

The Audit Findings for Allerdale Borough Council

Year ended 31 March 2019

22 July 2019



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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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Headlines

This table summarises the key findings and other matters arising from the statutory audit of Allerdale Borough Council ('the Council') and the preparation of the group and Council's financial statements for the year ended 31 March 2019 for those charged with governance.

Financial Statements	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the group and Council's financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the financial position of the group and Council and the group and Council's income and expenditure for the year; and• have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published in the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed on site during June and July. Our findings are summarised on pages 4 to 16. One estimate was reviewed by the Council due to new information received during the course of the audit due to a national issue impacting all bodies within the Local Government Pension Scheme, but this is unadjusted by management. The decision to not adjust does not impact our intended audit opinion as it is not material. Further detail is set out on page 24.</p> <p>Other audit adjustments identified were to disclosure notes only and all have been amended by management in the final set of financial statements, and are detailed in Appendix A.</p> <p>The financial statements were prepared to a good standard with embedded quality review processes in place. Working papers were available at the start of the audit and were detailed, and clear to understand. The responses to our audit samples and queries were comprehensive and timely.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the outstanding matters outlined on page 4.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.</p> <p>Our anticipated audit report opinion will be unmodified, as detailed in Appendix C.</p>
Value for Money arrangements	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that Allerdale Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>Our review covers the arrangements in place to 31 March 2019, and any issues arising since that date have been noted in this report, but will form part of the value for money conclusion work in future financial years.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion, as detailed in Appendix C. Our findings are summarised on pages 17 to 21.</p>
Statutory duties	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none">• report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and• To certify the closure of the audit.	<p>We have not exercised any of our additional statutory powers or duties.</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

Acknowledgements

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

Summary

Overview of the scope of our audit

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

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

Audit approach

Our audit approach was based on a thorough understanding of the group's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- An evaluation of the components of the group based on a measure of materiality considering each as a percentage of the group's gross revenue expenditure to assess the significance of the component and to determine the planned audit response. From this evaluation we determined that an analytical procedures at the group level was appropriate for subsidiaries within the group, and a full scope statutory audit is performed on the Council's single entity financial statements; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

We have not had to alter or change our audit plan, as communicated to you on 13 February 2019.

Closedown arrangements

The financial statements were received on time, and published on the deadline of 31 May 2019. The financial statements were prepared to a good standard with embedded quality review processes in place. Working papers were available at the start of the audit and were detailed, and clear to understand. The responses to our audit samples and queries were comprehensive and timely.

Early work was undertaken by officers to review the new accounting standards introduced during 2018/19 for International Financial Reporting Standards (IFRS) 9 and 15. The financial statements include detailed disclosures outlining the impact.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 30 July 2019 and before the audit deadline of 31 July 2019, as detailed in Appendix C. These outstanding items include:

- receipt of the management representation letter;
- receipt of pension fund external auditor assurance letter;
- review of the final set of financial statements;
- review of the auditors assurance report on the McCloud actuarial adjustment;
- completion of work on some minor disclosure notes and
- updating our post balance sheet review, to the date of signing the opinion.

Summary

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 calculations remain the same as reported in our audit plan. We detail in the table below our determination of materiality for Allerdale Borough Council.

	Group Amount (£)	Council Amount (£)	Description
Materiality for the financial statements	895,000	894,000	1.75% of gross revenue operating expenditure
Performance materiality	671,000	671,000	75% of overall headline materiality
Trivial matters	44,000	44,000	5% of overall headline materiality
Materiality for senior officers remuneration disclosure note	n/a	12,000	1.75% of senior officers remuneration expenditure

Significant findings – audit risks

Risks identified in our Audit Plan

Commentary

1

Improper revenue recognition

Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.

This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Auditor commentary

There are no changes to our assessment reported in our audit plan that this risk is rebutted.

Having considered the risk factors set out in ISA240, and the nature of the revenue streams at the Council, we determined that the risk of fraud arising from revenue recognition can be rebutted, because:

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

2

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.

The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance.

We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We carried out the following work:

- evaluated the design effectiveness of management controls over journals;
- analysed the journals listing and determined the criteria for selecting high risk unusual journals;
- tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;
- gained an understanding of the accounting estimates and critical judgements applied made by management and considered their reasonableness with regard to corroborative evidence; and
- evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any instances of management override of controls.

Significant findings – audit risks

Risks identified in our Audit Plan	Commentary
<p>3 Valuation of land and buildings and investment property The Council revalues its land and buildings on a rolling five-yearly basis. Investment properties are revalued annually.</p> <p>These valuations represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally for land and buildings, management need to ensure the carrying value in the Council and group financial statements is not materially different from the current value or the fair value (for surplus assets and investment property) at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings and investment property, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>Auditor commentary</p> <p>We carried out the following work:</p> <ul style="list-style-type: none"> evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; evaluated the competence, capabilities and objectivity of the valuation expert; discussed with the valuer the basis on which the valuation was carried out; challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding; tested revaluations made during the year to see if they had been input correctly into the Council's asset register and financial statements and evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. <p>Our audit work on the valuation of land and buildings and investment property has not identified any issues that we need to bring to members attention.</p> <p>As part of our challenge, we noted that the overall total on the Valuer's certificate was incorrect. It was corrected by the Valuer and reissued to the Council. This had no impact upon the financial statements.</p> <p>Our audit work confirmed that revaluations were carried out by an appropriate external expert. We are satisfied with management's judgements that the value of land and buildings not revalued during the year was not materially different to their reported value at 31 March 2019.</p> <p>Our work on the estimation process is detailed in the judgements and estimates section on page 11.</p>

Significant findings – audit risks

Risks identified in our Audit Plan

4

Valuation of pension fund net liability

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

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 valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

Commentary

Auditor commentary

We carried out the following work:

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

We are awaiting the assurance 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.

We draw your attention to page 10 where the impact of the McCloud legal case is set out. The McCloud case is relevant to local authorities with defined benefit pension schemes.

Our work on the estimation process is detailed in the judgements and estimates section on page 12.

Significant findings arising from the group audit

Component	Findings	Group audit impact
Allerdale Borough Council	<ul style="list-style-type: none"> Statutory audit performed by Grant Thornton UK LLP. Significant risks are those as outlines on pages 6 to 8 of this report 	<ul style="list-style-type: none"> Any issues arising are already outlined on pages 6 to 8 of this report for the work on the Allerdale Borough Council single entity financial statements.
Keswick Museum and Art Gallery	<ul style="list-style-type: none"> Analytical procedures are performed at group level to review the consolidation process. Keswick Museum and Art Gallery is a subsidiary. We have reviewed the consolidation undertaken by the Council to the financial records of the component. 	<ul style="list-style-type: none"> The consolidation of Keswick Museum and Art Gallery has been agreed through to the supporting records of the Council and to the financial records of the component which are held at the Council. There are no issues to note from the work undertaken.
Helena Thompson Museum	<ul style="list-style-type: none"> Analytical procedures are performed at group level to review the consolidation process. Helena Thompson Museum is a subsidiary. We have reviewed the consolidation undertaken by the Council to the financial records of the component. 	<ul style="list-style-type: none"> The consolidation of Helen Thompson Museum has been agreed through to the supporting records of the Council and to the financial records of the component which are held at the Council. There are no issues to note from the work undertaken.
Allerdale Investment Partnership LLP (AIP)	<ul style="list-style-type: none"> Analytical procedures are performed at group level to review the consolidation process. AIP is a joint venture partnership and is accounted for using the equity method as the Council jointly controls the company. We have reviewed the consolidation undertaken by the Council to the financial records of the component. 	<ul style="list-style-type: none"> The consolidation of AIP has been agreed through to the supporting records of the Council and to the final financial statements of the company. There are no issues to note from the work undertaken.

Significant findings - other issues

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

Issue	Commentary
<p>1 Potential impact of the McCloud judgement</p> <p>The Court of Appeal has ruled that there was age discrimination in the judges and firefighters pension schemes where transitional protections were given to scheme members.</p> <p>The Government applied to the Supreme Court for permission to appeal this ruling, but this permission to appeal was unsuccessful in June 2019. The case will now be remitted back to employment tribunal for remedy.</p> <p>The legal ruling around age discrimination (McCloud - Court of Appeal) has implications not just for pension funds, but also for other pension schemes where they have implemented transitional arrangements on changing benefits.</p>	<p>The draft financial statements did not include the proposed impact of the McCloud case in the calculation of the liability by the Actuary. The Council's judgement at that stage was a contingent liability. With the permission to appeal being denied in June 2019, the Council updated their judgements.</p> <p>The Council requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's updated estimate noted an increase in 2018/19 in pension liabilities of £534,000. The Actuary also updated the asset figures to reflect actuals for 31 March 2019, and assets increase by £395,000. The total impact for the estimate is an increase in the net liability of £139,000.</p> <p>Management's view is that the impact of the ruling is not material for Allerdale Borough Council, and that it will be considered for future years' actuarial valuations.</p> <p>Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the significant uncertainties relating to the estimation of the impact on the Council's liability.</p> <p>We have included this as an uncertainty within Appendix A in the unadjusted misstatements section on page 24. The decision to not adjust for this item does not impact upon our intended audit opinion.</p> <p>We have recently received the auditors assurance report on the McCloud actuarial adjustment, and work is on-going to review the assumptions and methods used in the production of the estimate.</p>

Significant findings – key judgements and estimates

	Summary of management's policy	Audit Comments	Assessment
<p>Land and Buildings – £48.6 million (group accounts)</p> <p>Investment Property - £24.8 million (group accounts)</p>	<p>Land and buildings comprises specialised assets such as, sports and leisure centres, public conveniences and museums and theatres. These are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings including office accommodation and car parks are not specialised in nature and are required to be valued at existing use in value (EUUV) at year end.</p> <p>Investment property and surplus assets are required to be valued annually and at fair value.</p> <p>The Council has engaged Wilks, Head & Eve to complete the valuation of properties as at 31 March 2019. This is the first year that the Council has engaged this valuer.</p> <p>The Council revalues its land and buildings on a rolling programme with a maximum period of five years between revaluations. Investment properties are revalued annually according to market conditions at the balance sheet date. All investment properties were revalued at 31 March 2019.</p> <p>92% of land and building assets that are subject to valuation were revalued during 2018/19. The valuation of land and buildings valued by the valuer has resulted in a net increase of £4.3 million.</p> <p>Management have considered the year end value of non-valued land and buildings, and the potential valuation change in the assets revalued at 31 March 2019, to determine whether there has been a material change in the total value of these properties. Management's assessment of assets not revalued has identified no material change to the value.</p>	<p>We reviewed the detail of your assessment of the estimate, considering;</p> <ul style="list-style-type: none"> the assessment of management's expert, Wilks, Head & Eve; the completeness and accuracy of the underlying information used to determine the estimate; the reasonableness of the overall increase in the estimate; and the adequacy of the disclosure of the estimate in the financial statements. <p>There are no issues to raise from the work carried out on the estimate.</p>	<p></p> <p>Green</p>

Assessment

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

Significant findings – key judgements and estimates

Summary of management's policy	Audit Comments	Assessment																					
<p>Net pension liability – £33.474 million</p> <p>The Council's net pension liability at 31 March 2019 is £33.474 million (PY £28.802 million) comprising funded and unfunded defined benefit pension scheme obligations under the Local Government Pension Scheme. Liability figures are higher than the previous year mainly due to a general fall in corporate bond yields, and the increase in the market expectations of inflation.</p> <p>The Council uses Mercers to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2016. A roll forward approach is used in intervening periods, which utilises key assumptions such as life expectancy, discount rates, salary growth and investment returns. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £5.6 million net actuarial loss during 2018/19 as a result of changes in the financial assumptions used by the scheme actuary.</p>	<p>We reviewed the detail of your assessment of the estimate, considering;</p> <ul style="list-style-type: none"> the assessment of management's expert, Mercers; the completeness and accuracy of the underlying information used to determine the estimate; The reasonableness of the Council's share of the LGPS assets; the reasonableness of the overall increase in the estimate; the adequacy of the disclosure of the estimate in the financial statements. <p>External auditors are provided with assurance in the form of an auditors expert report from PWC to assess the assumptions made by the Actuary, the table below sets out the key assumptions.</p>	 Green																					
<table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>Within PWC Report ranges</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4% to 2.5%</td> <td>Yes</td> <td> Green</td> </tr> <tr> <td>CPI inflation</td> <td>2.2% to 2.3%</td> <td>Yes</td> <td> Green</td> </tr> <tr> <td>Life expectancy – Males over 65</td> <td>22.2 – 23.7 years</td> <td>Yes</td> <td> Green</td> </tr> <tr> <td>Life expectancy – Females over 65</td> <td>25.0 – 26.4 years</td> <td>Yes</td> <td> Green</td> </tr> </tbody> </table>	Assumption	Actuary Value	Within PWC Report ranges	Assessment	Discount rate	2.4% to 2.5%	Yes	 Green	CPI inflation	2.2% to 2.3%	Yes	 Green	Life expectancy – Males over 65	22.2 – 23.7 years	Yes	 Green	Life expectancy – Females over 65	25.0 – 26.4 years	Yes	 Green			
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Life expectancy – Females over 65	25.0 – 26.4 years	Yes	 Green																				
<p>Other than the issue already noted on page 10 regarding the McCloud judgement, there are no further issues to note from the work carried out.</p>																							

Assessment

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

Significant findings – matters discussed with management

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

Significant matter	Commentary
1 Significant events or transactions that occurred during the year	<ul style="list-style-type: none"> The implementation of new accounting standards IFRS9 and IFRS15 from 1 April 2018 was discussed with officers during 2018/19. The impact of the new accounting standards has been disclosed in detail within the financial statements. There has not been a material impact to the financial statements as a result of the implementation of IFRS9 and IFRS15. Management provided us with detailed working papers setting out their assumptions and judgements for the implementation of IFRS9 and IFRS15.
2 Business conditions affecting the group, and business plans and strategies that may affect the risks of material misstatement	<ul style="list-style-type: none"> No such issues were identified.
3 Concerns about management's consultations with other accountants on accounting or auditing matters	<ul style="list-style-type: none"> No such issues were identified.
4 Discussions or correspondence with management in connection with the initial or recurring appointment of the auditor regarding accounting practices, the application of auditing standards, or fees for audit or other services	<ul style="list-style-type: none"> We were re-appointed as auditors of Allerdale Borough Council for five years from 2018/19. We issued our fee letter for 2018/19 on the 24 April 2018 and presented this to the Audit Committee on 7 June 2018. We issued our 2018/19 Audit Plan on 13 February 2019 and presented this to the Audit Committee on 25 February 2019.
5 Significant matters on which there was disagreement with management, except for initial differences of opinion because of incomplete facts or preliminary information that are later resolved by the auditor obtaining additional relevant facts or information	<ul style="list-style-type: none"> No such issues were identified.
6 Other matters that are significant to the oversight of the financial reporting process	<ul style="list-style-type: none"> No such issues were identified.

Significant findings - Going concern

Our responsibility

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

Going concern commentary

Management's assessment process

The Council has reviewed their going concern position and has concluded that it is appropriate to produce their accounts on a going concern basis and no material uncertainties exists.

Auditor commentary

- The Council's use of the going concern basis of accounting is appropriate.
- The Council's has provided us with its working paper for its assessment of going concern.
- The disclosure of the going concern basis within the financial statements is satisfactory.

Work performed

We discussed the financial standing of the Council with the Head of Financial Services and reviewed management's assessment of going concern and the assumptions and supporting information.

Auditor commentary

- No material uncertainty identified.

Concluding comments

The Council's use of going concern basis of accounting is appropriate.

Auditor commentary

- Our opinion is unmodified in respect of the going concern conclusion.
-

Other communication requirements

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

Issue	Commentary
1 Matters in relation to fraud	<ul style="list-style-type: none"> We have previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any significant incidents in the period and no other issues have been identified during the course of our audit procedures.
2 Matters in relation to related parties	<ul style="list-style-type: none"> We are not aware of any related parties or material related party transactions which have not been disclosed.
3 Matters in relation to laws and regulations	<ul style="list-style-type: none"> 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.
4 Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council, including one specific representation in respect of the Group. The draft letter of representation is included as an agenda item at the Audit Committee on 30 July 2019. The specific representation is the same as in previous years in terms of representation that adequate arrangements are in place to enable the Council to obtain repayment of loan notes held in Allerdale Investment Partnership LLP from the receipts of the partnership in accordance with the Members Agreement and loan instrument. No significant restrictions exist on the ability of the Council's joint venture to transfer funds to the Council to repay loans or advances made by the Council.
5 Confirmation requests from third parties	<ul style="list-style-type: none"> We obtained direct confirmation from PWLB for loans and requested from management permission to send confirmation requests to the Council's bankers and those with whom it placed investments. This permission was granted and requests were sent. All of these requests were returned with positive confirmation.
6 Disclosures	<ul style="list-style-type: none"> Our review found no material omissions in the financial statements.
7 Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"> All information and explanations requested from management was provided. The financial statements were received on time, and published on the deadline of 31 May 2019. The financial statements were prepared to a good standard with embedded quality review processes in place. Working papers were available at the start of the audit and were detailed, and clear to understand. The responses to our audit samples and queries were comprehensive and timely.

Other responsibilities under the Code

Issue	Commentary
<p>① Other information</p>	<ul style="list-style-type: none"> We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect which is detailed in Appendix C.</p>
<p>② Matters on which we report by exception</p>	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit; and If we have applied any of our statutory powers or duties. <p>Minor changes were identified to enhance existing disclosure within the Annual Governance Statement and these were adjusted by management in the final version of the Annual Governance Statement.</p> <p>We have not applied any of our statutory powers or duties.</p>
<p>③ Specified procedures for Whole of Government Accounts</p>	<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>Note that work is not required as the Council does not exceed the threshold.</p>
<p>④ Certification of the closure of the audit</p>	<p>We intend to certify the closure of the 2018/19 audit of Allerdale Borough Council in the audit opinion, as detailed in Appendix C.</p>

Value for Money

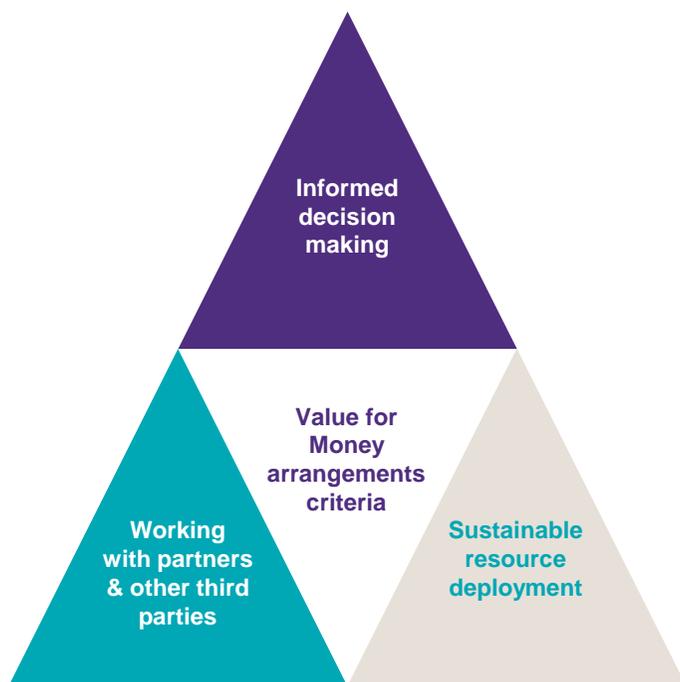
Background to our VFM approach

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

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in November 2017. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in January 2019 and identified three significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 13 February 2019.

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

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

Value for Money

Our work

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

We have focused our work on the significant risks that we identified in the Council's arrangements.

The significant risks areas we identified were:

- financial sustainability
- major re-procurement project
- Workington community stadium project.

In arriving at our conclusion, our main considerations were:

- the robustness of the Medium Term Financial Plan (MTFP) and the reasonableness of the underlying assumptions;
- the in year budget monitoring arrangements;
- the arrangements in place for the major procurement during 2018/19 of the waste, recycling and refuse collection contract; and
- the arrangements in place to produce the Workington Community stadium outline and full business cases.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 19 to 21.

Overall conclusion

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

The text of our report, which confirms this can be found at Appendix C.

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Key findings

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

Significant risk	Findings	Conclusion
<p>1 Financial Sustainability At the planning stage of the audit we noted that the Council's MTFP for 2018/19 to 2021/22 from November 2018 had a £0.141 million unidentified budget gap for 2019/20, with £2.415 million for 2020/21 and £2.664 million for 2021/22. Funding streams for 2020/21 onwards remain subject to significant uncertainty in relation to the scale and timing of anticipated changes to central government funding of local government.</p> <p>Even though the Council has a good record of delivering savings, the unprecedented level of savings required over the remaining period of the MTFP, on top of self-sufficiency savings, represents a significant challenge.</p>	<p>Our work in this area reviewed the Council's arrangements for updating, agreeing and monitoring its financial plans including the assumptions within them. We also considered the arrangements in place to monitor the identification and delivery of savings.</p> <p>The Council continues to face financial challenges but the three year Medium Term Financial Plan (MTFP) 2019/20 to 2021/22 demonstrates the scale of the challenge. Key planning assumptions cover both internal and external factors such as, Government funding, pay inflation, non-pay inflation and council tax increases. These assumptions appear reasonable, and there are arrangements in place to produce the MTFP, and to regularly update projections.</p> <p>The Council set the 2019/20 budget and Council tax requirement on 6 March 2019. This resulted in a balanced net revenue budget requirement for 2019/20 of £15 million, including a planned use of earmarked reserves of £0.395 million and a £0.372 million use of general fund balances on earmarked priorities.</p> <p>As part of the annual budget setting process, the Council's s151 officer provides an assessment of the adequacy of balances and reasonableness of assumptions and estimates used to produce the budget. The MTFP is reviewed on an ongoing basis with the updated MTFP formally reported to members in November 2018 and again in February 2019 as part of the annual Council tax setting process. The MTFP projections, reported in February 2019, for 2019/20 to 2021/22 showed a £2.33 million funding gap in 2020/21 and £2.673 million in 2021/22.</p> <p>In response, officers have identified over £3 million in potential savings from the transformation and commercial programme. The identified items cover service reviews, service changes, new ways of working, commercialisation, regeneration and investment opportunities. The potential savings would be subject to Council scrutiny in relation to the approval of savings business cases and appropriate consultation.</p> <p>When setting the 2018/19 budget in March 2018 the Council identified the need to deliver self sufficiency savings of £0.422 million. The required savings were built into the revenue budget and regularly monitored through the normal budget monitoring process within the Council. Any issues identified were considered and corrective action taken, or alternative savings identified. Reports to Executive during the course of the year including the outturn report could include a bespoke section on savings, as current reporting does not regularly report the progress with savings separately.</p> <p>The Council achieved an underspend in 2018/19 of £0.376 million in net expenditure. At the 31 March 2019 total available general reserves were £7.358 million (GF balance of £3.891 million and Earmarked reserves of £3.467 million). When the 2019/20 budget was agreed on 6 March 2019 £0.372 million in reserves was identified for use during 2019/20.</p>	<p>Auditor view</p> <ul style="list-style-type: none"> The Council has put in place arrangements to monitor and update its financial plans including the delivery of the required savings. Based on this we are able to conclude that that the Council has in place proper arrangements during 2018/19 for ensuring they plan finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost information to support informed decision making. Our opinion in this area is unqualified. The work on the value for money conclusion in 2019/20 will include this area as a significant risk also.

	Significant risk	Findings	Conclusion
2	<p>Major re-procurement exercise</p> <p>During 2018/19, the Council completed a major procurement to retender for the provision of refuse, recycling, street cleansing and grounds maintenance services. The existing contracts account for over 40% of the Council's annual expenditure.</p> <p>The contract took effect from 1 April 2019. This is a significant project for the Council in terms of financial scale and the level of officer, member and other specialist inputs required.</p>	<p>Our work reviewed the Council's arrangements in place during 2018/19 for the development of the procurement process.</p> <p>The Council's existing contracts for refuse, recycling, street cleansing and grounds maintenance ended on 31 March 2019. The services were arranged in 4 lots with 3 contractors, with contracts ranging from 3.5 years to 16 years.</p> <p>The Council formed a Community Services Business Model Project Board to oversee the project.</p> <p>The Council also established a Community Services Business Model Task and Finish Group to provide feedback on the process to the Overview and Scrutiny Committee.</p> <p>The Council's Corporate Overview and Scrutiny Committee considered a report outlining the results of the service delivery model option appraisal exercise including anticipated affordability target savings of £1 million from 2019/20 on 21 April 2017. Six possible commissioning approaches were identified.</p> <p>At the Executive meeting on 10 May 2017 it was agreed that a contractor outsourced option would be chosen and in August 2017 the Council published an OJEU Contract Notice (Official Journal of the European Union) inviting potential bidders to register their interest.</p> <p>The Council procured services within 3 lots with effect from 1 April 2019 to provide:</p> <p>Lot 1 – waste and recycling collections;</p> <p>Lot 2 – street cleansing and grounds maintenance services; and</p> <p>Lot 3 – bulking, hauling and reprocessing of dry recyclables and green waste.</p> <p>The period of the contracts were for 8 years, with another 8 years extension if required. The Executive awarded the contracts in each lot on 17 October 2018. When only 1 bidder was left in Lots 1 and 3, the Council added a further layer of financial information within the requests to enable comparisons by external experts of single bids in lots to be evaluated.</p> <p>The Council acquired the recycling receptacles and also the waste collection vehicles and delivered the receptacles to households. The refuse vehicles arrived as planned. During the process the Council obtained specialist advice for legal, financial and technical expertise to aid the procurement process. The budget for the procurement was £0.29 million, and the outturn report for 2018/19 noted that an overspend of £0.117 million was recorded in addition to the budget, due to additional costs.</p> <p>Whilst, at the date of this report, agreed contractual arrangements are in place for the delivery of services under Lots 1 and 3, the Services Agreements remain unsigned for the services that commenced on 1 April 2019. This is currently being negotiated by the Council with the contractor, and this is a risk to the Council as a signed contract is not in place. This is high priority, and the Council are working with the contractor in order to achieve an agreed resolution including the negotiation of an interim agreement.</p> <p>Since the contract was introduced the refuse crews have not been able to make it to some properties on the scheduled day. The Council is working with the contractor and for two months from 8 July 2019 has agreed some temporary changes to help crews complete the refuse collection rounds whilst more permanent solutions are devised.</p>	<p>Auditor view</p> <ul style="list-style-type: none"> The Council has put in place arrangements to procure the refuse, recycling, street cleansing and grounds maintenance services during 2018/19 due to the contracts ending on 31 March 2019. Our opinion in this area is unqualified. The Services Agreement for Lots 1 and Lot 3 remain unsigned at the date of this report for services that commenced on 1 April 2019. The Council continues to discuss this position with the contractor including the negotiation of an interim agreement and temporary changes to assist crews in achieving the required daily collections. We will take account of developments in planning our 2019/20 audit.

	Significant risk	Findings	Conclusion
<p data-bbox="51 221 93 264">3</p> <p data-bbox="124 221 445 249">Community stadium project</p> <p data-bbox="124 249 534 421">At the planning stage of our work, the Council considered an outline business case for the development of a new community sports stadium in Workington at the 16 January 2019 Executive.</p> <p data-bbox="124 435 534 664">Options for the site development, funding, procurement and management of the proposed stadium were key factors. This is a significant project for the Council in terms of financial scale and the level of officer, member and other specialist inputs required.</p>	<p data-bbox="555 221 1425 278">We reviewed the Council's arrangements in place for managing the development of the scheme during 2018/19.</p> <p data-bbox="555 292 1425 464">The Executive approved the full business case for the new community stadium selecting an investor/developer route to build the new stadium at a meeting of the Executive on 22 March 2019. This included a detailed assessment of the capital costs and financial model relating to the stadium. The stadium plans allowed space for rented accommodation and a NHS building, the income from tenants being key to the financial sustainability of the development.</p> <p data-bbox="555 492 1425 578">In March 2019, the Council won the right to host 3 games in the Rugby League World Cup in 2021. The approval of the new stadium was expected to be a crucial factor in securing the hosting opportunity.</p> <p data-bbox="555 592 1425 735">During the process the Council obtained specialist advice from legal, financial and technical expertise to aid the business planning process. Challenge was provided by experts in relation to the assumptions, the information to establish the cost and income streams, tax implications, legal implications, governance arrangements and operating model.</p> <p data-bbox="555 749 1425 835">The Council's Overview and Scrutiny Committee on 11 April 2019 'called in' the decision with three elements of the call in referred to the Executive for further consideration.</p> <p data-bbox="555 849 1425 949">Local elections were held during May 2019 and the first meeting of the new Executive was held on 28 June 2019. At that meeting the decision was taken to continue looking into the business case for a new stadium but in doing so, reduce the size and scale of the specification.</p> <p data-bbox="555 963 1425 1021">On 4 July 2019 the Council notified the Rugby League World Cup of their withdrawal as a host in the 2021 World Cup.</p> <p data-bbox="555 1035 1425 1092">The 2018/19 financial statements include costs of £1.159 million incurred on the stadium project, which includes the Lonsdale Park land purchase.</p>	<p data-bbox="1446 221 1585 249">Auditor view</p> <ul data-bbox="1446 264 1997 635" style="list-style-type: none"> <li data-bbox="1446 264 1997 378">• Arrangements were in place during 2018/19 to provide information for informed decision making purposes regarding the Community Stadium project. <li data-bbox="1446 392 1997 421">• Our opinion in this area is unqualified. <li data-bbox="1446 435 1997 564">• In June 2019 the Executive of the Council reversed the previous decision from March 2019 to approve the full business case, therefore work is on-going at the Council to work through the implications of this decision. <li data-bbox="1446 578 1997 635">• We will take account of developments in planning our 2019/20 audit. 	

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements

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

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2017 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix B.

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. No non-audit services were provided to the Council.

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

There are no adjusted misstatements for the year ending 31 March 2019.

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. In addition, a small number of other amendments have been made to the financial statements to enhance existing disclosure, but they are minor in detail and do not warrant individual reporting.

Disclosure omission	Item	Detail	Adjusted?
Consistency	Note 39.2 Operating Lease – Authority as Lessor	<p>The note was amended as the future minimum payments receivable figure was incorrect as it did not match the figures within the working papers. The amendments were:</p> <ul style="list-style-type: none"> • under 1 year from £551,000 to £540,000, a reduction of £11,000 • 2 to 5 years from £1,948,000 to £1,879,000, a reduction of £69,000 • after 5 years from £59,756,000 to £59,398,000, a reduction of £358,000 <p>The leases income note is a memorandum disclosure note only, and there is no impact upon the primary financial statements as a result of this change.</p> <p>The Authority also identified an omission in the comparative disclosures at March 2018. This has been adjusted in the final set of financial statements and increased the total future minimum payments by £1,181,000, from £60,880,000 to £62,061,000.</p>	✓
Consistency	Note 42.2 Trust Funds – Helena Thompson Museum	<p>The loss on the revaluation of fixed assets figure of £235,000 was incorrect. This was reduced by £144,000 to £91,000. This is a disclosure note only and has no impact upon the primary statements or on the reported value of the Trust's tangible fixed assets set out in note 42.2</p>	✓

Audit Adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2018/19 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below:

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on useable reserves £'000	Reason for not adjusting
1 Potential impact of the McCloud judgement				
The legal ruling around age discrimination (McCloud - Court of Appeal) has implications for pension schemes where transitional arrangements on changing benefits have been implemented.	534	(534)	0	The figures provided by the actuary are an estimate, and not a formal actuarial valuation. Although we are of the view that there is sufficient evidence to indicate that a liability is probable, we are satisfied that the differences are not likely to be material. This issue will be considered as part of the next actuarial valuation exercise in 2019/20.
The Council requested an estimate from its actuary of the potential impact of the McCloud ruling. The actuary's updated estimate noted an increase in 2018/19 in pension liabilities of £534,000. The Actuary also updated the asset figures to reflect actuals for 31 March 2019, and assets increase by £395,000. The total impact for the estimate is an increase in the net liability of £139,000.	(395)	395	0	
We have satisfied ourselves that there is not a risk of material error as a result of this issue. We also acknowledge the uncertainties relating to the estimation of the impact on the Council's liability.				
Overall impact	£139	(£139)	£0	

Impact of prior year unadjusted misstatements

There were no unadjusted misstatements identified in the 2017/18 financial statements.

Fees

We confirm below our final fees charged for the audit and we confirm that there were no fees for the provision of non audit services.

Audit Fees

	Proposed fee	Final fee
Council Audit	£37,059	£41,559
Total audit fees (excluding VAT)	£37,059	£41,559

The final audit fee has increased by £4,500. £3,000 is in relation to the additional work in 2018/19 due to the number of significant risk areas within the VFM Conclusion, and £1,500 is for the national issue on McCloud.

Additional fees have been discussed with management and are subject to approval by Public Sector Audit Appointments Limited.

The audit fees note within the financial statements will not include the £4,500 as this has yet to be invoiced.

Non Audit Fees

We confirm that no non-audit or audited related services have been undertaken for the Council.

Draft proposed Audit opinion

We anticipate we will provide the Group with an unmodified audit report

Independent auditor's report to the members of Allerdale Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Allerdale Borough Council (the 'Authority') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund, the Group Comprehensive Income and Expenditure Statement, the Group Movement in Reserves Statement, the Group Balance Sheet and the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the group and of the Authority as at 31 March 2019 and of the group's expenditure and income and the Authority's expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2018/19; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the Authority in accordance with the ethical requirements that are relevant to our audit of

the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Draft proposed Audit opinion

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

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

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority, the Head of Financial Services and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts set out on page 22, 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 Head of Financial Services. The Head of Financial Services 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 2018/19, for being satisfied that they give a true and fair view, and for such internal control as the Head of Financial Services 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 Head of Financial Services is responsible for assessing the group's and the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Draft proposed Audit opinion

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

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

Responsibilities of the Authority

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Allerdale Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Use of our report

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

To be signed

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

Manchester

To be dated



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