



The Audit Findings for Barrow-in-Furness Borough Council

Year ended 31 March 2020

March 2021



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Your key Grant Thornton team members are:

Gareth Kelly

Engagement Lead

T: 0141 223 0891

E: gareth.kelly@uk.gt.com

Richard Anderson

Manager

T: 0141 223 0753

E: richard.j.anderson@uk.gt.com

Hebe Dyson

Engagement In-charge

T: 0141 223 0738

E: Hebe.R.Dyson@uk.gt.com

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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 Barrow-in-Furness Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council with additional challenges of reopening services under new government guidelines. Council staff have had to adapt to working from home and accessing key systems remotely.</p> <p>Authorities were still required to prepare financial statements in accordance with the relevant accounting standards and the CIPFA Code of Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic and included an additional financial statement level risk in respect of Covid-19 and highlighted the impact on our Value for Money conclusion approach. Further detail is set out on page 6.</p> <p>Restrictions for non-essential travel has meant both Council and audit teams have had to adapt to new remote access working arrangements. This has included the use of video calling and screensharing for the verification of completeness and accuracy of information produced by the entity, and information sharing through our cloud based software.</p> <p>The accounts were provided to us on 27 August 2020. The draft accounts were produced to a high compliance standard and were supported by good working papers. However, there have been delays in responses to audit queries throughout the audit process, which has led to a number of changes to the proposed timetable for completion of the audit. We acknowledge that these are exceptional times and the finance team has understandably had to prioritise the Council's response to the pandemic.</p>
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 Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council its 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 together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work was completed remotely between September 2020 and February 2021. Our findings are summarised in this report. We have not identified any adjustments to the primary financial statements. Some disclosure changes have been made following audit, these adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>Our work is now complete.</p> <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation.</p> <p>Our audit report opinion is unqualified and unmodified but includes an emphasis of matter paragraph, highlighting land, building and dwellings valuation material uncertainties in respect of the Council's own assets and the Council's share of the Cumbria Local Government Scheme's direct property investments and investments in unquoted property funds. This does not affect our opinion that the statements give a true and fair view of the Council's financial position and its income and expenditure for the year. A paragraph has been added to our audit report to emphasise these matters, which we consider are fundamental to a readers' understanding of the financial statements.</p>

Headlines

Value for Money arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').

We have completed our risk based review of the Council's Value for Money arrangements. We have concluded that Barrow-in-Furness Borough Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources, except for its arrangements for ensuring policies and procedures in relation to procurement and contract management are followed. This does follow on from a similar qualification to our VFM conclusion in 2018/19.

We have updated our VFM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VFM risks in relation to Covid-19.

We have issued a qualified 'except for' value for money conclusion, as detailed in Appendix E. Our VFM findings are summarised on pages 17 to 22.

Statutory duties

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

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

We have not exercised any of our additional statutory powers or duties. As this is the second year that we have issued an except for VFM conclusion opinion, we have given serious consideration to the exercise of a statutory recommendation under section 24 of the Local Audit and Accountability Act 2014. We have determined that, in view of some improvements to related procurement and contract management arrangements towards the end of the 2019-20 financial year, it is not appropriate to issue a section 24 at this time. However, we are continuing to monitor progress in this area and, if weaknesses persist, will review use of our wider statutory powers.

We have completed the majority of our work under the Code and have been able to certify the completion of the audit.

Acknowledgements

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

Audit approach

Overview of the scope of our audit

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

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

Audit approach

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

- an evaluation of the Council's internal controls environment, including its IT systems and controls; 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 had to alter our audit plan, as communicated to you on July 30 2020, to reflect our response to the Covid-19 pandemic.

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Materiality levels remain the same as reported in our audit plan.

Conclusion

We have completed our audit of your financial statements and have issued an unqualified audit opinion on 24 March 2021, as detailed in Appendix E.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	896,000	1.95% of prior year gross cost of services expenditure, which we believe equates to what would be material to the reader of the accounts.
Performance materiality	627,000	70% of headline materiality, reflecting the Council's strong control environment and history of producing high quality financial statements
Trivial matters	45,000	5% of headline materiality.
Materiality for Senior Officer Remuneration	10,000	Based on what would be material to the reader of the accounts for this sensitive area.

Significant audit risks

Risks identified in our Audit Plan

Covid- 19

The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to;

- Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation;
- volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates;
- financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties for a period of at least 12 months from the anticipated date of approval of the audited financial statements have arisen; and
- disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1, particularly in relation to material uncertainties.

We therefore identified the global outbreak of the Covid-19 virus as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

We worked with management to understand the impact the Covid-19 pandemic had on the organisation's ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to the materiality levels previously reported. The draft financial statements were provided on 27 August 2020. We have also:

- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose;
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained using alternative approaches whilst working remotely;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and pension fund net liability valuations;
- evaluated management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment; and
- discussed with management the implications for our audit report opinion.

The results of our work concluded that appropriate arrangements have been put in place to manage the Covid-19 situation and suitable disclosures have been made in the financial statements. This includes the use of alternative arrangements in the decision-making process as permitted by the Council Constitution. We were able to obtain sufficient audit evidence by utilising screensharing for the verification of completeness and accuracy of information produced by the Council, and share information through our cloud based software.

Due to the potential impact that Covid-19 has on the value of your land, buildings and dwellings at 31 March 2020, your valuer has disclosed a material valuation uncertainty within their valuers report. Following audit, you have disclosed this material uncertainty within Note 4 of the financial statements. Note 4 has also been updated to reflect the impact of Covid-19 on the valuation of the Council's share of Cumbria Local Government Pension Scheme's direct property investments and investments in unquoted property funds. The note states that fair value measurement of these investments at 31 March 2020 is subject to a material uncertainty.

We will reflect your disclosures within an "emphasis of matter" paragraph in our audit report opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted the same material valuation uncertainty.

There were no other findings in respect of this significant risk.

Significant audit risks

Risks identified in our Audit Plan

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 have:

- 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 consider 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 issues in respect of this significant risk.

The revenue cycle includes fraudulent transactions

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

Our prior year Value for Money work and the work of Internal Audit, has identified weaknesses in the Council's procurement and contract management arrangements. For Barrow-In-Furness Borough Council we have concluded that the greatest risk of material misstatement relates to income from contracts.

We have therefore identified the occurrence and accuracy of income from contracts as a significant risk, which was one of the most significant assessed risks of material misstatement.

We have rebutted this presumed risk for the other revenue streams of the Council because:

- Other income streams are primarily derived from grants or formula based income from central government and tax payers
- There is little incentive to manipulate revenue recognition
- Opportunities to manipulate revenue recognition are very limited
- The culture and ethical framework of local authorities, including Barrow-In-Furness Borough Council, mean that all forms of fraud are seen as unacceptable.

As outlined in our audit plan, we rebutted this presumed risk for all non-contract revenue streams of the Council.

For contract income we have:

- evaluated the Council's accounting policy for recognition of contract income for appropriateness;
- gained an understanding of the Council's system for accounting for contract income and evaluated the design of the associated controls; and
- agreed on a sample basis amounts recognised as income from contracts to supporting evidence.

Our work understanding the Council's system for accounting for contract income highlighted a clear process that should be followed when the Council enters a new contract. Our walkthrough test identified a number of new contracts where this process was not followed. This was often due to the impacts of COVID-19. In Appendix B we highlight that management has still not addressed our prior year recommendation around ensuring that the purchasing and contract management standing orders are followed in all procurement decisions. Whilst we are satisfied that this does not create a risk of material misstatement of contract income in the financial statements, management should continue the work which is underway to strengthen arrangements and overall compliance in this area.

Our audit work has not identified any issues in respect of this significant risk.

Significant audit risks

Risks identified in our Audit Plan

Valuation of land, buildings and dwellings

The Council revalues its land, buildings and dwellings on a rolling basis. This valuation 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. Additionally, management will need to ensure the carrying value of buildings and dwellings not revalued in year in the Council financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.

We therefore identified valuation of land, buildings and dwellings, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Auditor commentary

The Council's valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates.

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work;
- evaluated the competence, capabilities and objectivity of the valuation expert;
- written to the valuer to confirm the basis on which the valuation was carried out;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the Council's valuer's report and the assumptions that underpin the valuation;
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

Due to the potential impact that Covid-19 has on the value of your land and buildings at 31 March 2020, your valuer has disclosed a material valuation uncertainty within their valuers report (in accordance with VPS 3 and VPGA 10 of the RICS Valuation – Global Standards). Following audit, you have disclosed this material uncertainty within Note 4 of the financial statements. We will reflect your disclosure within an "emphasis of matter" paragraph in our audit report opinion. This is not a modification or qualification of the opinion and is consistent with other audited bodies where the valuer has highlighted the same material valuation uncertainty.

The Council has been slow to provide evidence to support key assumptions and source data underpinning the valuation of its land, buildings and dwellings. This has made it difficult for management to support the assumptions and source data used by its valuer, and in turn has added delays to the audit process. We have raised a recommendation in relation to this in Appendix A.

Our audit work has not identified any other issues in respect of valuation of land, buildings and dwellings.

Significant audit risks

Risks identified in our Audit Plan

Valuation of the pension fund net liability

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

The pension fund net liability is 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.

Auditor commentary

We have:

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

Our audit work has not identified any significant issues in relation to the risk identified.

Similarly to the valuation of land and buildings, there is also an impact of Covid-19 on the valuation of the LGPS pension fund property assets. Cumbria's Local Government Pension Scheme's accounts include a material uncertainty around the valuation of pension fund's property assets and the auditor of Cumbria Pension Fund intends to include an emphasis of matter in their auditor's report in respect of the effects of Covid-19 on the valuation of its direct and indirect property holdings. The Council's financial statements disclosures have been updated within Note 4 to reflect this and our audit report opinion will also contain an "emphasis of matter" paragraph in this respect.

Our audit work has not identified any other issues in respect of this significant risk.

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 and a summary of any significant control deficiencies identified during the year.

Issue	Commentary	Auditor view
<p>IFRS 16 implementation has been delayed by one year</p> <p>Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases</p>	<p>Note 2 makes reference to IFRS16 and discloses the date of implementation and that there is still some uncertainty about the extent of the impact.</p>	<p>Following audit, we are satisfied that your disclosure is consistent with the requirements of IAS 8.</p>
<p>IT General Controls</p> <p>To support our opinion on the financial statements of Barrow Borough Council, our specialist IT audit team has completed an audit of the design and implementation effectiveness of the IT General Controls (ITGC) within the IT environment, as they affect the financial statements for year-ended 31 March 2020. During the IT Audit visit, we also completed an Oracle authorisation and security design review to help provide assurance over Oracle controls for the financial statements.</p>	<p>One significant control deficiency was noted. During our audit we observed two users that had conflicting IT and Finance responsibilities assigned. This combination of access rights allows the users a wide range of access to change and configure the system, users and data therein. In addition we also observed 10 Finance users with access assigned to critical functions that allows them to change system configuration including cross validation rules, functions, profile options responsibilities and key flex fields values.</p>	<p>Our audit procedures have not identified any instances of an override of controls in relation to these issues. We are satisfied that they have not impacted the financial statements for the year ended 31 March 2020. We have however raised a recommendation in relation to these issues in Appendix A.</p>

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Council Housing - £70.269 million	<p>The Council owns 2,567 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. The Council has engaged Lambert Smith Hampton Group Limited to complete the valuation of these properties. The year end valuation of Council Dwellings was £70.269 million, a net decrease of £1.234 million from 2018/19 (£71.503 million).</p>	<ul style="list-style-type: none"> In line with RICS guidance, the Council's valuer has identified a material uncertainty regarding the valuation of land and buildings and dwellings due to market uncertainty arising from the Covid-19 pandemic. Management have disclosed this material uncertainty in Note 4 to the financial statements. We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. The underlying information and sensitivities used to determine the estimate was considered to be complete and accurate. The valuer prepared their valuations in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The valuer used the beacon methodology using the information that was available to them at the valuation date in deriving their estimates. We consider the level of disclosure in the financial statements to be appropriate. <p>Conclusion A reference to material uncertainty has been added to Note 4, Assumptions Made about the Future and other Major Sources of Estimation Uncertainty, in relation to the valuation material uncertainty described on page 8. Our audit work has not identified any other issues in respect of valuation dwellings.</p>	<p style="text-align: center;">●</p> <p style="text-align: center;">Post audit amendments</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 estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment
Land and Buildings – Other - £58.136 million	<p>Land and buildings comprises specialised assets such as, sports and leisure centres, public conveniences and museums. These are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings including car parks are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>Surplus assets are required to be valued annually and at fair value.</p> <p>The Council has engaged Lambert Smith Hampton Group Limited to complete the valuation of properties as at 31 March 2020. The Council revalues its land and buildings on a rolling programme with a maximum period of four years between revaluations.</p> <p>83% of land and building assets that are subject to valuation were revalued during 2019/20.</p> <p>Management has considered the year end value of non-valued land and buildings, and the potential valuation change in the assets revalued at 31 March 2020, 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>The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements.</p> <ul style="list-style-type: none"> In line with RICS guidance, Lambert Smith Hampton Group Limited has identified a material uncertainty regarding the valuation of land and buildings and investment property due to market uncertainty arising from the Covid-19 pandemic. Following audit, management have disclosed this material uncertainty in Note 4 to the financial statements. We assessed the qualifications, skills and experience of the valuer and determined the service to be appropriate. The underlying information and sensitivities used to determine the estimate was considered to be complete and accurate. The valuer prepared their valuations in accordance with the RICS Valuation – Global Standards using the information that was available to them at the valuation date in deriving their estimates. We have uplifted assets not-valued in year using Gerald Eve indices and considered local market factors to support management's assessment that there has been no material changes to the valuation of land and buildings not-valued in year. We consider the level of disclosure in the financial statements to be appropriate. <p>Conclusion</p> <p>A reference to material uncertainty has been added to Note 4, Assumptions Made about the Future and other Major Sources of Estimation Uncertainty, in relation to the valuation material uncertainty described on page 8. Our audit work has not identified any other issues in respect of valuation of land, buildings and dwellings.</p>	 Post audit amendments

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Summary of management's policy	Auditor commentary	Assessment																								
Net pension liability – £29.163 million	<p>At 31 March 2020, the Council's net pension liability was £29.163 million (31 March 2019: £33.5m) comprising the Cumbria Local Government Pension Scheme benefit obligations.</p> <p>The Council uses Mercer to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at 31 March 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £0.763m increase in the net pension liability during 2019-20</p>	<p>In understanding how management has calculated the estimate of the net pension liability we have:</p> <ul style="list-style-type: none"> assessed the use of a management's expert actuary; assessed the actuary's calculation approach; used PwC as auditors expert to assess the actuary and assumptions made by the actuary (see table below): <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Assessment</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.4%</td> <td>2.3% - 2.4%</td> <td>●</td> </tr> <tr> <td>Pension increase rate</td> <td>2.2%</td> <td>2.1% - 2.2%</td> <td>●</td> </tr> <tr> <td>Salary growth</td> <td>3.6%</td> <td>3.35% - 3.6%</td> <td>●</td> </tr> <tr> <td>Life expectancy – Males currently aged 45 / 65</td> <td>24.2/ 22.6</td> <td>22.5 – 24.7 / 20.9 – 23.2</td> <td>●</td> </tr> <tr> <td>Life expectancy – Females currently aged 45 / 65</td> <td>27.1/ 25.2</td> <td>25.9 – 27.7 / 24.0 – 25.8</td> <td>●</td> </tr> </tbody> </table> <ul style="list-style-type: none"> assessed the completeness and accuracy of the underlying information used to determine the estimate; undertook a reasonableness test of the Council's share of LGPS pension assets; assessed the reasonableness of the movement in the estimate; and assessed the adequacy of disclosure of estimate in the financial statements. <p>Conclusion</p> <p>A material uncertainty was added to note 4 in relation to the Council's share of Cumbria Local Government Pension Scheme's direct property investments and investments in unquoted property funds. We are satisfied that the estimate of your net pension liability is not materially misstated.</p>	Assumption	Actuary Value	PwC range	Assessment	Discount rate	2.4%	2.3% - 2.4%	●	Pension increase rate	2.2%	2.1% - 2.2%	●	Salary growth	3.6%	3.35% - 3.6%	●	Life expectancy – Males currently aged 45 / 65	24.2/ 22.6	22.5 – 24.7 / 20.9 – 23.2	●	Life expectancy – Females currently aged 45 / 65	27.1/ 25.2	25.9 – 27.7 / 24.0 – 25.8	●	
Assumption	Actuary Value	PwC range	Assessment																								
Discount rate	2.4%	2.3% - 2.4%	●																								
Pension increase rate	2.2%	2.1% - 2.2%	●																								
Salary growth	3.6%	3.35% - 3.6%	●																								
Life expectancy – Males currently aged 45 / 65	24.2/ 22.6	22.5 – 24.7 / 20.9 – 23.2	●																								
Life expectancy – Females currently aged 45 / 65	27.1/ 25.2	25.9 – 27.7 / 24.0 – 25.8	●																								

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 – 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.

Management’s going concern assessment was originally prepared in March 2020. The review was updated in July 2020 and again in January 2021 to take account of the impacts of Covid-19.

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, which also take accounts of the impact of Covid-19.
- The Council’s going concern assessment is supported by its updated 2020/21 budget and Medium-Term Financial Plan. The budget remains in balance and will see unspent core funds added to reserves for use in 2021-2022.
- The Council has a strong Cash and Short-Term Investment position. The Council carries a healthy balance in an instant access deposit account for any emergency spend or to cover any shortfall in expected income. This is considered to be sufficient as together with the funds invested in short term fixed deposits the Council holds £15- £20 million in “cash”. The cash flow used to support the going concern assessment covers December 2020 to March 2022. It was last updated in December 2020 and shows balances remaining above minimum levels throughout.
- Management’s assessment has considered the applicable guidance relating to public sector bodies. This presumes in local government that, the going concern assumption does apply unless there is specific evidence to the contrary. Management’s assessment has concluded that no material uncertainty in respect of going concern exists. We consider management’s process to be adequate and demonstrates consideration of the relevant factors.

Work performed

We have reviewed management’s assessment of the going concern assumption and basis of preparation of the financial statements

No material uncertainty identified. The Council’s use of the going concern basis of accounting is appropriate.

Concluding comments

Overall, we are satisfied that the preparation of the financial statements using the going concern principal is reasonable and sufficient disclosure has been made in the financial statements of this, no additional disclosures have been required as a result of Covid-19. Based on the above comments in this regard, we have issued an unmodified opinion.

Other matters for communication

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

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit and Governance Committee. We have not been made aware of any incidents in the period and no issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. Following audit, Note 32 was updated to disclose the grant funding awarded to Women's Community Matters.
Matters in relation to laws and regulations	The Council has not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	<p>A letter of representation has been requested from the Council, which is included in the Audit and Governance Committee papers.</p> <p>A specific representation has been requested in relation to there being no evidence of fraud and or corruption being caused by the weak application of existing controls around procurement, leasing and contract management arrangements.</p>
Confirmation requests from third parties	We requested from management permission to send confirmation requests to bank and investment counterparties. This permission was granted and the requests were sent. All requests were returned with positive confirmation.
Disclosures	<p>Our review found no material omissions in the financial statements. A number of minor adjustments were made to correct typographical errors and improve consistency and overall readability of the financial statements. The following disclosure changes were made following audit:</p> <ul style="list-style-type: none"> • Note 2 - Accounting Standards that have been issued but have not yet been adopted, has been updated to reflect that the Council has not been able to identify and estimate the impact of IFRS16. • A reference to material uncertainty has been added to Note 4, Assumptions Made about the Future and other Major Sources of Estimation Uncertainty, in relation to land, building and dwellings valuation in respect of the Council's own assets and the Council's share of the Cumbria Local Government Scheme's direct property investments and investments in unquoted property funds. • Note 6 - Expenditure and Funding Analysis (EFA), has been updated to show the correct depreciation charge for the year. In the draft accounts, the Depreciation, amortisation, impairment and revaluation line was understated by £156,000, because depreciation in relation to the dock was incorrectly excluded. This issue only impacted the EFA, depreciation was correctly charged to the Comprehensive Income and Expenditure Statement. • Note 34 - Officers Remuneration has been update following audit. The draft note incorrectly excluded the director who started in March 2020. The director is included in the final version of the note. Other minor changes were made to improve the readability of this note. <p>Further details are included in Appendix C.</p>
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided. There have been delays in responses to audit queries throughout the audit process, which has led to a number of changes to the proposed timetable for completion of the audit. We acknowledge that these are exceptional times and the finance team has understandably prioritised the Council's response to the pandemic.

Other responsibilities under the Code

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 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>The following disclosures were added to the Annual Governance Statement following audit:</p> <ul style="list-style-type: none"> • an action plan, with planned completion dates for significant governance and control weaknesses identified in 2019/20; • an update on progress of actions taken in response to significant governance and control weaknesses identified in the previous year; and • a clear conclusion on the level of assurance provided by the governance arrangements. <p>The following changes were made to the Narrative Report following audit</p> <ul style="list-style-type: none"> • the section on the medium term financial plan was updated with the figures presented to the Executive Committee on 11 November 2020; • the section on the impact of Covid 19 was expanded to provide more detail on government funding and the impact on services and the setting of the 2020/21 budget; and • cross-referencing was added to the quoted outturn report figures to the Expenditure and Funding Analysis in the financial statements. <p>No other issues were identified in respect of the Narrative Report and Annual Governance Statement.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in the following 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 • If we have applied any of our statutory powers or duties. <p>We have nothing to report on these matters.</p>
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>Note that work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit of Barrow-in-Furness Borough Council in the audit report.</p>

Value for Money

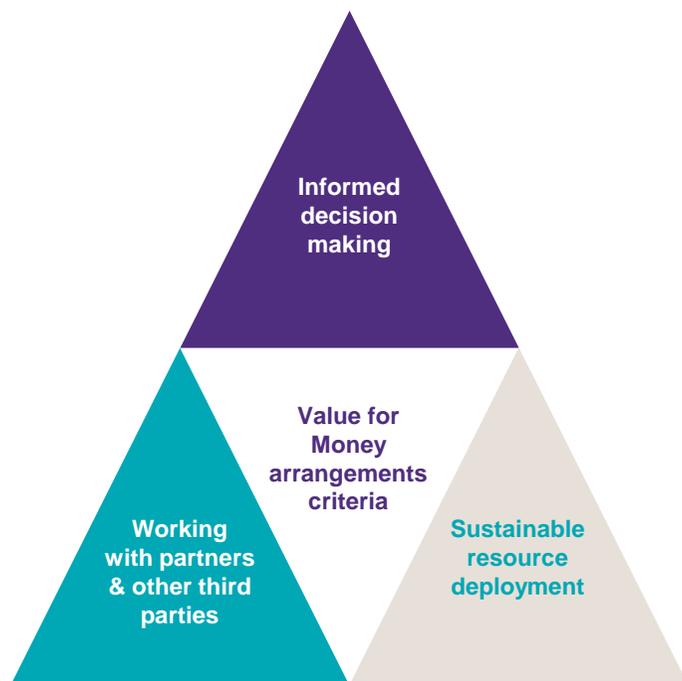
Background to our VFM approach

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 April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

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

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



Risk assessment

We carried out an initial risk assessment in March 2020 and identified 2 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 March 2020.

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

We have not identified any new VFM risks in relation to Covid-19. We do not consider Covid-19 to be a significant risk given the date of the pandemic.

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. In arriving at our conclusion, our main considerations were:

- The arrangements in place to support the financial sustainability of the Council.
- Compliance with the Council's rules and regulations relating to procurement, and how the Council is able to demonstrate and ensure it delivers value for money through its procurement and contract management arrangements.

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 22.

Overall conclusion

Except for the matter we identified in respect of procurement and contract management, the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We therefore propose to give a qualified 'except for' conclusion.

The text of our proposed report can be found at Appendix E.

Recommendations for improvement

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

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

Significant difficulties in undertaking our work

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

Significant matters discussed with management

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

Value for Money

Key findings

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

Significant Risk

Financial Sustainability

The Council's Medium Term Financial Plan for 2020-2024 identifies deficits for 2021-2022 (£0.118 m), 2022-2023 (£0.263 m) and 2023-2024 (£0.429 m). The Council's General Fund balance at the 31/3/21 is projected to be £2.3 m, above the minimum balance of £1.9 m. Other general fund earmarked reserves are projected to fall from £7.784 m as at 31/3/19 to £5.090m as at 31/3/2024. The Council's funding position beyond 2020-21 is unknown and projections beyond this are based on the 2020-21 settlement.

Given the uncertainties around the future funding settlement, projected deficits and future run rate on reserves, the medium term financial plan and financial sustainability of the Council represents a significant risk to our VFM conclusion. In response to the risk we will; review progress on delivery of the medium term financial plan, review arrangements for developing the medium term financial plan and challenge key assumption in the plan.

Findings

The Council has good financial reporting and monitoring arrangements in place. Its medium-term financial planning, budgeting and identification of saving plans are agreed at a corporate level, by senior officers and members. Additional pressures and progress against savings requirements are reported throughout the year and actions agreed to close the budget gap as required.

The budget for 2019-2020 incorporated the cumulative £8.9 million of recurrent savings that had been achieved between 2011 and 2020. For 2019-2020 the General Fund revenue account was balanced with a contribution from reserves of £0.537 million compared to a planned use of reserves of £0.683 million. The Housing Revenue Account (HRA) was also balanced with a net contribution to reserves of £0.527 million.

Both the General Fund balance and HRA reserve continue to be close to minimum levels, at £2.3 million and £1 million respectively. Other General Fund reserves were £7.347 million at 31 March 2020, a fall from £7.884 million at 31 March 2019, £8.67 million at 31 March 2018 and £9.025 million at 31 March 2017. The 2021/22 budget projects that Other General Fund reserves will increase to £10.560 million by 31 March 2021, which includes £3.763 million business rates relief. Other General Fund reserves are then projected to fall to £6.767 million at 31 March 2022.

The projections within the current Medium Term Financial Plan identify a balanced budget position through to 2024/25. The Council anticipates contributing £0.194 million to volatility reserves in 2021/22, £0.264 million in 2022/23 and £0.097 million. This contribution has been reduced to cover the impacts of COVID-19 and the element of the national pay award above previous estimates. However, considerable uncertainty in the medium term remains. On-going contract challenges mean assumptions around the waste and leisure contracts may need to be revised. The future impact of COVID-19 on services and income is unclear and there continues to be funding and macroeconomic uncertainty. In view of this, the Council should continue to identify opportunities to supplement its reserves and strengthen its financial sustainability in the medium term.

Conclusion

Overall, the Council has effective financial planning and financial management arrangements in place. The Council has a good record on delivering savings and delivered its planned recurrent savings in 2019/20. **(Continued overleaf)**

Value for Money

Conclusion (continued)

We continue to note an overall downward trajectory on the Council's General Fund reserves. The Council faces some significant challenges in the short and medium term. Achieving future planned savings will be even more challenging in context of Covid-19 impact and there is uncertainty around future arrangements for the delivery of waste and leisure services. The Council should continue to put robust budget monitoring arrangements in place to manage these risks and ensure planned savings are delivered.

As outlined in Appendix A, we recommend that management carry out a detailed sensitivity analysis around the key uncertainties and assumptions included in its MTFP, to aid the agility now needed to manage the Council's financial sustainability.

Management response

The MTFP for 2021-2025 has been revised and will be presented to the Executive Committee on 23 March 2021, for Council approval. The MTFP projection balances during the medium term but relies upon the additional Business Rates currently being retained above the baseline continuing. The baseline is set nationally and any Business Rates reset will impact the level of resources that the Council retains in future years. The return of income losses from COVID-19 experienced in 2020-2021 has been considered for each key income stream and prudently included; not all of these losses are returned by 2025. Estimates for cost pressures have been incorporated into expenditure projections but it is recognised that service income requires a more comprehensive review and therefore there is little assumed from additional income in the MTFP. The exception for service income is the return of the recycling tonnage and the associated recycling credits that are received in return; 2019-2020 saw a steep decline in tonnage and a publicity campaign is launching in March 2021 to recover the previous levels, and exceed those. The Council Tax base is assumed to increase over the medium term, but not to the level that New Homes Bonus will be awarded, and a £5 increase on Band D is assumed each year. It is recognised that there are a number of major financial considerations for the Council coming up, some soon and others over the medium term. It has not been possible to "provide" specifically for all of those in the current MTFP as nothing has been quantified, however, given the balanced position any increase in expenditure must be funded from financial reserves if it is one-off, funded from additional recurring and sustainable income, re-directed or re-purposed expenditure budgets, or core funded if the Fairer Funding Review increases the Council's resources (baseline settlement). There are two key elements that drive the MTFP:

- internally restructuring to align services to the Council Priorities, transformation of service delivery, process design and streamlining will create stronger resource management;
- externally working with partners to achieve our priorities, Local Government Reorganisation, and delivering major projects will provide longer term benefits for the Borough and maximise/increase the Council's core resources.

The MTFP will be kept current and the 2020-2021 outturn will provide further evidence around COVID and other prudent assumptions.

Value for Money

Significant Risk

Procurement and contract management arrangements

The 2018/19 Annual Governance Statement, the work of internal audit and our own 2018/19 Audit Finding Report identified the need for the Council to strengthen its procurement and contract management arrangements. In the prior year, we were unable to conclude that the Council had adequate arrangements in place in this area and issued an 'except for' VFM conclusion opinion. Our review of the work of internal audit and discussions with management and those charged with governance in 2019/20 suggest that weaknesses in the Council's arrangements in this area remain.

In view of this, the adequacy of the Council's procurement and contract management arrangements, continues to represent a significant risk to our VFM conclusion. We will review the Council's procurement and contract management arrangements to determine whether they ensure the Council can demonstrate procurement processes and contracts ensure overall value for money. The audit team will convene an internal national quality panel to determine whether sufficient progress has been made to remove the 'except for' VFM Conclusion.

Findings

In the prior year, we were unable to conclude that the Council had adequate arrangements in place in this area and issued an 'except for' VFM conclusion opinion. Our review of the work of Internal Audit and discussions with officers, management and those charged with governance in 2019/20 suggest that weaknesses in the Council's arrangements in this area remain. The 2019/20 Head of Internal Audit opinion provided only restricted assurance in relation to procurement arrangements. It also identified 4 specific contracts where only restricted assurance could be provided, where the level of compliance identified places the system objectives at risk. There were two smaller contracts where the Head of Internal Audit was able to provide no assurance, although the value of these were immaterial. We do note that, there were 8 contracts where either substantial or unqualified assurance was provided.

Internal Audit's work on procurement arrangements identified a number of issues, which included contracts being allowed to 'roll over' rather than extensions being formally authorised, failure to complete the Council's pre-contract checklist in a timely manner, failure to conduct purchases over £100,000 in accordance with the Council's contract standing orders and inadequate timely market testing of certain contracts to inform effective decision making.

During 2019/20, Internal Audit completed their review of the award of the Council's waste contract. The contract was awarded to an external contractor from 1 April 2017. The value of the contract is circa £1.86 million per annum. Internal Audit has identified a number of weaknesses in the procurement of the existing waste contract. For example, there was a two-year delay in completing the Council's 'pre-contract' checklist, which should have been completed prior to award of the contract. There were a number of other issues raised.

Internal Audit has identified weaknesses on other contracts, the largest of which was the Maritime Streets Landscaping Project. The pre-contract checklist was not completed on a timely basis, insufficient evidence was retained to support the tender decision and no post project review was carried out.

The contracts and procurements referenced above are historic, with audit work concluding during 2019-2020. Once the concerns were highlighted to the Audit and Governance Committee, the project managers were instructed to attend and provide assurances to Members. Subsequent contract audits have received normal levels of assurance including the significant leisure outsourcing and several housing maintenance contracts. A change in the process that was implemented with the Leisure outsourcing and Revenues & Benefits insourcing was the requirement to ensure external support was in place. Works contracts already had external support for the "works" elements, but the Council added in legal advice, sector/market specific support and any other expertise depending on the contract. Some of the legal aspects of contracting have been incorporated into the Head of Legal and Governance position and contract management into the Director of People and Place. The need for this strengthening of corporate management was identified in 2019-2020 in order to ensure that the concerns with procurement, leasing and contract management did not recur. The strengthening of arrangements in this area has largely taken place during the 2020/21 year. The Director of People and Place was appointed in March 2020 to provide oversight of the Council's 'front facing' services', including the existing waste contract. A project management officer and new project management framework has also been established, which will oversee all significant projects, contracts and decisions made by the Council. **(Continued overleaf)**

Value for Money

Findings

The Council has a Purchasing Officer in place, which allows a more specialised resource to guide and advise managers. The procurement audit identified a number of contracts that had not been market-tested for a number of years and these have all been addressed. The Purchasing Officer, supported by the Head of Legal and Governance, has taken ownership of the contract register to ensure that contracts are market-tested with a reasonable frequency. The Purchasing Officer is involved in all procurements that go onto the Chest system.

At the mid-point of 2019 the Associate Director for Regeneration left and the Council began working with Cumbria County Council project specialists for these areas of expenditure. The procurement exercises included some works but mainly services and these were procured through the County's arrangements. This has led to an adoption of a version of the County procedures, which is being rolled out in March 2021. Officers are now required to complete a project management template and decision template for all significant projects and contracts. It is positive that, the Council is putting arrangements in place to address historic failings in this area. However, these arrangements are still not embedded and were not in place throughout 2019/20.

Conclusion

These matters identify weaknesses in the Council's arrangements for ensuring policies and procedures in relation to procurement and contract management are followed. The Council is failing to demonstrate and apply the principles and values of sound governance in its procurement arrangements. This is leading to ineffective procurement of supplies and services to support the delivery of strategic priorities. This failure to adhere to Council purchasing and contract standing orders means it is difficult for the Council to demonstrate that it has achieved value for money in all procurement decisions. Furthermore, these weaknesses increase the risk of fraud in procurement and increase the potential for legal challenge from unsuccessful potential suppliers.

As shown in Appendix B, we are not satisfied that our prior year recommendation that the Council ensure that the purchasing and contract management standing orders are followed in all procurement decisions has been addressed. For the second year we are unable to conclude that the Council has adequate arrangements in place in this area. We will therefore issue an 'except for' opinion, as detailed in Appendix E. As this is the second year that we have issued an except for conclusion, we have given serious consideration to the exercise of a statutory recommendation under section 24, schedule 7 of the Local Audit and Accountability Act 2014. We have determined that, in view of the strengthening of arrangements towards the end of the 2019-20 financial year, it is not appropriate to issue a section 24 at this time. However, we are continuing to monitor progress in this area and, if weaknesses persist, will review the use of our wider statutory powers.

Management response

The Council intends to recruit to the Contracts and Procurement Manager position created in February 2019 and together with the Purchasing Officer establish a gateway to contracting and procurement. The Purchasing Procedure and Contract Standing Orders are fit for purpose but it is recognised that continual training and awareness of the requirements is needed; greater expertise is also required and will continue to be supplemented by external support as and when deemed necessary. The Council uses a Contract Management Checklist to guide major procurement exercises and ensure full compliance with the relevant requirements, this is another area where support for managers will be increased. The Management Team have established a Programme Board which will meet monthly and all major projects, significant projects and the Capital Programme are within its remit. Project Sponsors will attend to propose, bid, report, monitor and close projects and schemes. Following on from the work on major projects with Cumbria County Council, an approach to project management has been introduced which fits with the incorporation of the Programme Board and will provide a single route for projects and proposals. The delegation to the Programme Board will be considered once it is fully operational (April 2021). Contract management is currently under review with support from various external parties and the proposed restructure of the establishment will have regard to the skillset required for strong contract management and focus attention on driving maximum benefits from contracts for the Council and for the community. The events of 2020-2021 have deferred the planned improvements around contracting and procurement and the COVID (emergency powers) have been used as necessary to maintain service delivery and COVID support; this relates to some short-term urgent supplies and services. The restructure will bring programme and project resources together to resource external and internal projects to establish and maintain consistency within their core function. This will support occasional project management by service managers.

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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D

Independence and ethics

Audit and Non-audit services

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

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing capital receipts grant	5,000	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 £5,000 in comparison to the total fee for the audit 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.
		Self review (because GT provides audit services)	The Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. The amounts involved are not material to our opinion.
Certification of Housing Benefit Claim	41,100	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 £41,100 in comparison to the total fee for the audit 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.
		Self review (because GT provides audit services)	To mitigate against the self review threat , the certification work is completed after the audit has finished. Material errors in this area are unlikely and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Action plan

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Medium	<p>Financial Sustainability</p> <p>We continue to note an overall downward trajectory on the Council's General Fund reserves. There is considerable uncertainty in the medium term over the impact of Covid-19 and future government funding.</p>	<p>Carry out a detailed sensitivity analysis around the key uncertainties and assumptions in the MTFP to assist agile financial management to secure the Council's medium term financial sustainability in the light of the uncertain context for Local Government.</p> <p>Management response</p> <p>The MTFP has been reviewed in March 2021 and will be kept current with the 2020-2021 outturn being the next set of evidence to incorporate. The underlying assumptions are disclosed in the MTFP and these will be monitored and re-cast over the medium term as changes materialise.</p>
 Medium	<p>Valuation of Land, Buildings and Dwellings</p> <p>The Council has been slow to provide evidence to support key assumptions and source data underpinning the valuation of its land, buildings and dwellings. This has made it difficult for management to support the assumptions and source data used by its valuer, and in turn has added delays to the audit process.</p>	<p>Provide evidence to support all source data and key assumption used in the annual valuation of land, buildings and dwellings.</p> <p>Management response</p> <p>Finance have worked with the external valuer to provide evidence to support the asset valuations included in the accounting statements. Finance, the external valuer and other Council officers discuss changes to the Council's asset base throughout the year to ensure that the valuer has up-to-date knowledge in preparation of the year-end valuation exercise; the valuer carries out RTB and ad-hoc valuations throughout the year. The valuation methodology and evidence is documented and is discussed with Finance throughout the year and over multiple years in some cases (such as Waterfront Business Park or the intended use of bare land). During the audit of 2019-2020 the evidence requirements increased and it transpired that some the evidence supporting various asset valuations came from previous years and identifying the data origins within the Council has proven to be difficult. Whilst sufficient evidence exists to support the asset valuations the Council recognises that it must improve the data held for its asset base. The Council has begun recording its assets on the Cabinet Office e-PIMS system and intends to establish a condition survey programme to baseline/verify all of the data held in relation to its land and buildings specifically. A Strategic Asset Management Plan will be established in 2021.</p>

Controls

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

Action plan

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 High	<p>Segregation of duties conflicts between Oracle system administration and finance roles</p> <p>During our audit we observed two users that had conflicting IT and Finance responsibilities assigned. This combination of access rights allows the users a wide range of access to change and configure the system, users and data therein. In addition we also observed 10 Finance users with access assigned to critical functions that allows them to change system configuration including cross validation rules, functions, profile options responsibilities and key flex fields values.</p>	<p>Address segregation of duties conflicts between the Oracle system administration and finance roles.</p> <p>Management response</p> <p>The Council's Finance Department is a small team and conflicting responsibilities between the Finance and IT functions are inevitable given current finite resources in both areas and to ensure resilience for ongoing operational requirements. We will consider the levels of access given to staff and will amend those if they do not serve a business need. We will assess access to the SYSADMIN role and will consider documenting and reviewing activities in this area.</p>

Controls

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

Follow up of prior year recommendations

We identified the following issues in the audit of Barrow-in-Furness Borough Council's 2018/19 financial statements, which resulted in 3 recommendations being reported in our 2018/19 Audit Findings report. We have followed up on the implementation of our recommendations and note 1 is still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Procurement and Contract Management</p> <p>The Council is failing to demonstrate and apply the principles and values of sound governance in its procurement and contract management arrangements. This is leading to ineffective procurement of supplies and services, to support the delivery of strategic priorities.</p> <p><i>Ensure that the purchasing and contract management standing orders are followed in all procurement decisions.</i></p>	<p>The management response to the significant risk on pages 21-22 provides the Council's response.</p>
✓	<p>Valuation of Dwellings</p> <p>The Council currently values its' Dwellings as at 1 April. There is a risk that the carrying value of these assets may be materially different to the current value as at 31 March.</p> <p><i>Consider valuing all Dwellings as at 31 March to ensure carrying values are not materially different from current value.</i></p>	<p>The accounting statements for 2019-2020 include the Council dwellings valued at 31 March; this is now established practice.</p>
✓	<p>Valuation of Specialised Assets</p> <p>The Council's rolling programme of valuations means its' specialised assets are not always valued on an annual basis. The valuation of these assets are particularly sensitive to movements in BCIS indices.</p> <p><i>Consider valuing all Specialised Assets annually to ensure carrying values are not materially different from current value.</i></p>	<p>The accounting statements for 2019-2020 include the specialised assets (those valued at depreciated historic cost) valued at 31 March; this is now established practice.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Audit adjustments

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

Misclassification and disclosure changes

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

Area	Detail	Adjusted?
Note 2- Accounting Standards that have been issued but have not yet been adopted	The note has been updated to reflect that the Council has not been able to identify and estimate the impact of IFRS16.	✓
Note 4- Assumptions Made about the Future and other Major Sources of Estimation Uncertainty	A reference to material uncertainty in relation to land, building and dwellings valuation in respect of the Council's own assets and the Council's share of the Cumbria Local Government Scheme's direct property investments and investments in unquoted property funds has been added to the note.	✓
Note 6- Expenditure and Funding Analysis (EFA)	The EFA has been updated to show the correct depreciation charge for the year. In the draft accounts, the depreciation, amortisation, impairment and revaluation line was understated by £156,000, because depreciation in relation to the dock was excluded. This issue only impacted the EFA, depreciation was correctly charged to the Comprehensive Income and Expenditure Statement.	✓
Note 32 Related Parties	The note was updated to quote the grant funding awarded to Women's Community Matters.	✓
Note 34 Officers Remuneration	The draft note incorrectly excluded the Director who started in March 2020. The director is included in the final version of the note. Other minor changes were made to improve the readability of the note.	✓
Narrative Report	<p>The following changes were made to the Narrative Report following audit</p> <ul style="list-style-type: none"> the section on the medium term financial plan was updated with the figures presented to the Executive Committee on 11 November 2020; the section on the impact of Covid 19 was expanded to provide more detail of government funding and the impact on services and the setting of the 2020/21 budget; and cross-referencing was added to the quoted outturn report figures to the Expenditure and Funding Analysis in the financial statements. 	✓
Annual Governance Statement	<p>The following disclosures were added following audit:</p> <ul style="list-style-type: none"> an action plan, with planned completion dates for significant governance and control weaknesses identified in 2019/20; an update on progress of actions taken in response to significant governance and control weaknesses identified in the previous year; and a clear conclusion on the level of assurance provided by the governance arrangements. 	✓

Audit adjustments

Impact of adjusted misstatements

There are no adjusted misstatements

Impact of unadjusted misstatements

There are no unadjusted misstatements.

Impact of prior year unadjusted misstatements

Our prior year audit findings report included an unadjusted misstatement in relation to the impact of the McCloud Judgement and a change in the value of the Council's share of Cumbria Local Government Pension Scheme assets. The net impact of these two issues would have been to increase the net defined benefit pension liability by £107,000. This difference is included in the prior year comparator in the 2019/20 financial statements and is immaterial. The Council's net defined pension liability at 31 March 2020, as disclosed in the 2019/20 financial statements, reflects the most up to date valuation of Cumbria Local Government Pension Scheme assets and includes an estimate of the impact of the McCloud Judgement.

Fees

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

Audit fees	Proposed fee	Final fee
Council Audit	£49,362	£73,662
Total audit fees (excluding VAT)	£49,362	£73,662

We will confirm our final audit fee in our Annual Audit Letter, which will be shared on completion of the audit. Note the final fee is still subject to PSAA approval.

Non-audit fees for other services	Proposed fee	Final fee
Certification of Housing capital receipts grant	£5,000	£5,000
Certification of Housing Benefit Claim	£41,100	£TBC
Total non- audit fees (excluding VAT)	£46,100	£TBC

Audit opinion

We provided the Council with an unmodified audit report

Independent auditor's report to the members of Barrow-in-Furness Borough Council

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Barrow-in-Furness Borough Council (the 'Authority') for the year ended 31 March 2020 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the HRA Statement, the Collection Fund 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 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

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

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

Audit opinion

Conclusions relating to going concern

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

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

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

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

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

We draw attention to Note 4 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Authority's land and buildings and the Authority's share of the pension fund's property investments as at 31 March 2020. As disclosed in note 4 to the financial statements, the outbreak of Covid-19 has impacted

global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. Valuations of land and buildings and the pension fund's property investments are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Our opinion is not modified in respect of this matter.

Other information

The Director of Resources is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the 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 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.

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

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we

Audit opinion

are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

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

As explained more fully in the Statement of Responsibilities set out on page 18, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20, 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 there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit and Governance 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.

Audit opinion

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

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

Qualified conclusion

On the basis of our work, having regard to the specified criterion issued by the Comptroller & Auditor General in April 2020, except for the effects of the matter described in the basis for qualified conclusion section of our report, we are satisfied that, in all significant respects, the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Basis for qualified conclusion

Our review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources identified the following matter:

The Head of Internal Audit Opinion for 2019/20 provided only restricted assurance in respect of the Authority's procurement arrangements. Internal Audit has identified clear breaches of the Authority's purchasing and contract standing orders, with the most significant instances of non-compliance being:

- contracts being allowed to 'roll over' rather than extensions being formally authorised
- failure to complete the Authority's pre-contract checklist in a timely manner
- failure to conduct purchases over £100,000 in accordance with the Authority's contract standing orders
- inadequate market testing to inform procurement decision
- insufficient evidence being retained to support the judgements made in assessing tenders.

The Authority acknowledges that it needs to improve the robustness of its overarching procurement arrangements.

This matter is evidence of weaknesses in proper arrangements for informed decision making and working with partners and third parties, with a failure to demonstrate and apply the principles and values of sound governance in procurement decisions and ineffective procurement of supplies and services to support the delivery of strategic priorities.

Responsibilities of the Authority

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

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

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

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

Audit opinion

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 Barrow-in-Furness 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.

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

Glasgow

24 March 2021



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