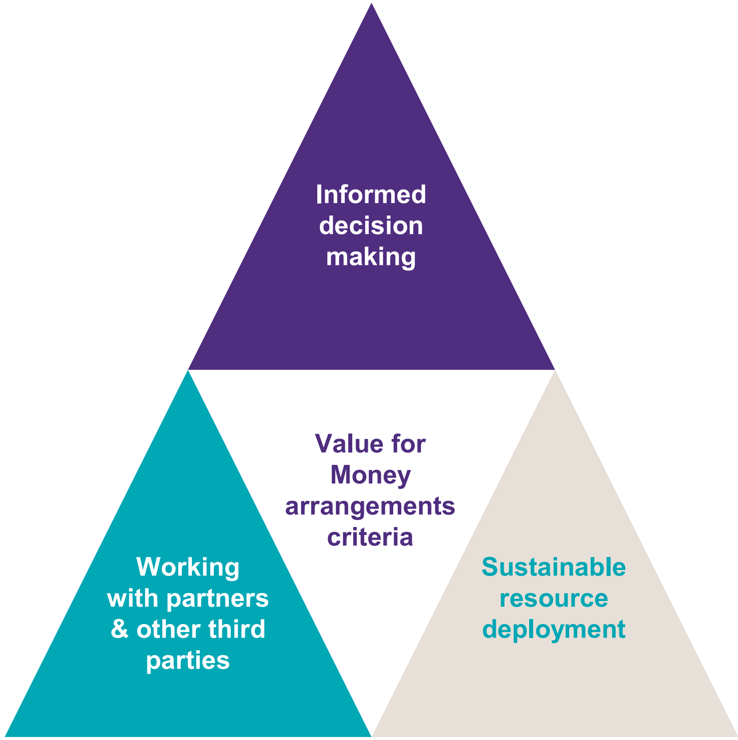
Background to our VFM approach

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

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in September 2020 and identified one significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated September 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Our risk assessment is a dynamic process and we have had regard to new information which emerged since we issued our Audit Plan:

We have considered the arrangements that the Council has put in place to manage the significant disruption brought by the Covid-19 pandemic, including arrangements for working with partners across Health and Social Care. We have not identified any new VfM risks in this area..

We carried out further work only in respect of the significant risk we identified from our initial risk assessment. Where our consideration of the significant risk determined that arrangements were not operating effectively, we have used the examples of proper arrangements from AGN 03 to explain the gaps in proper arrangements that we have reported in our VFM conclusion.

Value for Money

Our work

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

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were the Council’s arrangement to support the medium term financial plan and financial sustainability.

We have set out more detail the risk we identified, the results of the work we performed, and the conclusions we drew from this work on pages 19 to 20.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Recommendations for improvement

We discussed findings arising from our work with management and have agreed recommendations for improvement.

Our recommendations and management's response to these can be found in the Action Plan at Appendix A

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings	Conclusion
Medium term financial plan (MTFP) and financial sustainability The Council's MTFP covers the 5 year period 2020-2025 and identifies a further £44.0m of savings required in the period. There is a budget gap of £26.3m for the last three years of the MTFP, with work ongoing to identify future savings. The MTFP also identifies a number of significant pressures, relating to demand, inflation and investment in transformation and priorities. The Council's government funding position beyond 2020-21 is unknown. The Council's 2019/20 outturn was to budget but there were variances in Directorate outturns at year-end. The most significant overspends were due to demand for services within the People Directorate with an overspend of £18.4m, driven mainly by pressures in children and families and younger adults. This was offset by underspends in other directorates. The Council budget set in February 2019 included £22.73m of new savings. Overall 75.0% of the savings were delivered in year giving a shortfall of £5.674m. The Covid-19 pandemic impacted the Council's operations in Q4. The Council's 2019/20 accounts includes £1.044m of Covid-19 related costs, which was funded by £1.044m of additional government grant. Whilst the long term impacts of Covid-19 are unknown, it is likely to pose significant challenges to service delivery and therefore financial sustainability for a number of years. Given the 2019/20 outturn, savings gaps in the MTFP, uncertainties around the future funding settlement and disruption brought by Covid-19, the MTFP and financial sustainability of the Council represents a significant risk to our VFM conclusion. In response to the risk we will; review arrangements for developing the MTFP; review progress on delivery of the MFTP, identification of future required savings and managing demand pressures; challenge key assumption in the MTFP and review arrangements put in place to manage the financial impact of Covid-19.	The Council has good reporting and monitoring arrangements in place. Its medium-term financial planning, budgeting and identification of saving plans are agreed at a corporate level, by senior officers and Members. Additional pressures and progress against efficiency savings requirements are reported throughout the year and actions agreed to close the budget gap as required. The Council's 2019/20 budget set in February 2019 included £22.7 million of new savings. Overall 75.0% of the savings were delivered in year. Of the savings delivered, all but £0.16 million were recurrent and this is consistent with the MTFP. The main area of slippage was around the Promoting Independence - Adults Programme. £9.3 million of savings were achieved against a plan of £15.4 million. Undelivered savings are carried forward to the 2020/21 budget, but as expected slippage is continuing largely as a result of Covid-19. The Council's outturn for 2019/20 was to budget but there were significant overspends due to demand for services (£18.4 million in the people directorate). These were partly offset by underspends in other directorates, including other corporate items were there was an underspend of £7.262 million against the inflation budget, the release of a £1.5 million contingency and release of £3.075 million of earmarked reserves. We have confirmed this was properly approved by Cabinet. At 31 March 2020, the Council had a £6.991 million deficit on its Dedicated Schools Grant Reserve. This is projected to increase to £11.0 million as at 31 March 2021, £13.3 million as at 31 March 2022 and £12.4 million as at 31 March 2023. The increase to the forecast deficit is as a result of pressure on the High Needs Block, which is a known national issue. The Council's has commercial group activities through Cumbria County Holdings Ltd (CCH Ltd). The financial outturn for 2019/20 was a loss of £0.206 million, which included a loss for Cumbria Waste Management of £1.14 million. In 2019/20 the Company was unable to pay a dividend of £1m as a result of challenging trading circumstances within the waste management subsidiary and in responding to COVID pandemic. A reduced dividend was expected to be paid of £0.500m, compared to target of £1m, but in the light of the COVID pandemic, cash balances were protected to provide the Company with some additional resilience to address the immediate impacts of pandemic. Latest budget monitoring indicates that the Company has returned to a breakeven position by the end of the second quarter prior to the second wave.	Overall, the Council has effective financial planning and financial management arrangements in place. Whilst the Council has a good record on delivering savings, the £5.675 million slippage in 2019/20 has created a budget pressure going forward. The delivery of future planned savings will be even more challenging in context of Covid-19 impact. The Council should continue to put robust budget monitoring arrangements in place to ensure planned savings are delivered. Agile financial management to ensure the Council's financial sustainability is critical, to avoid further saving gaps and non-recurrent savings that could create significant future budget gaps. The Council should continue to work with partners locally and with government to address the DSG reserve deficit, which is forecast to increase and be material by March 2022. The Council should also continue to monitor the performance of its existing commercial activities to manage its financial risk exposure and to review opportunities for new future income generation, where appropriate.

Value for Money

Significant risk	Findings	Conclusion
	The MTFP agreed in February 2020, prior to the significant escalation of the COVID-19 pandemic set out a balanced budget for 2020/21 and how it intended to achieve a balanced budget for 2021/22. A budget gap of £5.9 million for 2022/23 increasing to £18.6 million in 2023/24 and increasing to £26.3 million in 2024/25. The Council has a track record of delivering savings with combined £9.2m slippages experienced in 2018/19 and 2019/20. In setting the 2020/21 budget, the Council agreed budget savings, which in total since 2011/12 amount to £282 million, with £272.8 million of those savings having been delivered. The Council has reviewed its 2020/21 budget to take account of the impact of Covid-19 and is forecasting a balanced budget position for 2020/2021. This is on the assumption that additional costs associated with the second wave of Covid-19 will be funded by the government. An unfunded pressure of £11.704million was reported to Cabinet at its meeting in September which the Council expects will be offset by one-off delays to expenditure, which mostly related to delays in staff recruitment during the first wave of the pandemic. Cabinet will receive an update on an improving forecast at its meeting in December and the assumptions and updated estimates in relation to the December report. We are satisfied that these are reasonable assumptions to make, although given the current climate these will have to be closely monitored and agilely managed, for any significant changes. On 12th November Cabinet received the Development of the MTFP 2021-2026 which identified a budget gap for the five year period of £51.192m. The total savings requirement for the five year MTFP 2021-2026, after inclusion of savings previously identified as part of the 2020-2025 MTFP approved by Council in February 2020, being £58.361m. This forecast includes a number of significant assumptions and uncertainties, relating to Covid-19, the future government funding settlement, future receipt of business rates and council tax and demand for services .Net savings of £17.067m are identified within the report for the first year of the MTFP, 2021/22, leaving a balance of £41.192m to be delivered during years 2 to 5. The Council has developed proposals totalling £17.667m for 2021/22 with regards to closing the £51.192m gap, of which £7.000m relates to demand, £0.300m relates to efficiency with the balance of £43.892 million for 2021/22 relating to financing. Savings to be found over years 2 to 5 of the MTFP total £41.294m. We have challenged the robustness of assumption around the proposed demand savings which relate to children looked after of £2.000m, the decrease in demand upon the national concessionary travel scheme of £5.000m, and financing assumptions, principally around inflation of £9.397m. At 31 March 2020 the Council had a general fund balance of £15.056 million and earmarked general fund reserves of £67.728 million, excluding DSG, of which £15.041 million was Covid 19 related. The forecast closing balances at 31 March 2021 are £15.056 million and £82.935 million, excluding DSG, respectively. The forecast closing balances at 31 March 2022 are £15.056m and £56.522m, assuming that all the covid reserves are utilised in 2020/21. At 31 March 2020 usable reserves had reduced by £9.835m (10.6%) from 31 March 2016 and these forecasts indicates that usable reserves will fall by a further 12.1% in the next 2 years, including the disbursement of the balance of the COVID grant tranche 1 of £15m. If this was excluded, reserves would be increased. Whilst we acknowledge that, earmarked reserves are set aside for specified purposes the Council has, and may need to in the future, released certain EMR to maintain the GF balance at or above the minimum set level of £15 million.	The Council's budget for 2020/21 and the draft MTFP for 2021-2026 include significant assumptions around the impact of Covid-19. We recommend that management carry out a detailed sensitivity analysis around the key uncertainties and assumptions made to aide the agility which the context will require to manage the Council's financial sustainability. Proposals for closing the £51.192 million budget gap, up to March 2026, in the MTFP are developing. Management should continue to challenge the deliverability of these scheme, with detailed plans for saving delivery particularly in those areas relating to demand and financing. The Council is forecasting to have a further reduction to its usable reserves balance. With significant future budget gaps and unknowns around the impact of Covid-19 and Brexit, the Council, as with other Local Authorities, needs to closely monitor its run rate on reserves and identify potential recurrent savings or income generation opportunities to further strengthen its financial sustainability. **Management response** Agreed – response set out on Page 24

Independence and ethics

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

- Richard McGahon was the external audit manager for Cumbria County Council, for a short period between 1 June 2018 and 9 July 2018. Richard McGahon applied for the post of Head of Internal Audit at Cumbria County Council and was successfully appointed to that post on 10 December 2018. Given Richard McGahon has no involvement in accounts preparation, and as our team does not place direct reliance on internal audit work, the real and perceived threat to independence, objectivity and integrity is low. However, there remains a perceived threat of independence, and this has been mitigated by putting in place the following safeguard, the appointment of an Engagement Quality Control Reviewer, who is another Engagement Lead who acts as an additional review partner.
- Jamie Wright was the external audit in-charge for Cumbria County Council, between December 2016 to September 2019 and the external audit manager between September 2019 to November 2019. In November 2019, Jamie applied for the post of Group Finance Manager at Cumbria County Council and was successfully appointed to the post on 19 November 2019. We have obtained confirmation from Director of Finance at Cumbria County Council that Jamie will have no direct involvement in preparation of financial statements. The role will support the Directorate of Community and Corporate Services and his role involves the co-ordination of the corporate budget monitoring returns. We are therefore satisfied that the real and perceived threat to independence, objectivity and integrity is low. There remains a perceived threat of independence, and this has been mitigated by putting in place the following safeguard, the appointment of an Engagement Quality Control Reviewer, who is another Engagement Lead who acts as an additional review partner. The Engagement Quality Control reviewer never worked with Jamie during his time at Grant Thornton. Richard Anderson and Gareth Kelly can continue to act as engagement manager and engagement lead respectively, on the grounds of seniority, with both Richard and Gareth being senior to Jamie prior to his departure from Grant Thornton. We have introduced a further safeguard in that, the remainder of the audit team needs to be staffed by a team from outside of our Carlisle office, who have not previously worked with Jamie Wright.

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

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 as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Teachers Pension Claim	6,500	Self-Interest Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £6,500 in comparison to the total fee for the audit of £114,154 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. There is a perceived self-review and management threat, to be safeguarded by the fact we will carry out the work after the audit and the Council is making decisions on changes to the claim and it has informed management in place.
Harbour Authority Accounts specified procedures	1,000	Self-Interest Self-review Management	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £1,000 in comparison to the total fee for the audit of £114,154 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. There is a perceived self-review and management threat, to be safeguarded by the fact we will carry out the work after the audit and the Council is making decisions on changes to the claim and it has informed management in place.
Non-audit related			
CFO Insights Licence	12,500	Self-Interest Self-review	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 £12,500 in comparison to the total fee for the agreed planned audit fee of £114,154 and in particular relative to Grant Thornton UK LLP's turnover overall. It is a fixed fee and there is no contingent element to it. The licence provides direct access to the information, Grant Thornton LLP are not advising on the areas to review or being part of the decision making process and therefore it does not impact on our Value for Money Conclusion work. These factors all mitigate the perceived self-interest and self review threats to an acceptable level
Contract Assurance	50,730	Self-Interest Self-review	Note this same review was previously reported in our 2018/19 Audit Findings Report. The level of this non-recurring contingent fee taken on its own is not considered a significant threat to independence as the fee for this work is £50,730 in comparison to the total fee for the planned audit fee of £114,154, and in particular relative to Grant Thornton UK LLP's turnover overall. The Grant Thornton Contract assurance team are independent of the local engagement team. They are not directing on the areas to review or being part of the decision making process and therefore it does not impact on our Value for Money Conclusion work. This review has also been subject to approval from Public Sector Audit Appointments Limited received on 20 June 2019. These factors all mitigate the perceived self-interest and self-review threats to an acceptable level.

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

Appendix A

Action plan

We have identified 2 accounts related recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Valuation of Land and Buildings** i. The Council's valuation of land and buildings is not supported by a formal valuation report. Whilst we are satisfied that the valuation process is in line with the mandatory requirements from the RICS and CIPFA, it would be prudent to request a formal valuation report from the valuer to cover the 'high level' process which is referenced to within the terms of engagement as a requirement. ii. A model is used by the Council's valuation team to arrive at depreciated replacement cost valuations. The model is reliant on key inputs, relating to build costs, build cost indices and obsolescence being kept under regular review and updated as necessary. We recommend that the Council integrate review of this model into their closedown procedures to ensure that it has been updated correctly.	Request a formal valuation report from the valuer to support the year end valuation of land and buildings. Integrate a review of the depreciated replacement costs valuation model into closedown procedures to ensure that it is updated on a consistent and accurate basis. **Management response** The above recommendations will enhance the current processes and procedures that are in place for the valuation of land and buildings. For 2020/21 onwards a formal annual valuation report will be requested from the valuer and confirmation of the annual update of the DRC valuation model will be documented.
Medium	**Financial Sustainability** The forecast outturn on the Council's 2020/21 budget and updating of the MTFP (for 2021-2026) include significant assumptions and uncertainties relating to the impact of Covid 19 and Brexit. Changes to key assumptions on future saving plans could have a material impact on the Council's medium term financial sustainability. The Council has identified proposals to assist with closing the £51.192 million Budget gap reflected in the MTFP for the period 2021/22 to 2025/26. Savings to be found over years 2 to 5 of the MTFP currently total £41.192m.	Carry out a detailed sensitivity analysis around the key uncertainties and assumptions included in the Budget outturn 2020/21 and revisions to the MTFP to assist agile financial management to secure the Council's medium term financial sustainability, in the light of the uncertain context for Local Government. Challenge the development of proposals for closing and identifying the budget gap in the MTFP, to ensure they are both realistic and deliverable. **Management response** The Council continues to robustly review its budget forecast and planning assumptions. The unprecedented and uncertain context for Local Government requires that this rigour is maintained, but also presents challenges in determining the extent of the budget challenge the medium term. The continuing impacts of COVID-19 both impact on the demand for services (expenditure) and sources of finance (income). Alongside this the Council continues to support sector bodies e.g. Local Government Association, County Council's Network, Rural Services Network etc in lobbying government for a fair allocation of resources and clarity of the funding framework for Local Government. Financial sustainability is essential to enable the Council to deliver key services and respond to the continuing impacts of the COVID-19 pandemic whilst leading and facilitating recovery of the county, working with partners, communities and businesses.

Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of Cumbria County Council's 2018/19 financial statements, which resulted in 2 recommendations being reported in our 2018/19 Audit Findings report. We are pleased to report that management have implemented all of our recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Manual journal review process** • During our journal testing we identified a number of journal entries that had been posted and reviewed by the same individual. Group Finance Managers (GFM) are responsible for the review of journals made into their area. Where a GFM had posted a journal, they had also reviewed them throughout 2018/19 which negates the segregation of duties control. • We understand this occurred due to staffing changes in the finance department. However without a robust review process there is a risk that fraud and error could go undetected. • The review process is a control which has been implemented in the absence of a pre-journal posting authorisation control.	The Council recognises the dependency on one individual following the delay in recruitment to the Finance Manager Corporate Accounting role during 2018/19. This was unfortunate but unavoidable. However, there are already significant other management controls in place to give the assurance on the true and fair position of the Council's ledger, including review by the Senior Manager – Accountancy & Financial Planning. Further details are set out below.
✓	**Journal upload tool** • Following the e5 upgrade in September 2018, the finance team and IT became ware that it was possible for users to "log in" to journal upload and post a journal without entering either their own user id or a password. There was also no requirement to be logged into e5, which meant there was no record of the originating poster where the poster let the tool revert to the default poster which in this case was a member of the IT team or another user if the poster chose another user. • The Systems team made Finance staff aware of the issue in mid September 2018, it was noted that there was a risk but it was felt that because of the other mitigating controls that are in place the risk of any misstatement of the Accounts was very low.	The Systems team, ICT and the software supplier have continued to work on addressing the user id issue since September 2018. A solution has been developed which forces a user to enter a log on and password before they can use the spreadsheet upload tool. This solution was operational from week commencing 22nd October 2019. In relation to the mitigating controls before this date, management placed reliance on the following existing controls: • Review and sign off of Journals is completed by the Group Finance Manager (GFM) for the relevant service area to ensure clear segregation of duties as the GFMs do not generally post journals. Where the GFM does post a journal this is reviewed by the Senior Manager – Accountancy & Financial planning. • Officer and Member scrutiny of formal mid year and outturn performance and budget reports. Any variances against budget are explained. • Officer and Member scrutiny of annual accounts. • Detailed analytical review of financial information and budget reports and annual accounts.

Assessment

✓ Action completed

X Not yet addressed

Audit adjustments

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

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 2020.

Detail	Comprehensive Income and Expenditure Statement £‘000	Statement of Financial Position £’ 000	Impact on total net expenditure £’000
Pension Assets	12,490	12,490	12,490
The estimate of the Council’s share of assets held by the Cumbria Local Government Pension Scheme was based on an interim valuation of the Pension Scheme. Cumbria LGPS’s draft accounts show that the actual value of the Pension Scheme was £16.014 million lower than the interim valuation. The Council’s share of this reduction in value was £12.490 million. The audited accounts have been updated to reflect this reduction in value. The Movement in Reserves Statement, Note 32 Unusable Reserves. Note 34 Defined Benefit Pension Scheme and the Group Accounts have been updated to reflect this change.	Remeasurement of net defined benefit pension liability	Unusable reserves (12,490) Net pension liability	
Overall impact	**12,490**	**Nil**	**12,490**

Impact of prior year unadjusted misstatements

Our prior year audit findings report included an unadjusted misstatement in relation to the accounting treatment for accountable bbody cash and investments. In the 2018/19 accounts, accountable bbody cash and investments (value £14.086 million) were excluded from the accounts. The value, £14.086 million, was immaterial to the 2018/19 account and this was reflected as an unadjusted misstatement in our audit findings report. In 2019/20 the presentation has been changed to leave the cash and investments on the Balance Sheet and to add a creditor to reflect that the Council owes the cash to other organisations. The Council’s Balance Sheet and Cash Flow Statement for 2018/19 have been restated to show the £14.086m cash held on behalf of the accountable bodies at 31st March 2019. A third Balance Sheet has also been prepared to show restatement relating to £16.444 million held on behalf of the accountable bodies at 1 April 2018. Whilst the prior period amounts were immaterial to the prior year financial statements, they are material to this year’s financial statements, with a lower materiality of £12.396 million being used for the 2019/20 audit.

Audit adjustments

Misclassification and disclosure changes

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

Area	Detail	Adjusted?
Note 3 - Assumptions Made about the Future and Other Major Sources of Estimation Uncertainty	Disclosure in relation to the Insurance Provision and Business Rates appeal were removed from the note following audit, on the grounds that they do not involve material estimation uncertainty. The note was updated to reflect the impact of Covid-19 on the valuation of Cumbria Local Government Pension Scheme's property assets. The pension scheme accounts include a material uncertainty around the valuation of property assets and the pension fund auditor intends to include an emphasis of matter in their auditor's report in respect of the effects of Covid-19 on the valuation of its direct and indirect property holdings. Your financial statements disclosures have been updated within Note 3 to reflect this material uncertainty.	✓
Note 21 - Property, Plant and Equipment	The significant assumption disclosed in Note 21 have been updated to include references to build costs, floor space and obsolescence.	✓
Note 34 Defined Benefit Pension Scheme	The weighted average duration of the Council's Local Government Pension Scheme defined benefit obligation was 18 years in the draft accounts, this has been changed to 17 years following audit, to match the amount quoted by the Council's actuary.	✓
Note 38 Related Parties	A comment was added to the note to confirm there were no material transactions during the year with companies that officers have an interest in and there were no balances outstanding at the year end.	✓
Note 43 Prior Period Adjustment	The note was updated to reflect the impact of the prior period adjustments in relation to Cash Held on Behalf of Accountable Bodies and Capital Grants Receipts in Advance on opening balances at 1 April 2018. Note 43 has been updated in the final accounts to reflect the correction of a prior period error in note 24, Financial Instruments. There has been a change of £15.943 million in the net pensions liabilities comparative figure in the Financial Liabilities table in Note 24 from that that was published in the audited 2018/19 accounts.	✓
Narrative Report	References to the Medium Term Financial Strategy were updated in the Narrative Report and disclosures added around cash flow forecasting.	✓
Annual Governance Statement	A reference to the Local Government Pension Board was added and the existing disclosure on the Pension's Committee was enhanced in the Annual Government Statement.	✓

Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2019/20 audit which have not been made within the final set of financial statements. The Audit and assurance Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Grants Our testing of Grant Income identified the Council's Winter Pressures Grant (value £2.507 million) had been incorrectly credited to Taxation and non-specific Grant Income and Expenditure. The correct treatment is to credit this Grant to Services, in line with the conditions of the grant.	(2,507) Service Income 2,507 Taxation and non specific Grant Income	Nil	Nil	Management has not adjusted on the grounds of materiality.
Land and Buildings Our audit has identified that there are 41 assets carried in the balance sheet at an estimated valuation. The Council's finance team estimated the DRC valuation for these assets at 31 March 2019 with input from the in-house valuation team. The estimated value was £74.571 million. The assets were subsequently formally valued by the in-house valuation team in September 2020 at £69.038 million This indicates the values included in the balance sheet at 31 March 2019 are overstated by £5.532 million. This also has an immaterial impact on the depreciation charge for 2019/20 (£0.267 million), the amount charged to Other Comprehensive Income and Expenditure in 2018/19 (£5.532 million) and the closing balance at 31 March 2020. This has no impact on the Council's usable reserves balances.		(£5,532) Property Plant and Equipment £5,532 Unusable Reserves		Management has not adjusted on the grounds of materiality.
Overall impact	**Nil**	**Nil**	**Nil**	

Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£114,154	131,277
Total audit fees (excluding VAT)	**£114,154**	**131,277**

As disclosed in Note 15, this consists of the scale fee of £88,254 and additional fees of £25,900, as reported in our audit plan.

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services: • Certification of Teachers Pension Claim • Harbour Authority Accounts Specified Procedures	£6,500 £1,000	TBC £1,000
Non- Audit Related Services: • CFO Insights Licence • Contract Assurance	12,500 50,730	12,500 50,730
Total non- audit fees (excluding VAT)	**£70,730**	**TBC**

Audit opinion

We provided the Group and Authority with an unqualified and unmodified audit report opinion

Independent auditor's report to the members of Cumbria County Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cumbria County Council (the 'Authority') and its subsidiaries and joint venture (the 'group') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the accounting statements, including accounting policies, and include the Firefighters' Pension Scheme Financial Statements comprising the Fund Account, the Net Assets Statement and Notes to the Firefighters' Pension Scheme Financial Statements. The notes to the accounting statements include the Accounting Policies, Introduction to Group Accounts and the Notes to the Group Accounting Statements. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20.

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 2020 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 2019/20; 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. 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.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Director of Finance (s151 Officer) and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and Authority's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and Authority's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an authority associated with these particular events.

Audit opinion

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's (s151 Officer) use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance (s151 Officer) has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Director of Finance's (s151 Officer) conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20 that the Authority's financial statements shall be prepared on a going concern basis, we considered the risks associated with the group's and Authority's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the group's and Authority's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Authority or group will continue in operation.

Emphasis of Matter – effects of Covid-19 on the valuation of land and buildings and property investments

We draw attention to Note 3 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's and group's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As, disclosed in Note 3 to the financial statements, the outbreak of COVID-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value.

Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of COVID-19 on the economy. Therefore, values have been based on the situation prior to COVID-19, on the assumption that values will be restored when the real estate market becomes more fluid. This impacts the valuation of the Authority's land and buildings and the Authority's share of Cumbria Local Government Pension Scheme's holdings in UK properties and Property Funds. Our opinion is not modified in respect of this matter.

Other information

The Director of Finance (s151 Officer) is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement other than the Authority and group financial statements, our auditor's report thereon and our auditor's report on the pension scheme financial statements. 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 of the group and Authority 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 this other information, we are required to report that fact.

We have nothing to report in this regard.

Audit opinion

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 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 the ‘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 matter 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 gained through our work in relation to the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement 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.

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

As explained more fully in the Statement of Responsibilities for the Statements of Accounts, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Finance (s151 Officer). The Director of Finance (s151 Officer) 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 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance (s151 Officer) 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 Finance (s151 Officer) is responsible for assessing the group’s and the Authority’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 will no longer be provided.

The Audit and Assurance Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Authority’s financial reporting process.

Audit opinion

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.

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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 have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Assurance Statement for the Authority for the year ended 31 March 2020.

Audit opinion

We are satisfied that this work does not have a material effect on the financial statements or on our conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

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.

Gareth Kelly

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

Glasgow

30 November 2020