

Audit Findings (ISA 260) Report for Westmorland & Furness Council

Year ended 31 March 2025

25 February 2026 (Final version)



Westmorland & Furness Council
South Lakeland House
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25 February 2026

Dear Members of the Audit Committee

Audit Findings (ISA260) Report for Westmorland & Furness Council for the 31 March 2025

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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management, and will be presented to the Council's Audit Committee on 20 February 2026.

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

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

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We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to manage risk, quality and internal control particularly through our Quality Management Approach. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2024-.pdf \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/transparency-report-2024-).

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

Gareth

Gareth Mills

Key Audit Partner and Engagement Lead
For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Westmorland & Furness Council (the ‘Council’) and the preparation of the Council's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

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

- the Council's financial statements give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Council 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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

As of this report's date, we have concluded on some areas of our work, but have been unable to complete a full audit.

We received the draft 2024-25 accounts on 30 June 2025 and supporting working papers, in line with the statutory timetable. This represented significantly improved performance by the Council compared to the timing of the 2023-24 draft accounts.

The details supporting this are set out in the body of the report and supporting appendices. Appendix A summarises the progress made on each area of the accounts. We have categorised each area as Red/Amber/Green based on our current assessment of the outstanding issues.

Red – areas where we were unable to complete sufficient audit procedures to obtain the required appropriate assurances (by the statutory backstop deadline) or there are significant matters to be resolved

Amber – areas where audit work is in progress and but has not been completed due to outstanding inquiries, or we have identified non-material matters to report

Green – audit work is substantially complete with no issues to report, subject to quality review.

We held discussions with the Director of Resources (s151 Officer) and Assistant Director of Finance (and Deputy s151) in the week commencing 5 January 2026. We determined that the progress made to date, the amount of work still required to complete the audit, together with the challenges being faced by the Council in providing us with requested evidence. We concluded that resolving audit queries and then providing sufficient and appropriate quality documentation and evidence were too significant in order to meet the statutory backstop deadline on 27 February 2026.

Headlines

Financial statements continued

Consequently, we determined it was more appropriate to stop our 2024-25 audit and re-focus our efforts on planning for the 2025-26 audit, building upon our experience and the lessons learnt on the audit to date. Our findings to date are summarised on pages 16 to 39.

From our work to date, we have identified a number of adjustments to the financial statements however, these do not result in a change to the Council's Comprehensive Income and Expenditure Statement and useable reserves.

We have also identified a number of unadjusted misstatements which impact the Council's Comprehensive Income and Expenditure Statement and useable reserves.

The audit adjustments we have identified are detailed at pages 47 to 49.

During the course of our work, we have raised recommendations for management, which are set out in the Action Plan commencing at page 51, with follow up of our prior year's audit recommendations detailed at pages 55 to 56.

As we have agreed with officers that we will not complete the audit for 2024-25 and the fact that the previous year's audit was subject to backstop-related disclaimed audit opinions, we have been unable to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 27 February 2026.

The limitations imposed by not having full assurance on either the in year transactions or the opening and some of the closing balances mean that we will be unable to form an opinion on the financial statements. Our financial statements audit report opinion will therefore be disclaimed.

We have drawn no conclusion whether the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited as a consequence of being unable to complete sufficient work to support an unmodified audit opinion.

Headlines

Value for money (VFM) arrangements

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

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

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified significant weaknesses in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

A summary of our findings is set out in the value for money arrangements section of this report.

Headlines

Statutory duties

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

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

We have not exercised any of our additional statutory powers or duties. Our Auditor’s Annual Report sets out the areas of significant weakness and key recommendations.

As set out previously, there are a number of areas where our work will not be complete and we will therefore be issuing a disclaimer of opinion.

We intend to delay the certification of the closure of the 2024-25 audit of the Council in the audit report, as detailed at Appendix D due to not yet having received the WGA instructions from NAO. We await confirmation that the WGA audit has been finalised, and we can certify closure of the audit.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

Our audit work is well advanced across most areas, with several sections substantially complete, pending internal quality review. Some other areas are mostly complete, however, there are outstanding inquiries and evidence requests. The audit is in a better position than the prior year and in that sense, this represents positive progress on the need to gain assurance.

However, there remain some material areas where substantial work is still required, primarily due to delays in receiving necessary information or unresolved issues that the Council is currently addressing. We understand that key discussions are ongoing and officers have endeavoured to provide outstanding evidence for review, however, a number of sources of audit evidence remain outstanding across a number of material areas of the accounts. As such, there is insufficient time available to complete the required audit procedures ahead of the February backstop deadline.

We note that some of the outstanding issues are not wholly within the Council’s remit to resolve, and rely on other stakeholder bodies’ input – mainly in relation to the neighbouring Council. We do acknowledge this, although ultimately, it is the Council’s responsibility to provide the supporting evidence and documentation to satisfy our audit requirements.

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local Council audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027.

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

Headlines

National context – local audit recovery

In the audit report for the year ended 31 March 2024, a disclaimer of opinion was issued due to the backstop legislation.

As a result, for 2024-25:

- we have no assurance over the opening balances for 2024-25
- no assurance over the closing reserves balance also due to the uncertainty over their opening amount.

Our aim for the 2024-25 audit has been to rebuild assurance. Therefore, our focus has been on in-year transactions including income and expenditure, journals, capital accounting, payroll and remuneration and disclosures and closing balance sheet asset and liability balances.

Whilst progress has been made in a number of areas, we have been unable to deliver against this plan. Appendix A – Assurance tracker sets out for each area of the accounts, where we have:

- areas where there is risk to our ability to complete sufficient audit procedures to obtain the required appropriate assurances (by the statutory backstop deadline) or there are significant matters to be resolved
- areas where audit work is in progress and but has not been completed due to outstanding inquiries, or we have identified non-material matters to report
- completed our audit work, subject to quality review.

Whilst we have not completed a number of areas of work, we have worked with the Council throughout the audit to put in place a strong platform to work from leading into 2026.

On 5 June 2025 the National Audit Office (NAO) published its “Local Audit Reset and Recovery Implementation Guidance (LARRIG) 06” for auditors which sets out special considerations for rebuilding assurance for specified balances following backstop-related disclaimed audit opinions. The key messages outlined within this guidance include rebuilding assurance through:

- tailored risk assessment procedures for individual audit entities, including assessments over risk of material misstatements of opening balance figures and reserves
- designing and performing specific substantive procedures, such as proof-in-total approach
- special considerations for fraudulent reporting, property, plant & equipment, and pension related balances.

At the Council, we recognise that significant progress has been achieved during 2024-25. Both external auditors and Council officers are committed to working together to support the regaining of as much assurance as possible over the coming financial periods.

Materiality

Our approach to materiality

As communicated in our Audit Plan in June 2025, we determined materiality at the planning stage as £8.171m for the Council. This was based on 1.2% of 2023-24 gross expenditure. On receipt of the draft 2024-25 financial statements, we have reconsidered planning materiality. Materiality has not been updated as the benchmark (gross expenditure) has not changed significantly. A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality:

- We have determined materiality at £8.171m for the Council based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as prior year findings and previous backstopped audits.
- We have used 1.2% of gross expenditure as the basis for determining materiality, which is unchanged from planning.

Performance materiality:

- We have determined performance materiality at 4.903m, this is based on 60% of headline materiality.

Specific materiality:

A lower level of materiality was determined for the Senior Officer Remuneration disclosures in the single entity accounts. We have set materiality at £15,000 per individual officer.

This note is an area of the accounts which is of genuine interest to the user of the accounts, with salaries of senior officers sometimes the subject of publicity. The area requiring judgement is what level of error within the disclosures made would result in us qualifying our opinion – and therefore what level of materiality should drive the testing.

Reporting threshold:

We will report to you all misstatements identified in excess of £0.409m for the Council, in addition to any matters considered to be qualitatively material.

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 area	Amount (£000)	Qualitative factors considered
Materiality for the Council's financial statements	8,171	Financial performance of the Council with a focus on performance on total expenditure. We have calculated materiality based on 1.2% of the total expenditure set out in the 2023-24 audited financial statements.
Performance Materiality (PM)	4,903	This has been set at 60% of headline materiality, which has been lowered to reflect the increased risk and complexity of the new Council and due to disclaimed opinion issued in the prior year.
Trivial Matters	409	The amount below which findings would be clearly inconsequential both individually or in aggregate to any reader of the financial statements
Materiality for specific transactions, balances or disclosures	15	Materiality is reduced for senior officer remuneration disclosures due to the sensitive nature and public interest.

Overview of significant risks identified

Overview of audit risks

The below table summarises the significant risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	● Green
The revenue cycle includes fraudulent transactions	(Rebutted)	↔	X	Low	● Red
The expenditure cycle includes fraudulent transactions	Significant	↔	X	Low	● Red
Transition to IFRS 16	Significant	↔	X	Medium	● Red
Valuation of land and buildings	Significant	↔	X	High	● Amber
Valuation of council dwellings	Significant	↔	X	High	● Green
Valuation of Investment Properties	Significant	↔	X	High	● Green
Valuation of the pension fund liability	Significant	↔	X	High	● Green
Complexity of multiple financial systems	Significant	↔	X	Low	● Amber
Disaggregation of opening balances from the legacy Cumbria County Council	Significant	↔	X	Low	● Red
Cash & bank	Other risk	↔	X	Low	● Green
IAS 37 assessment of provisions, contingent liabilities	Other risk	↔	X	Medium	● Amber
Allocation of iTrent payroll costs	Other risk	↔	X	Low	● Red

- ↑ Assessed risk increase since Audit Plan
- ↔ Assessed risk consistent with Audit Plan
- ↓ Assessed risk decrease since Audit Plan

- Not likely to result in material adjustment or change to disclosures within the financial statements (green)
- Potential to result in material adjustment or significant change to disclosures within the financial statements (amber)
- Likely to result in material adjustment or significant change to disclosures within the financial statements or incomplete work (red)

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none"> • Reviewed accounting estimates, judgements and decisions made by management • Reviewed unusual significant transactions • make enquiries of finance staff regarding their knowledge of potential instances of management override of controls • evaluated the design effectiveness of management controls over journals • analysed the journals listing and determine the criteria for selecting high risk unusual journals and those falling into certain criteria determined by the audit team • tested a sample of journals recorded during the year and after the draft accounts stage for appropriateness and corroboration. 	<p>In performing our procedures, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included:</p> <ul style="list-style-type: none"> • Post year-end journals • Material journals across the year • Year-end journals • Journals posted by senior management • Journals posted by users with privileged access • Off ledger adjustments • Adjustments to accrued expenditure and accrued income around the year-end. <p>Application of these routines and supplementary procedures identified a total risk assessed population of 65 journals to test. Testing of journals identified through application of our specified criteria and targeted risk assessment is complete.</p> <p>Our audit work has not identified any issues in respect of management override of controls. However, we note there is no requirement in the system obtain authorisation prior to posting of certain types of journals which includes technical, non-cash journals, statutory adjustments and legacy balance corrections. The mitigating control is that each cost centre is monitored by the relevant budget holder. The budget holder reviews transactions against cost centre codes periodically to ensure no unusual or incorrect postings have been made. In addition, the Assistant Director of Finance can authorise journals posted by Senior Finance Managers. We reported a recommendation on page 51.</p> <p>We did not identify any changes in accounting policies or estimation processes and based on our work completed, our review of key estimates is set out on pages 33 to 38.</p>

Significant risks

Risk identified

Presumed risk of fraud in revenue recognition

Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement 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 related to revenue recognition.

We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying nature of the transactions as:

- there is little incentive to manipulate revenue recognition
- opportunities to manipulate revenue recognition are very limited
- the culture and ethical frameworks of local authorities, including the Council mean that all forms of fraud are seen as unacceptable.

Audit procedures performed

Where the risk has been rebutted, we do not consider this to be a significant risk for the Council, however, standard audit procedures have been carried out.

We have:

- Evaluated the Council’s accounting policy for recognition of income for appropriateness and compliance with the Code
- Updated our understanding of the system for accounting for the income and evaluate the design of associated processes and controls
- Agreed on a sample basis relevant income and year end receivable / income accruals to invoices and cash payment or other supporting evidence
- Carried out testing on sample basis of invoices issued in the period prior to and following 31 March 2025 to determine whether income is recognised in the correct accounting period, in accordance with the amounts billed to the corresponding parties.

Key observations

We reconsidered our original assessment as part of our audit work on the Council’s financial statements and are satisfied that this rebuttal remains appropriate.

We have not been able to fully conclude our substantive testing of revenue.

We have agreed a sample of grant income to supporting documentation to verify the occurrence, however, we have not obtained sufficient and appropriate evidence to demonstrate whether any conditions associated with grant income have been fully satisfied or give rise to any liability for clawback of funding. We have reported a recommendation on page 51.

We have not resolved outstanding queries in relation some fees and charges transactions and supporting evidence has not been provided one sample item.

Based on our work completed, we did not identify any instances of fraudulent revenue recognition or inaccurate cut off of revenue recorded around the year end, or any other reason to change our assessment of the risk in this area.

Significant risks

Risk identified

Presumed risk of fraud in expenditure recognition

Practice note 10: Audit of financial statements of Public Sector Bodies in the United Kingdom (PN10) states that the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatement due to fraud related to revenue recognition for public sector bodies.

We have identified and completed a risk assessment of all revenue expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk.

We have also considered the risk of fraudulent expenditure recognition in relation to capital expenditure and concluded that it is not a significant risk.

Audit procedures performed

Despite expenditure recognition not being a significant risk, we have undertaken the following procedures to ensure expenditure included within the financial statements is materially correct.

We have:

- Evaluated the Council's accounting policy for recognition of expenditure for appropriateness and compliance with the Code
- Updated our understanding of the system for accounting for the expenditure and evaluate the design of associated processes and controls
- Agreed on a sample basis relevant expenditure and year end payables and accruals to invoices or other supporting evidence
- Completed substantive testing of expenditure streams in 2024-25 including sample test of material transactions.

Key observations

Our work completed as part of our planning work did not identify any issues in relation to the fraudulent recognition of expenditure transactions recorded in year.

We have been able to fully conclude our substantive testing of operational expenditure due to unresolved queries and evidence requests in relation to 8 sample items.

Our substantive testing of invoices received after the year end identified an error in relation to an invoice of £0.3m related to 2024-25 expenditure which was recorded in the following financial year in error.

The Finance team undertakes an exercise at year-end to capture all relevant expenditure however, this transaction was not processed through a Purchase Order and not disclosed or identified until the invoice was received.

We have reported a recommendation on page 51.

The Council transacts a significant volume of non-Purchase Order expenditure with invoices totalling £49.8m in the 3 months March to May 2025. Therefore, we have identified this as an additional significant risk in relation to the complete and accurate recognition of expenditure around the year-end. To conclude this testing, it is necessary to undertake extended testing of non-Purchase Order expenditure. Additional sample evidence was provided on 28 January 2026 however we have not been able to complete this work

Significant risks

Risk identified

IFRS 16 implementation

From the adoption by local government of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees. IFRS 16 has preserved the distinction between finance and operating lease accounting for lessors.

Key judgements include:

- determining what is deemed to be a low value lease. This is based on the value of the underlying asset when new and is likely to be the same as the Council's threshold for capitalising owned assets
- determining whether an option to terminate or extend the lease will be exercised. This is important as it affects the lease term and subsequently the calculation of the lease liability based on the expected payments over the lease term
- the valuation of the right of use asset after recognition. An expert valuer may be required to support management in this.

We have therefore identified completeness of the identification and valuation as a significant risk particularly given the value of assets held by the Council through leases.

Audit procedures performed

In response to this risk, we have:

- Reviewed the Council's IFRS16 implementation processes to identify relevant transactions such as peppercorn leases and leases that have "rolled over" at the end of the term – considering the Council's arrangements to ensure completeness of the population
- Reviewed the proposed accounting policy and valuation approach
- Reviewed reconciliation of 31 March 2024 IAS17 operating lease commitment disclosure to 1 April 2024 IFRS16 lease liabilities
- Assessed how leases with options to extend or terminate have been identified and the likelihood of these options to be exercised.
- Selected a sample of leases to substantively test to verify appropriate calculation of lease liabilities and right of use assets.

Key observations

The initial draft accounts included new Right of Use Assets of £1.452m and lease liabilities of £1.279m recognised on implementation of the new accounting standard.

We reviewed, on a sample basis, the lease accounting calculations and assessed the accuracy and appropriateness of the inputs and assumptions including lease term, discount rate and annual rentals.

We also identified a number of inquiries related to the completeness and coverage of the Council's assessment of peppercorn leases, and lease arrangements with missing lease documentation and other contract-related expenditure which may contain a lease under the new IFRS 16.

Management carried out a further review of IFRS16 and we received revised working papers to support the Council's assessment of lease liabilities and right of use assets on 15 December. This included additional lease liabilities of £6.5m and additional Right of Use Assets of £5.8m which has been adjusted in the updated accounts.

We have selected a further sample of the additional leases identified for substantive testing. There are some outstanding queries in relation to the lease calculations and also in relation to the Council's assessment of peppercorn leases, and leases without supporting documentation.

We have reported a recommendation on page 51.

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Closing valuation of land and buildings</p> <p>The Council re-values its land and buildings on a rolling five-yearly basis in line with the Code requirements.</p> <p>This valuation represents a significant estimate by management (£326m, 31 March 2025) in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value of land and buildings is not materially different from the current value at the balance sheet date, where a rolling programme is used.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the valuation 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 valuation expert and discussed with the valuer the basis on which the valuation was carried out challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding engage our own auditor's expert valuer to assess the instructions issued to the Council's valuer, the Council's valuer's report and the assumptions that underpin the valuation tested, on a sample basis, revaluations made during the year to see if they had been input correctly into the Council's asset register. evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end for non-specialised properties valued on the existing use value (EUV) basis, obtain market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations. 	<p>Our work is complete.</p> <p>We have identified some errors arising due to incorrect or missing floorplans and out of date information for income and expenditure when producing the valuations. We have evaluated the overall misstatement as an understatement of £1.961m.</p> <p>Additionally, we identified that the up-to-date pupil numbers had not been incorporated into site areas calculated in the valuations of schools. We have evaluated the overall misstatement as an overstatement of £2.330m.</p> <p>The overall net impact on the total value land & buildings assets misstatements identified is trivial.</p> <p>In addition, we noted that that site area calculations for schools valuations at the reporting date of 31 March 2025, were prepared in 2021-22 and we have not been able to obtain sufficient evidence from the Council related to the approach for determining the site areas used for the valuation of land for schools and to demonstrate the historic calculations remain appropriate.</p> <p>We have performed a sensitivity analysis and satisfied that that there is minimal risk of material misstatement arising from this uncertainty.</p> <p>We have reported a recommendation on page 51</p>

Significant risks

Risk identified

Closing valuation of council dwellings

The CIPFA Code requires stipulates that Council dwellings (£96.4m, 31 March 2025) should be valued on the basis of existing use value as social housing and the Council has adopted a beacon methodology.

The valuation of council dwellings involves subjectivity and a significant degree of judgement and estimation by management. This is due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Audit procedures performed

As above and additionally we reviewed, on a sample basis, the beacon property valuations and verified the accuracy of properties categorised to each beacon type.

Key observations

Our audit work in this area is now complete. Our audit work has not identified any issues in respect of misstatements to closing valuations of council dwellings.

Closing valuation of investment property

High estimation uncertainty arising from valuation of investment property assets.

Investment properties are measured at fair value. The fair value of investment property shall reflect market conditions at the end of the reporting period. Similarly, fair valuation represents a significant estimate by management (£24.8m, 31 March 2025) in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

As above and additionally for investment properties measured at fair value, obtained market comparables to assess the appropriateness of market rents and yields selected by management's expert and used in the valuation calculations.

Our audit work in this area identified is now complete. Our testing identified discrepancies in the source data provided to the valuer with respect to lease documentation and rental amount which were out of date. In addition, one asset was wrongly classified as investment property instead of operational land and buildings. This has resulted in a net understatement of £0.856m which is reported as an unadjusted misstatement on page 49. We have no further matters to report.

Significant risks

Risk identified

Valuation of the net pension balance

High estimation uncertainty arising from valuation of pension liabilities.

The Council's pension fund net liability, as reflected in the balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions.

We therefore identified the valuation of the Council's pension fund net liability as a significant risk of material misstatement.

There is an overall pension surplus, thereby the gross pensions assets exceed the estimated liabilities, resulting in a net pension asset. However, IFRIC 14 requires calculation of any asset ceiling which limits the extent to which a pension surplus can be recognised as an asset on the balance sheet. The net liability remaining of £9.423m, is the unfunded liabilities which are not impacted by the asset surplus and asset ceiling.

Audit procedures performed

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the pension fund net liability is not materially misstated and evaluate the design of the associated controls
- evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability
- tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary
- considered the applicability of IFRIC14 and assess as required
- undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report
- obtained assurances from the auditor of Cumbria Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Key observations

Our work is complete and we no issues to report.

Our review of the processes and controls in respect of pensions and the instructions issued by management identified no issues, nor did our assessment of the competence, capability and objectivity of the actuary. We also confirmed the accuracy and completeness of the information provided by the Council to estimate the liability.

We challenged the actuary's assumptions and used our auditor's expert (PWC) to provide expert input on the assumptions that had been used. Page 37 provides a detailed assessment of the estimation process for the valuation of the pension fund net liability

We have received the IAS19 assurances from the auditor of the Cumbria Pension Fund. Our audit work is complete and we not identified any issues in respect of valuation of the pension fund liability for the Council.

We can confirm that the Council had considered and calculated the asset ceiling correctly. The revaluation of Cumbria Pension fund assets resulted in an increase of £14m to the Council's pension assets however, this does not impact the asset ceiling as this has the impact of capping the extent to which a net asset is recognised to nil.

We have obtained and verified the source data provided to the actuary however, our we have not ben able to complete the substantive testing of payroll transactions – see page 27 for details.

No other issues were noted as part of our work.

Significant risks

Risk identified

Complexity of multiple financial systems

The Council is continuing to operate with multiple financial systems including the primary general ledger and four legacy general ledgers which receive the transactional data from the legacy payroll and revenues and benefits systems.

These systems are operated within separate IT environments; the legacy IT infrastructure from each of the predecessor councils, and services hosted by Cumberland Council.

The transfer of data from the legacy financial systems on a monthly basis using manual journals to the primary general ledger (E5) increases the risk of error and / or inaccurate processing of information. There is manual process to apply the appropriate mapping of accounts between systems to support the production of the financial statements.

We consider this a significant risk to the accuracy and completeness of financial data.

Audit procedures performed

We have:

- updated our understanding of the processes and controls put in place by management to ensure the complete and accurate transfer of transactional data from the legacy financial systems to the primary general ledger
- undertaken an assessment of the design and implementation of the IT general controls for each IT environment and the hosted services at Cumberland Council
- reviewed the mapping applied for transactions and balances transferred from the legacy general ledger systems to ensure the chart of accounts is appropriate and in line with the CIPFA code
- performed a reconciliation of all transactions to the trial balance and draft accounts
- substantively tested a sample manual journals posted to transfer data from the legacy general ledgers to the primary general ledger
- confirmed there are no transactions streams and balances recorded within legacy general ledgers which required additional substantive testing
- reviewed management's reconciliations of other key legacy financial systems (payroll, revenues and benefits) to the legacy general ledgers.

Key observations

We have completed our review of transaction data transferred from the legacy Eden District Council and South Lakeland District Council ledgers and we have no issues to report.

We have not been able to complete our procedures to verify the complete and accurate transfer of transaction data from the Barrow Council legacy ledger due to some unresolved variances and we have not obtained sufficient evidence to demonstrate the legacy ledger data reconciles to the journals posted into the primary E5 general ledger. Additional information was provided in

We have reported a recommendation on page 51.

Significant risks

Risk identified

Disaggregation of opening balances from the legacy Cumbria County Council

The Council has disaggregated the closing balances from the legacy Cumbria County Council, as at 31 March 2023, in order to determine the appropriate share and allocation of the opening balances for Westmorland & Furness at 1 April 2023.

We have made significant progress, and whilst we have not identified any issues to report, there are outstanding queries related to certain categories of opening balances such as vehicles, plant & equipment, grants received in advance and reserves. This is necessary to ensure a comprehensive understanding of the calculations and the basis for allocation between the two unitary councils and the fire service.

A full disclaimer of opinion was issued due to the backstop in relation to the 2023-24 financial statements. As a result, we were unable to complete any work or gain assurance over the 2023-24 closing balances and subsequently the opening balances for 2024-25 financial year.

Audit procedures performed

We have:

- Completed our review of the disaggregation of legacy Cumbria CC balances to ensure the split is appropriate and accurately implemented
- substantively tested the workings and calculations performed by the Council to determine the split of balances
- assessed the completeness and accuracy of disclosures in accordance with the CIPFA Code
- Completed our review of the accounting policies to ensure treatment of financial statement line items was in accordance with accounting standards

Key observations

We have completed procedures to check the disaggregation of balances has been undertaken in accordance with the agreed approach. Our work is substantially complete.

We have identified a misstatement in the prior year accounts in relation to the presentation of the transfer of assets and liabilities from legacy councils which impacts the comparative information but does not impact balances brought forward to 2024-25. This has not been adjusted, see page 31 for details.

As the prior year accounts for 2023-24 were subject to disclaimer under the local Council backstop regulations, there is no assurance of the prior year comparatives and brought forward opening balances in 2024-25.

In the draft accounts, the Council has recognised the waste management assets (valued at £19.0m) that are located within the Westmorland & Furness geographic footprint in accordance with the Section 16 agreement which proscribed the basis for disaggregating balances. Waste management is a hosted service provided by Cumberland Council.

We have reviewed the Council's assessment of the accounting treatment provided on 17 December, which concluded that there is not joint control of the waste management services and therefore, the waste service should not be accounted for as a joint arrangement. In addition, the assessment concluded that the Inter-Council Agreement does not contain a lease and therefore, it is not appropriate to recognise the waste management assets in the Westmorland & Furness Council accounts and this will be adjusted – see page 47.

Other risks

Risk identified

Cash & bank

From our inquiries and review of the Council's controls procedures in the 2023-24 financial year, we identified that the cash to bank reconciliation process had not been operated routinely as part of the month-end close procedures throughout 2023- 24. The 31 March 2024 year-end cash to bank reconciliation was also not available to the audit team for review.

The reconciliation is a key control to prevent, detect and correct misstatements or omissions in the Council's financial records for payments and receipts. The lack of effective and timely operation of the cash to bank reconciliation was identified as a significant deficiency.

Management has confirmed the reconciliations have now been undertaken retrospectively therefore we have included this as an 'other' risk for the 2024-25 financial year audit.

Audit procedures performed

We have:

- Reviewed the bank reconciliation for March 2024 to ensure this has been completed retrospectively in an appropriate manner
- Documented and gained an understanding of the business process in relation to Cash & Bank and the relevant controls that are in place i.e. monthly bank reconciliations
- Inquired of management if monthly bank reconciliations have been undertaken throughout the 2024-25 financial year in line with our audit recommendation raised in 2023-24
- Completed our review of the bank reconciliations for March & April 2025.

Key observations

Our work is complete.

We have no issues to report from our review of the bank reconciliations and substantive testing of the cash balance.

For some bank accounts, we could not review a full listing of reconciling items at 31 March 2025 (i.e. items posted to the ledger, which cleared in the bank after the year-end).

However, the population of reconciling items not available for audit was below the trivial threshold.

We have reported a recommendation on page 51.

Other risks

Risk identified

Assessment of IAS 37 Provisions, Contingent Liabilities and Contingent Assets

Through our inquiries of management and risk assessment procedures, we identified that the Council has some ongoing litigation cases and/or potential claims. The 2023-24 accounts did not include any specific provisions or disclosure of contingent liabilities in respect of the ongoing cases, although the Council has made a general insurance provision in respect of employers and public liability and maintains an insurance reserve.

There is a risk that without a thorough assessment against the requirements of the CIPFA Code and IFRS reporting framework, that the provisions and disclosure of contingent liabilities included in the financial statements is inaccurate or incomplete.

Allocation of iTrent payroll costs

The iTrent payroll system (hosted by Cumberland Council) administers the payroll for Westmorland & Furness Council, Cumberland Council and Cumbria Fire Service.

We understand that a manual work around process is required to allocate the payroll costs administered through the iTrent payroll to the appropriate Council.

Furthermore, there is a programme to consolidate the legacy payroll systems into the iTrent payroll system from April 2025.

We consider there is a risk of error being introduced through the manual processing, inaccurate or incomplete transfer of data, or duplication or incorrect allocation of payroll costs between entities.

Audit procedures performed

We have:

- updated our understanding of the processes and controls put in place by management to identify and assess the financial reporting impact of any potential or ongoing litigation or claims
- undertaken a substantive review of the provision calculations and evidence to supporting the assessment
- reviewed any legal correspondence and make inquiries to determine whether the management's assessment is materiality complete
- assessed the completeness and accuracy of disclosures in accordance with the CIPFA code.

We have:

- updated our understanding of the processes and controls put in place by management to ensure the payroll costs have been allocated accurately to the applicable authorities
- undertaken a substantive review of the payroll workbooks used to manually allocate payroll costs
- performed a reconciliation of the payroll costs recorded in the general ledger to the underlying payroll records.

Key observations

Our work is complete. We have obtained and reviewed the Council's assessment of potential claims and litigations. The national issue of equal pay claims has been discussed with the Council and the Monitoring Officer. Following these discussions and review of the current situation regarding equal pay, the disclosures in the contingent liabilities note has been enhanced in relation to this matter, refer to page 48.

We have identified that a provision for £3m is included in the draft accounts in relation to additional costs for hosted services however, we have not obtained sufficient evidence to demonstrate management's assumption is reasonable or that this meets the criteria in the financial reporting framework to recognise a provision.

We have reported this as an unadjusted misstatement on page 49.

Based on our work complete to date, we have no issues to report in relation to the allocation of payroll costs between the three authorities.

However, we have not been able to complete all of the procedures. We have not reviewed the reconciliation of total employee benefit expenditure recorded in the draft accounts to the payroll reports. Additionally, we have not complete the substantive testing of cash payments to bank records due to delays in obtaining the information from the hosted service team.

We note there is a significant outstanding balance payable in relation to the reimbursement of hosted payroll costs which the Council has recently reconciled and agreed with Cumberland Council. We report a recommendation on page 51.

Other findings

Other areas impacting the audit

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
Approval documentation for exit packages	<p>Our review of remuneration disclosures identified that a Voluntary Redundancy exit with total cost over £100k was not subject to documented formal approval prior to payment in May 2025. We understand this occurred due to the lack of a Voluntary Redundancy policy following LGR.</p> <p>We have observed correspondence that explains the exit was subject to verbal approval following consultation with the Council Leader, and the then Chief Executive confirmed to the HR Business Partner in March 2025. An Officer Delegated Decision Record was formally approved by the statutory officers retrospectively in August 2025.</p> <p>We note that a formal redundancy approval policy has now been implemented.</p>	<p>We recommend that the Council ensures that appropriate policies and schemes of delegation are in place and documentary evidence of approvals ahead of payment is retained.</p> <p>Management response</p> <p>As noted the Council now has a redundancy policy and procedures in place which includes the formal approval.</p>
Verification of existence and ownership of assets	<p>We have completed procedures to confirm both the physical existence of assets and the ownership (i.e. rights to obtain the economic benefit from assets).</p> <p>Our review identified several properties where the conveyance documents were signed by the applicable legacy Council, but which had not been registered with the Land Registry.</p>	<p>Auditor view</p> <p>We recommend that the Council ensures that title documents for all legacy properties are fully registered and where applicable, the title is transferred to the unitary Council.</p> <p>Management response</p> <p>The Asset Management team are working with Legal team to ensure all the Council's properties are appropriately registered.</p>

Other areas impacting the audit

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
<p>Assessment of impairment risks to property, plant & equipment and infrastructure assets</p>	<p>Our review of Property, Plant & Equipment identified that the Council does not undertake a formal annual review to identify risks of impairment across all categories of assets. We requested management complete an assessment of impairment.</p> <p>This was provided for the Assets Under Construction balance only within Property, plant and Equipment and we have no issues to report.</p> <p>We have selected and tested a sample of infrastructure assets to confirm the existence and rights and obligations of the Council's assets. Additionally, we have performed additional procedures to confirm the appropriate application of the CIPFA guidance and statutory provision for accounting for infrastructure assets.</p> <p>We identified some items of infrastructure where insufficient information has been retained to demonstrate the physical location of the specific assets, the total value has been estimated at £22m, although we have verified supporting evidence (some of which dates back several years and pre-LGR) to confirm the capital expenditure occurred.</p>	<p>We note, on 14 January 2026, the Council also provided a review of Land & Buildings items which covered 5 items by exception.</p> <p>We recommend that management completes regular reviews of assets to assess the risk of impairment in accordance with the financial reporting framework.</p> <p>Management response</p> <p>For 2025-26 onwards the Council will document the risk of impairment on an annual basis.</p>

Other areas impacting the audit

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
Inter-Council balances	<p>We have identified that there are some potentially significant outstanding amounts due to/from Cumberland Council which are related to:</p> <ul style="list-style-type: none"> the hosted services arrangements with Cumberland Council, with the most significant being the hosted payroll service the settlement of disaggregated debtor and creditor balances from the legacy Cumbria County for which Westmorland & Furness administered the collection and payment of funds from/to third parties post 1 April 2023. <p>In January 2026, there has been progress in reconciling and agreement of the significant balances related to hosted payroll services, subject to audit team's review of information provided 16 January.</p> <p>However, there are number of other balances still being reviewed and reconciled. As we expect the amounts could be material, this is subject to ongoing review to assess whether any inter-Council balances have been recognised and accounted for appropriately.</p>
	<p>We recommend that the Council undertakes a reconciliation process and secures agreement of the outstanding balances owed to and from other authorities.</p> <p>Management response</p> <p>The detail of the balance owed to/from Cumberland Council and Cumbria Fire & Rescue Authority have been shared between the parties in January 2026. The balance with Cumbria Fire & Rescue Authority has been agreed and will be settled by 31st March 2026. Cumberland Council are reviewing the detail but have agreed the payroll element of £43m and their share of the County's cash and treasury balances at 31st March 2023 £11m (£32m less £21m already paid). They have verbally agreed the disaggregation of the cash received into the former County Council's bank accounts post LGR, this equates to £15m. This has been/will be paid to Cumberland in the period December 2025 to March 2026.</p>

Other findings – significant matters

Issue	Commentary	Auditor view
Prior year Restatements	<p>Our review has identified some inaccuracies in the prior year financial statements including:</p> <ul style="list-style-type: none"> – A discrepancy of £6.2m in the disclosure of total non-domestic rateable value at 31 March 2024 in the Collection Fund account disclosures – Pension disclosures in Note 34, the prior figure for the Change in Asset Ceiling, has been updated to £60.196m from £160.779m <p>Both of these issues appear to be typographical errors and we are satisfied these have been resolved appropriately.</p> <p>In addition, we have identified a misstatement in the prior year accounts in relation to the presentation of the transfer of assets and liabilities from legacy Councils which impacts the comparative information but does not impact balances brought forward to 2024-25.</p>	<p>We have requested that management restate the prior year comparatives to update the presentation of the transfer of assets and liabilities at 1 April 2023. The Council have elected not to change this, and we are therefore bringing this to your attention.</p> <p>As the prior year accounts were subject to disclaimer under the local Council backstop regulations, the prior year comparatives and brought forward opening balances in 2024-25 will be qualified.</p> <p>We note the amendments to the accounts have been included in the final draft accounts however, the accounts do not include a specific prior period adjustments note.</p> <p>Management response The 2024/25 Accounts have been amended for the two typographical errors noted. The Accounts have not been updated to reflect the alternative presentation of the transfer of assets and liabilities as at 1st April 2023.</p>

Other findings – accounting policies

Accounting area	Summary of policy	Comments	Assessment
Various	<p>Our Financial Reporting team completed a technical (hot) review and identified queries related to several areas of the draft accounts and disclosures, including:</p> <ul style="list-style-type: none"> • Housing Revenue Account • IFRS 16 Leases • Financial instruments • Capital financing & expenditure, capital adjustment account • Property, plant & equipment • Pensions 	<p>We discussed the review queries with management in October; we note that some of the queries have been resolved and amendments have been made to the accounts, however, we have not received responses to all queries, and this work has not been completed.</p>	<p>No assurance given as we are issuing a disclaimed opinion</p>
Depreciation	<p>The Council recognises depreciation of property, plant and equipment assets on a straight-line basis with asset life for operation buildings of up to 50 years.</p> <p>Our review of the asset register identified that the Council has determined asset lives for all buildings to be 50 years in perpetuity based on the assumption that the Council will continue to use the buildings indefinitely.</p>	<p>Our review of property valuations identified that 50-year asset life applied in the asset register, is inconsistent with the estimated remaining useful lives determined by the Council’s external valuation specialist which for some buildings is much shorter (such as 10 years).</p> <p>The CIPFA application guidance sets out that the asset life applied for depreciation purposes should not exceed the physical life.</p> <p>We have reviewed the approach and concluded that this is not compliant with the CIPFA Code. This has resulted in an understatement of depreciation charged of £4.131m.</p> <p>We have reported a recommendation on page 51.</p>	<p>No assurance given as we are issuing a disclaimed opinion</p>

Other findings – key judgements and estimates

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Valuation of land and buildings £326m at 31 March 2025</p>	<p>Land and buildings comprises a significant portion of specialised assets (c70%) such as schools, 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 (c30%) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged external experts (Montagu Evans and VOA) to complete the valuation of properties as 31 March 2025 on a five yearly cyclical basis. Some 98% of total assets were revalued during 2024-25. Management's assessment is that the potential difference in the value of the remaining assets not formally revalued during 2024-25 is not material.</p>	<p>The Council's accounting policy on valuation of land and buildings is included in the Accounting Policies note of the financial statements.</p> <p>We have:</p> <ul style="list-style-type: none"> assessed the Council's external valuer to be competent, capable and objective carried out completeness and accuracy testing of the underlying information provided to the valuers used to determine the estimate including floor areas where appropriate reviewed management's assessment of assets not valued in the year and concluded that their assessment is reasonable and that assets not valued in the year are not materially misstated agreed valuation reports to the Fixed Asset Register and to the Statement of Accounts. 	<p>No assurance given as we are issuing a disclaimed opinion</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings	The total year end valuation of land and buildings was £326m, a net decrease of £3m from 2023-24 (£329mm).	<ul style="list-style-type: none"> engaged our own valuation expert to assess the work of the Council's valuer, compliance with RICS requirements and management's assessment of assets not revalued in year. Our expert was able to confirm that the Council's approach was reasonable and in line with those adopted by other Valuers and that the valuations were reasonable. <p>Our testing of underlying assumptions has been largely completed except that we have not been able to obtain sufficient information from Council on the approach for determining the MEA site areas used for valuation of land for schools.</p>	No assurance given as we are issuing a disclaimed opinion

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Valuation of council dwellings £96.4m at 31 March 2025</p>	<p>The Council is required to revalue its Council housing in accordance with Ministry of Housing, Communities and Local Government (MHCLG) Stock Valuation for Resource Accounting guidance. The year end valuation have been valued appropriately using Existing Use Value – Social Housing. The Council has engaged Montagu Evans to complete the valuation of these properties. The year end valuation of council dwellings was £96.416m, a net increase of £4.6m from 2023-24 (£91.856m).</p>	<ul style="list-style-type: none"> • The Council's external valuer (Montagu Evans) have valued the Council dwellings. Our work indicated that the methodology was applied correctly to the 2024-25 valuation • We have assessed the Council's valuer to be competent, capable and objective in carrying out the valuations. • We have carried out completeness and accuracy testing of the underlying information used to determine the estimate and have no issues to report. We have challenged management and the expert as part of our work <p>Our work is now complete in this area. There are no issues arising from our work that we wish to bring to the attention of management or the Audit Committee.</p>	<p>No assurance given as we are issuing a disclaimed opinion</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Valuation of investment property £25m at 31 March 2025</p>	<p>The Council has engaged Montagu Evans and VOA to complete the annual valuation of investment properties held at fair value as at 31 March 2025.</p> <p>Summarise how management have considered alternative estimates and addressed estimation uncertainty and the disclosure made in that respect.</p> <p>The total year end valuation of investment property was £25m, a net decrease of £1m from 2023-24 (£26m).</p>	<p>We have reviewed and assessed the details supporting the estimates and judgements in this area, considering:</p> <ul style="list-style-type: none"> • the qualifications, skills and experience of the management's expert (Valuer) • the completeness and accuracy of the underlying information used to determine the estimates • the consistency of estimates against relevant indices • the reasonableness of the increase in the estimates • the adequacy of disclosure regarding the estimates. <p>Our testing of the underlying assumptions and valuations has been completed, and we have identified some errors due to out-of-date source data provided to the valuers.</p>	<p>No assurance given as we are issuing a disclaimed opinion</p>
<p>We report a recommendation on page 51.</p>			

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<p>Valuation of net pension asset (£288.307m, prior to asset ceiling which reduces surplus to nil)</p> <p>Unfunded pension liabilities of £9.423m are not impacted by the asset ceiling</p>	<p>The Council’s Local Government Pension Scheme (LGPS) net pension asset at 31 March 2025 is £288.307m, prior to asset ceiling.</p> <p>The Council uses Mercer to provide actuarial valuations of the Council’s assets and liabilities derived from these schemes. A full actuarial valuation is required every three years and the last triennial valuation was at 31 March 2022.</p> <p>The triennial valuation determines the employer contribution rates for the following three-year period, with the long-term objective of ensuring the fund remains appropriately funded. Although the Council currently reports a net pension asset, the valuation remains highly sensitive to changes in financial and demographic assumptions. Small movements in inflation, discount rates, salary growth or mortality assumptions can produce material changes in the reported pension position.</p>	<p>In assessing the estimate, we have:</p> <ul style="list-style-type: none"> assessed management’s expert to ensure they are suitably qualified and independent assessed the actuary’s approach to confirm reasonableness of approach, including the approach taken in the calculation of the asset ceiling used an auditor’s expert (PwC) to assess the methods and assumptions used by management’s actuary (see table to left for consideration of assumptions) gained assurance over the completeness and accuracy of the underlying information used to determine the estimate received assurances from the auditor of the Cumbria Pension Fund with respect to the year end valuation of the assets of the fund and benefit payments and contributions received in year relating to the audited body assessed the impact of any changes to valuation method assessed the adequacy of disclosure of estimate in the financial statements – disclosure changes were processed in relation to the LGPS disclosure notes in the accounts – see Audit Adjustments section for more detail. 	<p>No assurance given as we are issuing a disclaimed opinion</p>
Assumption	Actuary value	PwC range	Assessment
Discount rate	5.80%	5.70% - 5.90%	Reasonable
CPI Inflation and pension increase rate	2.60%	2.60% - 2.70%	Reasonable
Salary growth	4.1%	1.25% to 1.5% above CPI	Reasonable
Life expectancy – Males currently aged 45 / 65 (SAPS 4)	22.8 21.5	21.1-23.2/ 20.8-22.0	Reasonable
Life expectancy – Females currently aged 45 / 65 (SAPS 4)	25.7 24	25.2-26.1/ 23.5-24.3	Reasonable

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
<p>Minimum revenue provision £10.014m in 2024-25</p>	<p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its minimum revenue provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £10.014m, an increase of £1.263m from 2023-24. We note that MRP in 2024-25 is 3.86% of the closing Capital Financing Requirement (CFR) (PY 3.47%).</p> <p>The implementation of the new accounting standard IFRS 16 Leases impacts the CFR as Right of Use Assets must be incorporated.</p> <p>The Council has not yet provided an updated calculation of the CFR which includes the revised Right of Use Asset calculation as referenced on page 20.</p>	<p>We have reviewed the Council's MRP calculation and considered:</p> <ul style="list-style-type: none"> • whether the MRP has been calculated in line with the statutory guidance • whether the Council's policy on MRP complies with statutory guidance including requirements set out by MHCLG • assessed whether any changes to the Council's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full Council • the reasonableness of the increase in MRP charge. <p>New statutory guidance takes full effect from April 2025, introducing new provisions for capital loans. This guidance also clarifies the practices that authorities should already be following.</p> <p>This guidance clarifies that capital receipts may not be used in place of a prudent MRP and that MRP should be applied to all unfinanced capital expenditure and that certain assets should not be omitted from the calculation unless exempted by statute.</p> <p>We have discussed inquiries related to the application of the Council's policy for determining the Minimum Revenue Provision. This concerns the extent to which the policy has been reviewed in accordance with the latest statutory guidance with consideration of the arrangements inherited from the legacy authorities. We also note there are some components of capital expenditure which are being funded over a repayment period which exceeds the recommended maximum of 50 years. We have reported a recommendation on page 51.</p> <p>Our review of the initial draft accounts identified that the impact of Right of Use Assets recognised in accordance IFRS 16, had not been included in the CFR. We received the updated CFR calculation on 06 February 2026.</p>	<p>No assurance given as we are issuing a disclaimed opinion</p>

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see the separate 'IT Audit Findings' report which can be shared on request – this has been discussed and agreed with Management.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
E5	ITGC assessment (design and implementation)	● Amber	● Amber	● Grey	● Grey
iTrent	ITGC assessment (design and implementation)	● Amber	● Amber	● Grey	● Grey
Active Directory	ITGC assessment (design and implementation)	● Green	● Green	● Grey	● Grey
Concilium Total	ITGC assessment (design and implementation)	● Amber	● Amber	● Grey	● Grey
Oracle E-Business Suite	ITGC assessment (design and implementation)	● Amber	● Amber	● Grey	● Grey
Integra	ITGC assessment (design and implementation)	● Amber	● Amber	● Grey	● Grey

Assessment:

- [Red] Significant deficiencies identified in IT controls relevant to the audit of financial statements
- [Amber] Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- [Green] IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- [Black] Not in scope for assessment

Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any 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	Based on our work completed, we are not aware of any related parties or related party transactions which have not been disclosed. We identified that one Council member had not completed an up-to-date declaration of interests. We have reported a recommendation on page 51.
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 completed.
Written representations	A letter of representation has been requested from the Council, which will be provided on completion of the audit. We have requested specific representations in respect of the Council's assessment of provisions and contingent liabilities and impairment of assets (Appendix C)
Confirmation requests from third parties	We requested from management permission to send confirmation requests to other local authorities, banks and financial institutions in respect of cash and investment balances and borrowings. This permission was granted and the requests were sent and positive responses received.
Disclosures	We have evaluated the appropriateness of the Council's financial statement disclosures in line with applicable accounting principles and the Code of Practice. A number of amendments were made to the financial statements to further enhance the transparency of the disclosures within the Accounts, improve compliance with reporting requirements and resolve inconsistencies identified from our review. Further detail is set out at page 48. We did raise a number of financial reporting queries identified from the technical (hot) review that could have resulted in additional disclosures being required. We have not received responses to these queries and this area of our work was not completed due the backstop.

Other communication requirements

Issue	Commentary
<p>Audit evidence and explanations</p>	<p>The finance team have supported the audit process. There have been some capacity issues which has led to delays progressing some areas.</p> <p>Our audit work is well advanced across most areas, with several significant sections substantially complete, pending internal quality review. Some other areas mostly complete however, there are outstanding inquiries and evidence requests. This represents positive progress on the need to gain assurance.</p>
<p>Significant difficulties</p>	<p>There remain some material areas where substantial work is still required, primarily due to delays in receiving necessary information or unresolved issues that the Council is currently addressing. We understand that key discussions are ongoing and officers have endeavoured to provide outstanding evidence for review, however, a number of sources of audit evidence remain outstanding across a number of material areas of the accounts. As such, there is insufficient time available to complete the required audit procedures ahead of the February backstop deadline.</p> <p>We note that some of the outstanding issues are not wholly within the Council’s remit to resolve, and rely on other stakeholder bodies’ input – mainly in relation to the neighbouring Council. We do acknowledge this, although ultimately, it is the Council’s responsibility to provide the supporting evidence and documentation to satisfy our audit requirements.</p> <p>We recognise the significant challenge that the audit process has presented the finance team at the Council and we would like to record our thanks to officers for their support in what has been a challenging period and to assure Members that we continue support the Council in its preparation for the audit of the 2025-26 accounts. We are aiming to build back as much assurance as is reasonably possible in the coming years in line with the expectations of MHCLG.</p>

Other responsibilities

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> • The use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have obtained (where relevant), considered and evaluated:</p> <ul style="list-style-type: none"> • the nature of the Council and the environment in which it operates • the Council’s financial reporting framework • the Council’s system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. <p>However, as this year’s audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

Issue	Commentary
Other information	<p>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 Fund Financial Statements), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with ‘delivering good governance in Local Government Framework 2016 Edition’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. <p>We have reported significant weaknesses in the Council’s arrangements for securing value for money on page 58.</p>

Other responsibilities

Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>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.</p> <p>For Westmorland & Furness Council, this work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We have not issued our certificate of completion of the audit at this time because we cannot formally conclude the audit and issue an audit certificate for the Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025.</p>

Audit adjustments

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.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
HRA income reclassification from GRIA to Creditors		Grants received in advance Revenue 3,612 Creditors (3,612)		
Correction of misclassification from Infrastructure into plant, vehicles and equipment		Plant, Vehicles and Equipment 8,900 Infrastructure (8,900)		
Recognition of additional IFRS 16 leases following updated calculations		Right of use assets 9,215 Lease liability (9,215)		
Overall impact	-	-	-	-

Audit adjustments

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Disclosure	Various – as a result of the review of the accounts, management agreed to amend for a number of minor presentational and disclosure improvements.	✓
Collection Fund	Amendment to add separate row for “Income from Business Rates“ which was previously combined and presented under the “Income from Council Tax” row, to ensure clarity and compliance with disclosure requirements.	✓
Collection Fund	Amendment to correct £244m to £250m on comparative non-domestic rateable value	✓
Remuneration disclosure	Amendment to add band description which was blank and to include the correct number of staff	✓
Financial instruments	Amendments to correct variances on lease liabilities (£1.1m) disclosed as level 2 fair value liabilities and cash and cash equivalents figures (£3.0m)	✓
Financial instruments	Amendments to correct short term investments amounting to £42.1m initially incorrectly classified as FVTPL rather than at amortised cost.	✓
Financial instruments	Amendment to include disclosure confirming that Expected Credit Loss on investments with other local authorities have been assessed and are considered immaterial.	✓
Cash flow statement	Amendment to correct signage on figure for impairment losses on loans and advances	✓
Equal pay	Amendment to disclose contingent liability with regards to equal pay	✓
Capital commitments	No prior year comparative figures for 2023-24 included in the draft accounts.	✗
Accountable funds	Amendments to enhance clarity on the cessation of LEP funding and the transition to Enterprising Cumbria (with Cumberland Council as Accountable Body and Westmorland & Furness providing assurance support).	✓
Related parties	Note 38, the retained profits of Cumbria County Holdings Ltd disclosed as £0.4m incorrectly, whereas actual figure is £0.5m loss	✓
Collection Fund	In 2023/24 accounts the Cumbria Fire & Rescue Authority precept was incorrectly presented. 2024/25 accounts have been restated but not labelled as restated or explanation of restatement provided.	✗

Audit adjustments (continued)

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Pensions asset revaluation	£14.4m amendment to gross pensions assets disclosure following updated valuation of Cumbria Pension fund assets	✓
Property, plant & equipment	Note 21 – discrepancy of £1.4m between the net book value at 31 March 2024 in the prior accounts and current year draft accounts. This is due to adjustments for implementation of IFRS 16 incorrectly presented as restatement of closing balances instead of opening balance adjustment as expected.	x
Cash & cash equivalents	Correction of allocation between short term investments and cash equivalents of £2.4m	✓
Audit fees	Amendment to correct £23k understatement of audit fees disclosure	✓
Contingent liabilities	Additional disclosure of contingent liability in relation to equal pay claims	✓
AGS	Amendments to narrative commentary on actions taken in response to key recommendations reported in the prior year	✓
MIRS & internal consistency	Variances identified in the accounts consistency checker, subject to outstanding queries	x

Audit adjustments

Impact of unadjusted misstatements

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

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund (useable reserves) £000
Short term creditors incorrectly classified as long term creditors		Long term creditors 630 Short term creditors (630)	-	-
Understatement of investment property		Investment property 856 Profit/loss (fair value gain) (856)	-	-
Provision for hosted services expenditure	Operating Expenditure (3,000)	Provisions 3,000	(3,000)	(3,000)
Depreciation understated due to inaccurate useful lives applied in asset register	Depreciation charges 4,100	Accumulated depreciation (4,100)	4,100	-
Overall impact of current year unadjusted misstatements	1,100	(1,100)	1,100	(3,000)

Impact of unadjusted misstatements in the prior year

The prior year audit has been disclaimed under backstop arrangements. There are therefore no unadjusted misstatements to consider.

Action Plan

We set out here our recommendations for the Council which we have identified as a result of issues identified during our 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
<p>● Medium</p>	<p>Self-authorisation of journals</p> <p>We note the Senior Finance Manager is able to self-authorise certain types of journals which includes technical, non-cash journals, statutory adjustments and legacy balance corrections. The mitigating control is that each cost centre is monitored by the relevant budget holder. The budget holder reviews transactions against cost centre codes periodically to ensure no unusual or incorrect postings have been made.</p>	<p>Management should consider putting in place a preventative control in addition to the existing detective control so that journals are authorised prior to them being posted.</p> <p>Management response</p> <p>There is a monthly retrospective review by the Group Finance Managers of all journals in their directorates for unusual/unexpected journals. This is in addition to reviews by budget holders and management.</p>
<p>● High</p>	<p>Operational expenditure accruals</p> <p>Our substantive testing of invoices received after the year end identified an error in relation to an invoice of £0.3m related to 2024-25 expenditure which was recorded in the following financial year in error.</p> <p>The Finance team undertakes an exercise at year-end to capture all relevant expenditure however, this transaction was not processed through a Purchase Order and not disclosed or identified until the invoice was received.</p>	<p>Management should ensure there are effective controls in place to capture all relevant expenditure that has occurred in the financial year.</p> <p>Management response</p> <p>The closedown procedures includes detailed instructions for the Finance teams to share with their services on identifying any creditors and accruals required. This will be re-emphasised in the training for 2025/26 closedown.</p>
<p>● High</p>	<p>Declarations of interest</p> <p>Our review identified that one Council Member had not provided an up-to-date declaration of interests. The last declaration was provided in April 2023.</p> <p>Without regular updates of declarations there is a risk that related party transactions and potential conflicts of interest are not identified on a timely basis.</p>	<p>Management should ensure that all Declarations of Interest are updated on a timely basis.</p> <p>Management response</p> <p>Members and senior officers are asked to complete a new form each year as part of the annual Accounts process. Where a response isn't received the team chase by email and phone.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action Plan (continued)

Assessment	Issue and risk	Recommendations
<p>● High</p>	<p>Availability of working papers to support the draft accounts</p> <p>There were some areas of the draft accounts which were not support by working papers made available to audit on a timely basis. This included:</p> <ul style="list-style-type: none"> – Full listing of reconciling items for all cash to bank reconciliations – Working paper to demonstrate the reconciliation of dedicated schools grant expenditure recorded in the draft accounts to the supporting trial balance and transaction listing – Working paper to demonstrate the reconciliation of employee benefit expenditure recorded on the draft accounts to the payroll system reports and non-payroll transaction listing – Working paper to demonstrate the reconciliation of the Housing Benefit expenditure recorded in the draft accounts to the Housing Benefit systems data – Working paper, or equivalent, to demonstrate the reconciliation of transaction data from the legacy Barrow Council ledger to the primary E5 general ledger – Revised working papers to support the Council’s assessment of lease liabilities and Right of Use Assets under IFRS 16 were provided on 15 December. 	<p>Management should ensure supporting working papers are available for all transaction streams, balances and disclosure notes in the draft accounts on a timely basis.</p> <p>Management response</p> <p>For 2025/26 the Finance team will endeavour to provide the working papers requested.</p>
<p>● High</p>	<p>Approval documentation for exit packages</p> <p>Our review of remuneration disclosures identified that a Voluntary Redundancy exit with total cost over £100k was not subject to documented formal approval prior to payment in May 2025. We understand this occurred due to the lack of Voluntary Redundancy policy following LGR.</p> <p>We note that a formal redundancy approval policy has now been implemented.</p>	<p>We recommend that the Council ensures that appropriate policies and schemes of delegation are in place and documentary evidence of approvals prior to payment is retained.</p> <p>Management response</p> <p>The Council has a voluntary redundancy process and procedure in place now.</p>

Action Plan (continued)

Assessment	Issue and risk	Recommendations
<p>● High</p>	<p>Capital Financing Requirement and Minimum Revenue Provision policy We have discussed inquiries related to the application of the Council's policy for determining the Minimum Revenue Provision. This concerns the extent to which the policy has been reviewed in accordance with the latest statutory guidance with consideration of the arrangements inherited from the legacy authorities.</p> <p>We also note there are some components of capital expenditure which are being funded over a repayment period which exceeds the recommended maximum of 50 years. Our review of the CFR identified adjustments required to incorporate the updated Right of Use Assets which we expect would increase the closing balance.</p>	<p>We recommend the Minimum Revenue Provision policy is reviewed to confirm compliance with the latest statutory guidance and ensure a prudent level of provision is made to fund the Capital Financing Requirement.</p> <p>Management response The MRP policy will be reviewed to ensure it complies with the Code.</p>
<p>● Low</p>	<p>Registration of property title documents We have completed procedures to confirm both the physical existence of assets and the ownership (i.e. rights to obtain the economic benefit from assets).</p> <p>Our review identified several properties where the conveyance documents were signed by the applicable legacy Council, but which had not been registered with the Land Registry.</p>	<p>Auditor view We recommend that the Council ensures that title documents for all legacy properties are fully registered and where applicable, the title transferred to the unitary Council.</p> <p>Management response The Asset Management team are working with Legal Team to ensure all the Council's properties are appropriately registered.</p>
<p>● Medium</p>	<p>Assessment of impairment risks Our review of Property, Plant & Equipment identified that the Council does not undertake a formal annual review to identify risks of impairment across all categories of assets. We requested and reviewed management's assessment of impairment of Assets Under Construction and we have no issues to report.</p> <p>Without a regular review of assets, there is a risk that impairments are not identified and/or assets disposals are not recorded accurately, on a timely basis resulting in an overstatement of assets.</p>	<p>Auditor view We recommend that management completes regular reviews of assets to assess the risk of impairment in accordance with the financial reporting framework.</p> <p>Management response For 2025-26 onwards the Council will document the risk of impairment on an annual basis.</p>

Action Plan (continued)

Assessment	Issue and risk	Recommendations
<p>●</p> <p>Medium</p>	<p>Quality assurance of input data and assumptions for property valuations</p> <p>Our review of valuations of land & buildings and investment properties identified several instances where the input data and/or key assumptions were not based on the up-to-date information available or supported by clear rationale and evidence of review to demonstrate how management is satisfied assumptions are reasonable.</p>	<p>Auditor view</p> <p>We recommend that management ensures a robust quality assurance and review process is in place for all valuations (or equivalent) work commissioned from internal or external specialists.</p> <p>Management response</p> <p>The inputs for the valuations for 2025/26 are being reviewed by the Asset Management team to ensure the latest information is supplied to the external valuers.</p>
<p>●</p> <p>Medium</p>	<p>Depreciation policy</p> <p>Our review of the depreciation charge methodology identified an inconsistency in relation to the basis for asset lives compared to the external valuer's assessment of remaining useful life. Our further inquiries identified the CIPFA Code requirements are not implemented in line with published CIPFA application guidance.</p> <p>The current approach results in an understatement of depreciation charge which could have a cumulative impact on the accumulated depreciation and net book value of assets that is material.</p>	<p>Auditor view</p> <p>We recommend that management reviews the depreciation policy and methodology to ensure compliance with the CIPFA Code.</p> <p>Management response</p> <p>The depreciation policy will be reviewed in 2025/26 to ensure compliance with the Code.</p>
<p>●</p> <p>Medium</p>	<p>Grant agreement conditions</p> <p>We have agreed a sample of grant income to supporting documentation to verify the occurrence however, we have not obtained sufficient and appropriate evidence to demonstrate whether any conditions associated with grant income have been fully satisfied or give rise to any liability for clawback of funding.</p> <p>Without an available assessment of any grant terms or conditions there is a risk that grant income is recognised and/or deferred inappropriately.</p>	<p>Auditor view</p> <p>We recommend that management ensures grant conditions are reviewed for all significant grants to ensure compliance with the CIPFA code.</p> <p>Management response</p> <p>For 2025/26 the closedown guidance will be updated to ensure that commentary regarding potential clawback (or not) is included in the working papers.</p>

Follow up of prior year recommendations

We identified the following issues in our 2023-24 audit of the Council's financial statements, which resulted in three recommendations being reported in our short form 2023-24 Audit Findings (ISA260) Report. We have followed up on the implementation of our recommendations with two still in progress and one recommendation having been addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Complete	<p>Cash to bank reconciliation:</p> <p>The Council did not complete cash to bank reconciliations on a monthly basis in line with expected procedures throughout the financial year 2023- 24. Furthermore, the 31 March 2024 year-end reconciliation was not available to the audit team for review. The cash to bank reconciliation is a key control to prevent, detect and correct misstatements and/or omissions in financial records</p>	<p>We recommended the Council ensures that cash to bank reconciliations are properly prepared and reviewed for all bank accounts on a timely basis in line with the expected month-end closedown procedures.</p> <p>We have completed our work and confirmed that all bank reconciliations were completed as expected. However, we have reported a recommendation that management ensures all supporting transaction listings are available to audit on a timely basis – refer to page 51</p>
In progress	<p>Assessment of litigation cases and claims against IAS 37</p> <p>The Council has some ongoing litigation cases and potential claims which are incorporated into the general insurance provision and reserve which is maintained as part of the self-insurance arrangement for employers and public liability claims.</p> <p>The Council did not prepare a detailed assessment (with supporting evidence available for review) of IAS 37 Provisions, Contingent Liabilities and Contingent Assets to determine the extent of provision and / or disclosure required in relation to the equal pay claims to ensure the accounts are compliant with the CIPFA Code and financial reporting framework. Without an adequate assessment, there is a risk that provisions and contingent liabilities are materially inaccurate and/or incomplete.</p>	<p>We recommended the Council undertakes a detailed assessment (using IAS 37) of the financial reporting and disclosure requirements in relation to all ongoing litigation and potential claims and keeps the assessment up to date as events arise or new information becomes available.</p> <p>We have observed that the Council has no formal process in place for regularly reviewing, identifying and assessing the requirements to recognise a provision or contingent liabilities in relation to ongoing, or possible claims, litigations or risks.</p>

Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	<p data-bbox="445 325 1225 386">Disaggregation of opening balances from Cumbria County Council</p> <p data-bbox="445 429 1276 594">The risk is that the legacy Cumbria balances were not accurately disaggregated between the separate new authorities (Westmorland & Furness, Cumberland & Fire Council), resulting in material errors within the balances reported in the financial statements.</p> <p data-bbox="445 636 1225 802">To date, no issues have been identified in relation to method applied however, there are outstanding queries related to certain categories of 2023-24 opening balances such as vehicles, plant & equipment, grants received in advance and reserves which we require further information on.</p>	<p data-bbox="1309 325 2390 458">We recommended that the Council ensures the supporting working papers appropriately document the detailed methodology and calculations used to determine the disaggregation of all the opening balances brought forward from the legacy Cumbria County Council.</p> <p data-bbox="1309 501 2390 629">We have completed our review, and we have no matters to report in relation to disaggregation of balances. However, we note there are ongoing issues in relation to the reconciliation and settlement of working capital balances related to the legacy Councils. We report a recommendation on page 51.</p>

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30 November each year from 2024-25. Our Interim AAR was reported to you at the Audit Committee on 12 September. Our final AAR will be presented on 20 February 2026.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



Improving economy, efficiency and effectiveness

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



Financial sustainability

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



Governance

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

In undertaking this work we have identified three significant weaknesses in arrangements. These relate to:

- the arrangements for addressing the Dedicated Schools Grant deficit
- implementing effective IT disaster recovery arrangements
- arrangements for procurement and contract management.

In addition, in the prior year, we identified a significant weakness and key recommendation in relation to the Council's capacity to prepare draft financial statements and supporting working papers in line with statutory timetables.

We have retained but updated the key recommendation to reflect that, despite the substantial progress achieved in 2024-25, there are ongoing weaknesses in relation to the Council's capacity to respond to external audit on a timely basis.

Further detail on these matters can be seen in our updated 2024-25 Auditors Annual Report.

Independence considerations

Independence considerations

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). There are no independence matters that we would like to report to you.

- We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard
- Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Independence considerations

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

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

We confirm that:

- there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.
- we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Fees and non-audit services

The following tables below and on the following page set out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to 5 February 2026 as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor and have been approved by the Audit Committee.

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

For the purposes of our audit, we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Westmorland & Furness Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Audit Fees	Indicative Fee Per Audit Plan (£)	Final Fee (£)
Scale fee set by PSAA	£707,376	£707,376
IFRS 16 (leases)	TBC	£10,000
Fee per Audit Plan	£707,376	£717,376

Please note that all variations from the scale fee need to be approved by Public Sector Audit Appointments Ltd.

Fees and non-audit services

The following table below sets out the non-audit services charged from the beginning of the financial year to date of issue of the Audit Plan as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor and none of the below services were provided on a contingent fee.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to the Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefits claim 2023-24	60,000 (core base fee)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the base fee for this work is £60,000 in comparison to the total fee for the audit of £717,376 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.
DESNZ Grant audit 2024-25	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £717,376 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.
DESNZ Grant audit 2023-24	10,000	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £10,000 in comparison to the total fee for the audit of £717,376 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.
Teachers Pension 2023-24	12,500	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £717,376 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.
Total	92,500		

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

Fees and non-audit services

Total audit and non-audit fee

Audit fee	Non-audit fee
Fee per the Audit Plan £707,376	92,500

The above fees are exclusive of VAT and out of pocket expenses.

The fees reconcile to the financial statements as follows:

- fees per financial statements £707,376
- Additional fees – IFRS 16 £10,000 (a new requirement for 2024-25 not included in the PSAA scale fee)
- Total **£717,376**
- total fees per above **£717,376**

Difference due to rounding in the statements. The Council had accrued the PSAA Scale Fee as they were not aware of the other additional charges set out in the Audit Findings Report

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

Appendices

A. Assurance tracker

The following pages include a summary progress across all areas of the audit work and issues identified to date. We have categorised each area as Red/Amber/Green based on our current assessment of the outstanding issues.

- **Red** – areas where there is risk to our ability to complete sufficient audit procedures to obtain the required appropriate assurances (by February 2026) or there are significant matters to be resolved
- **Amber** – areas where audit work is in progress and expected be completed subject to outstanding inquiries, or we have identified non-material matters to report
- **Green** – audit work is substantially complete with no issues to report, subject to quality review.

Significant risks identified in Audit Plan	Assessment	Commentary
Journals (Management override of controls)	Amber	We have selected journals for testing that we have identified as high risk or unusual. Our work in this area is complete and we have identified a deficiency in relation to the self-authorization of journals.
Valuation of land and buildings, including Council Dwellings	Amber	Our work on Council Dwellings is complete with no issues to report. No material risk identified in Land and Buildings work. However, we identified an insufficient response related to determination of land site area for school valuations and also the use of out-of-date pupil numbers. The net estimated impact is £0.4m. Land site variance of £1.961m understatement and pupil data variance of £2.330m overstatement.
Valuation of investment properties	Amber	Our work on Investment Property is complete. We have identified that some valuations have been based on out-of-date lease information and also some properties incorrectly classified which has resulted in net understatement in the valuation of investment properties by £0.9m.
Valuation of pension fund net balance	Green	We have undertaken procedures to confirm the reasonableness of the actuarial assumptions by reviewing the report provided by the consulting actuary (as the auditor's expert) and performing all additional procedures recommended within the report. We have also assessed the asset ceiling calculation and obtained assurances from the auditor of the Cumbria Pension Fund regarding the controls over the validity and accuracy of membership data, contributions data, and benefits data provided to the actuary by the pension fund. Additionally, we have reviewed updated IAS 19 report and pension disclosures following receipt of updated asset valuations which has resulted in adjustments required to the draft accounts. Our work in this area is complete.

A. Assurance tracker

Significant risks identified in Audit Plan	Assessment	Commentary
Implementation of IFRS 16 – Valuation of Right of use assets and lease liabilities	Red	<p>We received revised working papers to support the Council’s assessment of lease liabilities and right of use assets on 15 December. This included additional lease liabilities of £6.5m and additional Right of Use Assets of £5.8m compared to the draft accounts.</p> <p>We have queries outstanding regarding: Leasehold properties not included in the lease register; Completeness of peppercorn leases; including those where lease documentation was not provided; Depreciation applied on new leases; disclosure requirements; and rental payment on CREA land.</p> <p>Awaiting updated statement affected by the changes in right of use and lease liability figures.</p>
Complexity arising from still operating multiple financial systems	Amber	<p>We have undertaken procedures to confirm the transaction data recorded in the legacy financial systems has been transferred completely and accurately to the main financial system (E5) which supports the production of the financial statements. Based on our work completed to date, we have no issues to report. However, we have not been able to complete our procedures to verify the complete and accurate transfer of transaction data from the Barrow Council legacy ledger.</p> <p>Management responses to findings and recommendations from our review of IT controls in hosted services have been received and report finalised – deficiencies identified have no impact on data transfers between the systems.</p>
Disaggregation of opening balances from the legacy Cumbria County Council	Red	<p>We have completed procedures to check the disaggregation of balances has been undertaken in accordance with the agreed approach. Our work is substantially complete.</p> <p>We have identified a misstatement in the prior year accounts in relation to the presentation of the transfer of assets and liabilities from legacy Councils which impacts the comparative information but does not impact balances brought forward to 2024-25 - as the prior year accounts were subject to disclaimer under the local Council backstop regulations, the prior year comparatives and brought forward opening balances in 2024-25 will be qualified. Awaiting evidence of final confirmation that disaggregation is agreed between all parties. This is with the GT technical team for review.</p>

A. Assurance tracker

Other audit areas	Assessment	Commentary
Cash and bank	Green	<p>We have identified the Council's bank accounts and obtained external confirmations directly from the banks to verify the year-end balances. Additionally, we have reviewed the bank reconciliations and note that these have been completed as expected.</p> <p>Work in this area is substantially complete, immaterial issue regarding cash-in-transit balances.</p>
Allocation of iTrent payroll costs	Amber	<p>Based on our work completed, we have no issues to report in relation to the allocation of payroll costs.</p> <p>However, we have not been able to complete all of the procedures. We have not reviewed the reconciliation of total employee benefit expenditure recorded in the draft accounts to the payroll reports. Additionally, we have not complete the substantive testing of cash payments to bank records due to delays in obtaining the information from the hosted service team. We have not been able to complete substantive testing schools payroll due to delays in obtaining the required information.</p> <p>We note there is a significant outstanding balance payable in relation to the reimbursement of hosted payroll costs which the Council has recently reconciled and agreed with Cumberland Council.</p>
Assessment of IAS 37 Provisions, contingent liabilities and contingent assets	Amber	<p>We have obtained and reviewed the Council's assessment of potential claims and litigations.</p> <p>This is subject to ongoing review however, at this stage, subject to amendments to the disclosure of contingent liabilities proposed by management, we are satisfied that all actual and potential claims will be appropriately disclosed in the financial statements.</p> <p>The national issue of equal pay claims has been discussed with the Council and the Monitoring Officer. Following these discussions and review of the current situation regarding equal pay, we anticipate an enhanced disclosure in the contingent liability note in relation to this matter in the final accounts.</p> <p>We have identified a £3m provision in relation to hosted services costs which we have been unable to obtain sufficient evidence demonstrate this is reasonable and compliant with the financial reporting framework.</p>

A. Assurance tracker

New issues identified	Assessment	Commentary
Waste management PFI scheme (service concession arrangement)	Red	<p>We have reviewed the Council's assessment of the accounting treatment provided on 17 December, which concluded that there is not joint control of the waste management services and therefore, it is not appropriate to account for the waste service as a joint arrangement.</p> <p>However, we identified some additional queries in relation to decision making powers granted to both authorities through the Waste Inter-Council Agreement which we recommend are considered to determine whether there is joint control. We have received additional documentation and rationale from the Council on 15 January which set out further justification as to why the waste service do constitute a joint arrangement.</p> <p>Given this is a key judgement, this has been assigned to the GT technical team to review this matter. We will update the Council's finance team as soon as possible.</p>
Inter-Council balances	Red	<p>In January 2026, there has been some progress in reconciling and agreement of the outstanding balances related to hosted payroll services which totals £42m, subject to audit team's review of information provided 16 January.</p> <p>However, there are number of other balances still being reviewed and reconciled with a net total £28m. As we expect the amounts could be material, this is subject to ongoing review to assess whether any inter-Council balances have been recognised and accounted for appropriately.</p> <p>We recommend that the Council undertakes a reconciliation process and secures agreement of the outstanding balances owed to and from other authorities. This includes:</p> <ul style="list-style-type: none"> - Documentary evidence to explain the basis of creditor/debtor balances i.e. that demonstrates the obligation to pay/receive cash - Reconciliation of cash payments and receipts on behalf of Cumberland to disaggregated share of legacy Cumbria CC balances - Confirmation from Westmorland and Cumberland that all inter-Council balances are agreed and will be settled.

A. Assurance tracker

Other audit areas	Assessment	Commentary
Property, plant & equipment	Amber	<p>We have selected and tested a sample of capital additions and REFCUS. We have also undertaken procedures to confirm the existence and rights and obligations of the Council's assets. Additionally, we have performed a substantive analytical procedure to assess the Council's depreciation charge for the year. Work in this area is substantially complete.</p> <p>We identified an inconsistency in the application of useful economic lives for buildings. Impacting the rate of annual depreciation charge. The understatement of depreciation charge during the year is £4.1m (non-material); members should note this does not impact the usable reserves.</p> <p>We have identified a deficiency in the Council's arrangements for identifying and considering the risk of impairment of assets.</p>
Infrastructure assets	Amber	<p>We have selected and tested a sample of infrastructure assets to confirm the existence and rights and obligations of the Council's assets. Additionally, we have performed additional procedures to confirm the appropriate application of the CIPFA guidance and statutory provision for accounting for infrastructure assets. Our work is complete.</p> <p>We identified some items of infrastructure where insufficient information has been retained to demonstrate the physical location of the specific assets, although we have verified supporting evidence to confirm the capital expenditure occurred.</p>
Debtors and Creditors	Amber	<p>We selected samples of both debtors and creditors and tested them against supporting evidence. Our work in these areas is nearly complete. However, we noted multiple issues across the sections:</p> <ul style="list-style-type: none"> - Transactions related to intercompany balances - Misclassified transactions in LT creditors (3 cases) and ST debtors (1 case) - Insufficient audit evidence for (1 case) ST creditors transaction.

A. Assurance tracker

Other audit areas	Assessment	Commentary
Employee benefit expenditure (payroll)	Red	<p>As we do not have the brought forward assurance on continuing employees in the payroll systems, we have performed additional analytical procedures to identify potential exceptions within the total payroll transactions for further review. Our work is well progressed and based on testing completed to date, we have not identified any issues relating to payroll transactions. However, we have not been able to complete the remaining work because:</p> <ul style="list-style-type: none"> -There are outstanding requests for information to support the reconciliation of payroll data to the general ledger entries (for the iTrent payroll and staff previously at Barrow and Eden) and bank records for iTrent payroll transactions from the hosted services team at Cumberland Council. -We have encountered delays in obtaining the information to progress our audit procedures on the schools payroll administered by Capita. We have not been able to complete this work.
Operating expenditure	Red	<p>We have completed of testing expenditure transactions, on a sample basis, to confirm the appropriateness of their accounting treatment, to ensure that it remains appropriate to rebut the risk of expenditure recognition, as outlined in our Audit Plan. We have designed and performed audit procedures to ensure that expenditure is recognised in the correct accounting period by carrying out cut-off testing. Our work on in-year transactions is not complete as there are 8 outstanding queries and evidence from the Council. Some outstanding samples are individually material and the sum exceeds materiality.</p> <p>Within cut-off procedures we identified a misstatement in relation to an invoice of £0.3m related to 2024-25 expenditure which was recorded in the following financial year in error.</p> <p>To assess the extent of potential misstatement, the testing must be extended to examine an additional sample of non-Purchase Order expenditure items around the year-end and opening period.</p> <p>We will continue to work with the Council to resolve this matter as part of the 2025-26 audit planning.</p>

A. Assurance tracker

Other audit areas	Assessment	Commentary
Collection Fund	Green	We have performed audit procedures to confirm the accuracy of both council tax and business rates income and application of reliefs and allowances. We have agreed the precepts and levies to applicable notification letters. Work is complete.
Grant income	Red	We have selected and tested a sample of grant income against supporting evidence. We have ongoing inquiries related to the assessment of any clawback conditions attached to several grants. We have not been provided with sufficient information to conclude this work.
Fees and charges income	Red	<p>We reviewed and tested revenue transactions, on a sample basis, to confirm the appropriateness of their accounting treatment, to ensure that it remains appropriate to rebut the presumed risk of revenue recognition, as outlined in our Audit Plan. We have designed and performed audit procedures to ensure that income is recognised in the correct accounting period by carrying out cut-off testing.</p> <p>We have not completed this work due to outstanding evidence for 1 sample and multiple on-going queries unresolved.</p>
Other disclosures	Amber	<p>Work is substantially complete across the remaining disclosures: Expenditure and Funding analysis, Member allowances, Audit fees, Capital expenditure and Financing, Financial Instruments, Capital commitments, Contingent liabilities and Accounting Standards that have been issued but not yet adopted.</p> <p>We have discussed inquiries related to the application of the Council's policy for determining the Minimum Revenue Provision. This concerns the extent to which the policy has been reviewed in accordance with the latest statutory guidance with consideration of the arrangements inherited from the legacy authorities. We also note there are some components of capital expenditure which are being funded over a repayment period which exceeds the recommended maximum of 50 years</p> <p>We have been unable to gain adequate assurance over Capital Financing Requirement due to initial omission and subsequent restatement of Right-of-use Assets.</p> <p>We have identified some immaterial misstatements and/or omissions which will be adjusted.</p> <p>We have recommended the MRP policy is reviewed going forward and this has been agreed by management.</p>

B. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management / those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●

B. Communication of audit matters with those charged with governance

Our communication plan

	Audit Plan	Audit Findings
Identification or suspicion of fraud involving management and / or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings (ISA260) Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.

C. Management letter of representation

We have requested a letter of representation from management. The letter includes representations on the unadjusted misstatements as included in this audit findings report.

Specific representations have also been sought for the following areas:

- The Council's assessment of provisions and contingent liabilities at 31 March 2025
- The Council's assessment of impairment risks in relation to infrastructure assets

D. Audit opinion

Independent auditor's report to the members of Westmorland & Furness Council

Report on the audit of the financial statements

Disclaimer of opinion

We were engaged to audit the financial statements of Westmorland & Furness Council (the 'Authority') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account and Expenditure Statement, the Movement on the HRA Statement and the Collection Fund and notes to the financial statements, including material accounting policy information. 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 2024-25.

We do not express an opinion on the accompanying financial statements of the Authority. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

The Accounts and Audit (Amendment) Regulations 2024 ('the Regulations') require the Authority to publish audited financial statements for the year ended 31 March 2025 by 27 February 2026 ('the backstop date'). The backstop date has been put in law with the purpose of clearing the backlog of historical financial statements.

We have been unable to obtain sufficient appropriate audit evidence, by the backstop date to conclude that the Authority's financial statements for the year ended 31 March 2025 as a whole are free from material misstatement. We were also unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority Comprehensive Income and Expenditure Statement for the year ended 31 March 2025 for the same reason.

We have concluded that the possible effect of these matters on the financial statements could be both material and pervasive. We have therefore issued a disclaimer of opinion on the financial statements. This enables the Authority to comply with the requirement of the Regulations to publish the financial statements for the year ended 31 March 2025 by the backstop date.

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

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, 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.

Opinion on other matters required by the Code of Audit Practice

The Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether 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, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

D. Audit opinion

- 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 and the Director of Resources

As explained more fully in the Statement of Responsibilities the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Authority's financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report. However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on those financial statements.

We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

The audit was defective in its ability to detect irregularities, including fraud, on the basis that we were unable to obtain sufficient appropriate audit evidence due to the matter described in the basis for disclaimer of opinion section of our report.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2025.

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

- On 10 January 2025 we identified a significant weakness in the Council's governance arrangements. The statutory deadline for producing accounts for 2023-24 was not met and there was insufficient time available to undertake the necessary audit procedures to issue an opinion ahead of the statutory backstop date of 28 February 2025. We recommended that the Authority should ensure that the finance team has adequate capacity to prepare draft financial statements with supporting working papers in line with statutory timetables and respond to audit in a timely manner. The 2024-25 audit progressed better than last year but still faces significant evidence delays which leave key areas incomplete. Therefore, the significant weakness remains in place at 31 March 2025 and on 20 February 2026 we issued a revised recommendation that the Authority must ensure sufficient capacity and effective procedures are in place to respond to external audit on a timely basis, and support the recovery of assurance in 2025-26.

D. Audit opinion

- On 5 September 2025 we identified a significant weakness in the Authority's arrangements for financial sustainability. The Authority's forecast shows its Dedicated School Grant (DSG) deficit is projected to rise significantly over the medium-term. If the statutory override is not further extended in April 2028 the Authority will become liable for the DSG deficit which could significantly impact its financial sustainability. We recommended that the Authority should urgently address its increasing DSG deficit, and map out a sustainable path to bringing the DSG position back into balance.
- On 5 September 2024 we identified a significant weakness in the Authority's governance arrangements. In 2023-24 the Authority had weaknesses in internal controls relating to cyber security and disaster recovery, which could expose it to significant financial or service loss including fraud and cyber-attacks. We recommended that the Authority develops a Corporate IT Disaster Recovery Plan, formally documented and approved by CMT, and ensure it is tested through a practical exercise and refined as needed. We note that the Authority has made some progress in resolving cyber security weaknesses, and disaster recovery plans have been developed in draft by July 2025 and further strengthening of arrangements is required. Therefore, the significant weakness remains in place at 31 March 2025 and the key recommendation is retained.
- On 5 September 2024 we identified a significant weakness in the Authority's arrangements for improving economy, efficiency and effectiveness. The Authority's arrangements for procurement and contract management needed significant improvement in 2023-24. The Authority needs to strengthen its procurement and contract management by updating and monitoring its contracts register, complying with procurement rules and Local Government requirements (including P-cards), ensuring adequate capacity, developing a procurement pipeline, implementing real-time contract performance monitoring, formalising its contract with Barrow Forward Ltd, and updating its 2024-2027 procurement strategy for the Procurement Act 2023. In 2024-25, the Authority still needs to improve its contract register, develop its contracts pipeline, develop effective contract management including real-time reporting and put in place a contract for Barrow Forward Ltd. Therefore, the significant weakness remains in place at 31 March 2025 and the key recommendation is retained.

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.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in the Authority's 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 issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

We cannot formally conclude the audit and issue an audit certificate for Westmorland & Furness Council for the year ended 31 March 2025 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

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 85 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.



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