



# **Audit Findings (ISA 260) Report for Cumbria Commissioner Fire and Rescue Authority**

Year ended 31 March 2025

25 February 2026

**Police, Fire and Crime Commissioner & Chief Fire Officer  
Cumbria Commissioner Fire and Rescue Authority**

Carleton Hall  
Penrith  
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24 February 2026

Dear Police, Fire and Crime Commissioner and Chief Fire Officer

**Audit Findings for Cumbria Commissioner Fire and Rescue Authority for the 31 March 2025**

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

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

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

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

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

Elizabeth Luddington

Director  
For Grant Thornton UK LLP

**Chartered Accountants**

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# Headlines

Three decorative, overlapping purple arcs of varying radii and positions, starting from the bottom edge and curving upwards and to the right, creating a sense of movement and depth.

# Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Cumbria Commissioner Fire and Rescue Authority (the 'Authority') and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

## Financial statements

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

- the Authority's financial statements give a true and fair view of the financial position of the Authority and 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.

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 consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

As of this report's date, we have concluded several areas of our audit work, detailing the findings in the body of this report. For work not yet concluded, we have highlighted the work undertaken to date, and any findings or recommendations. The main area on which we have been unable to conclude our work is opening balances, given the disclaimer of opinion issued for 2023/24.

Our findings to date are summarised on the following pages. We have identified four adjustments to the financial statements. Audit adjustments are detailed on pages 37 to 41. During the course of our work, we have also raised eight recommendations for management, which are set out at pages 42 to 45. Our work is complete.

Owing to the challenges of undertaking an audit where the previous years audit was subject to backstop-related disclaimed audit opinions, we have been unable to undertake sufficient work to support an unmodified audit opinion in advance of the backstop date of 28 February 2026. The limitations imposed by not having assurance on opening balances mean that we will be unable to form an opinion on the financial statements. Our anticipated financial statements audit report opinion will be disclaimed. Our draft Audit Report is included in Appendix C of this report.

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.

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.

# Headlines

## Value for money (VFM) arrangements

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

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

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

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which was presented to the September JAC.

We are satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (page 47).

# Headlines

## Statutory duties

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

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

We have not exercised any of our additional statutory powers or duties.

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

## Significant matters

During the audit we experienced difficulties in relation to Civica super-user access and obtaining reports from the system detailing how this access had been used during the year - see page 26 for further information. No other significant matters were identified during the audit.

# Headlines

## National context – audit backlog

### Government proposals around the backstop

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

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

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

# Headlines

## National context – local audit recovery

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

As a result, for 2024/25:

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

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

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

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

We will discuss with you our strategy for rebuilding assurance, in the light of this year’s audit, as part of our planning for 2025/26.

# Headlines

## Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

### Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

### Impact on the Authority

- Lease liabilities and right of use assets recognised on the balance sheet in respect of former operating leases. However, this has not had a material financial impact upon the financial statements, given the only IFRS 16 lease recognised on the Authority's balance sheet is the PFI liability.
- Additional accounting policies and disclosures in the financial statements and related internal controls required updating to reflect changes in accounting policies and processes.
- Identification of ‘low value’ and ‘short term’ leases. Identification of peppercorn rentals and recognising these as leases under IFRS 16, as appropriate.

Detail of assessment, the work undertaken and key observations regarding the implementation of IFRS 16 can be found on page 22.

# Materiality



# Our approach to materiality

As communicated in our Audit Plan dated 30 April 2025, we determined materiality at the planning stage as £747k based on 2% of prior year gross expenditure. At year-end, we reconsidered planning materiality based on the draft financial statements and decided to increase materiality to reflect that expenditure had increased by 11% from the prior year figures used to determine planning materiality.

A recap of our approach to determining materiality is set out below.

## Basis for our determination of materiality

- At planning we determined materiality at £747k based on professional judgement in the context of our knowledge of the Authority, including consideration of the level of misstatement which could reasonably be expected to influence the economic decisions of users of the financial statements.
- We have used 2% of gross expenditure as the basis for determining materiality. This percentage reflects that we did not receive prior year draft financial statements until 15 January 2025, and as a result the 2023/24 audit was backstopped.
- On receipt of draft accounts, we increased our materiality figure to £832k given that expenditure had increased by 11% from the prior year figures on which we had previously calculated materiality.

## Performance materiality

- At planning we determined performance materiality at £485k, this was based on 65% of headline materiality. We lowered our performance materiality percentage from the maximum to reflect the increased risk due to the Authority only being in its second year of operations and first year of audit and the implementation of a new financial system and the potential risk to the control environment.
- On receipt of draft accounts, our performance materiality figure increased to £541k following the increase in expenditure.

## Specific materiality

- Senior officer remuneration - due to the sensitive nature of this disclosure, at planning we set a lower materiality of £21k. This was revised to £23k on receipt of the draft accounts.

## Reporting threshold

- At planning we said we would report to you all misstatements identified in excess of £37k, in addition to any matters considered to be qualitatively material. This was revised to £41k on receipt of the draft accounts.

# Our approach to materiality

A summary of our approach to determining materiality is set out below.

	Authority (£)	Qualitative factors considered
Materiality for the financial statements	831,940	<p>This equates to 2% of the Authority's prior year gross operating expenditure. This percentage reflects that we did not receive prior year draft financial statements until 15 January 2025, and as a result the 2023/24 audit was backstopped.</p> <p>The Authority operates in a generally stable, regulated environment, although in recent years government policies have reduced the funding available, and this has increased the financial pressures. There has been no change in key stakeholders, and no other sensitivities have been identified that would require materiality to be reduced.</p>
Performance materiality	540,761	<p>Reflects the fact that the Authority is only in its second year of operations and first year of audit and the implementation of a new financial system and the potential risk to the control environment.</p>
Specific materiality for senior officer remuneration	23,040	<p>This reflects public sensitivity in the pay of senior officers in the public sector.</p>
Reporting threshold	41,600	<p>The amount below which matters would be considered trivial to the reader of the financial statements.</p>

# Overview of significant and other risks identified

# Overview of audit risks

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

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

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
The revenue cycle includes fraudulent transactions	Rebutted significant risk	↔	✓	Low	●
The expenditure cycle includes fraudulent transactions	Rebutted significant risk	↔	✓	Low	●
Closing valuation of land and buildings	Significant	↔	✗	High	●
Valuation of pension fund net asset/liability	Significant	↔	✗	High	●
IFRS 16 Implementation	Other	↔	✗	Medium	●
Employee costs	Other	↔	✗	Low	●
Cash and cash equivalents - bank recs	Other	↔	✗	Low	●
Disaggregation from CCC	Other	↔	✗	Low	●

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

# Significant risks

## Risk identified

### Management override of controls

Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.

We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.

## Audit procedures performed

We have:

- reviewed accounting estimates, critical judgements and significant decisions made by management;
- evaluated the design and implementation of controls;
- reviewed accounting policies and any changes to those policies;
- tested journals entries for appropriateness; and
- reviewed unusual significant transactions.

In addition to the procedures set out in our Audit Plan, we have also:

- reviewed super-user access rights in order to pinpoint specific risk of management override of controls; and
- as a result of the super user access within the finance team, selected a sample of debtor and creditor accounts and reviewed all changes made during the year to determine whether management override of controls has occurred.

## Key observations

In performing the procedures, we identified a population of journals to test using data analytic software to analyse journal entries and to split large batch journals into smaller sets of transactions that support targeted testing based on specific risk criteria assessed by the audit team. These criteria included:

- Material journals
- Year-end journals
- Post year-end journals
- Journals posted by senior management

Application of these routines and supplementary procedures identified a total sample of 53 journals to test.

We noted authorisation issues arising from the use of super-user access. The super-user access is discussed on page 26 and the potential impact on management override of control.

The impact in respect of the journals approach Specifically, certain journals were authorised by individuals who are junior to the preparer.

There are no value limits to journals which can be approved by any Finance team member. This means that large value journals could be approved by junior members of the team.

Further to the above, we also identified an additional deficiency relating to the authorisation of re-code journals. There are 13 re-code journals that have not been authorised. Recode journals should also be subject to the authorisation control, the lack of approval represents a control deficiency. We have included a recommendation in respect of these on page 43.

Our work in this area is complete. No further issues have been noted.

# Significant risks

## Risk identified

### Presumed risk of fraud in revenue recognition

Under ISA (UK) 240, there is a rebuttable presumed risk of material misstatement due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud related to revenue recognition.

At planning, we completed a risk assessment of all revenue streams for the Authority and rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams.

This is because there is little incentive to manipulate revenue recognition, opportunities to manipulate revenue recognition are very limited, most of the revenue received by the Authority comes from government grants and the culture and ethical frameworks of public sector bodies, including the Authority, mean that all forms of fraud are seen as unacceptable.

Therefore, we did not consider this to be a significant risk for the Authority.

## Audit procedures performed

We have:

- reviewed and tested, on a sample basis, revenue transactions, ensuring that it remains appropriate to rebut the presumed risk of revenue recognition; and
- designed and carried out appropriate audit procedures to ascertain the recognition of income is in the correct accounting period using cut-off testing.

## Key observations

Whilst revenue recognition was not identified as a significant risk, we have carried out standard audit procedures and tested material revenue streams to gain assurance over this area.

Our audit work has not identified any instances of fraudulent revenue recognition or inaccurate cut-off of revenue recorded around the year end. It therefore remains appropriate to rebut the presumed risk of fraud in revenue recognition.

# Significant risks

## Risk identified

### Presumed risk of fraud in expenditure recognition

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

At planning, we completed a risk assessment of all expenditure streams for the Authority and rebutted the presumed risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams.

This is due to the low fraud risk in the nature of the underlying nature of the transactions. Employee costs account for 70% of expenditure and therefore we deemed the overall risk that expenditure may be misstated due to improper recognition of expenditure to be low.

We identified a higher risk of error in the recognition of other service expenditure for the completeness of this expenditure stream. We identified the risk to be a higher risk of cut-off of expenditure accruals at year-end.

## Audit procedures performed

We have:

- reviewed and tested, on a sample basis, expenditure transactions, ensuring that it remains appropriate to rebut the presumed risk of expenditure recognition; and
- designed and carried out appropriate audit procedures to ascertain the recognition of expenditure is in the correct accounting period using cut-off testing.

## Key observations

Whilst expenditure recognition was not identified as a significant risk, we have carried out standard audit procedures and tested material expenditure streams to gain assurance over this area.

Our audit work has not identified any instances of fraudulent expenditure recognition or inaccurate cut-off of expenditure recorded around the year end. It therefore remains appropriate to rebut the presumed risk of fraud in expenditure recognition.

# Significant risks

## Risk identified

### Closing valuation of land and buildings

The Authority revalues its land and buildings on an annual basis to ensure that the carrying value is not materially different from the current value at the financial statements date.

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.

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

## Audit procedures performed

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 to ensure that the requirements of the CIPFA code are met;
- challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding;
- evaluated the valuer's report to identify assets that have large and usual changes and/ or approaches to the valuation – these assets were substantively tested to ensure the valuations were reasonable;
- tested a selection of asset revaluations performed during the year to see if they have been input correctly into the Authority's asset register, revaluation reserve and Comprehensive Income and Expenditure Statement; and
- evaluated the assumptions made by management for those assets not revalued during the year and how management have satisfied themselves that these are not materially difference from current value at year-end.

## Key observations

Accounting policies have been reviewed and assets have been identified within the fixed asset register which fall out of scope of useful economic life policies for both 'Buildings' and 'Vehicles, Plant, Furniture & Equipment' (Note 4.0.13). Management have confirmed that they will update the rate within both accounting policies.

An £887k variance was identified between the historic cost valuation net book value figure stated within the draft accounts as of 31 March 2025 and the figure stated within the fixed asset register. This variance does not impact the figure included on the balance sheet. Management have confirmed that they will be amending final accounts for this.

We have included disclosure misstatements in relation to these observations on page 39.

We also noted that title deeds for land and buildings were still registered to Cumbria County Council, we have included a recommendation on this on page 45.

Our work in this area is complete.

# Significant risks

Risk identified	Audit procedures performed	Key observations
<p><b>Valuation of pension fund net asset / liability (Local Government Pension Scheme – LGPS and Firefighters’ Pension Scheme – FPS)</b></p> <p>The Authority’s pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents significant estimate in the financial statements.</p> <p>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.</p> <p>We therefore identified valuation of the Authority’s pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>updated our understanding of the processes and controls put in place by management to ensure that the Authority’s pension fund net liability is not materially misstated and evaluated the design of the associated controls;</li> <li>evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary’s work;</li> <li>Assessed the competence, capabilities and objectivity of the actuary who carried out the Authority’s pension fund valuation;</li> <li>assessed the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;</li> <li>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;</li> <li>undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performing any additional procedures suggested within the report, including confirmation of the scope of the actuary’s work and whether the application of IFRIC 14 has been considered;</li> <li>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 LGPS pension fund and the fund assets valuation in the pension fund financial statements (this relates to the LGPS liability only); and</li> <li>performed appropriate data checks in respect of Firefighters’ membership data and test the accuracy and validity of movements since the most recent triennial valuation, where material changes were identified.</li> </ul>	<p>We requested assurances from the auditor of Cumbria Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. We have now received these assurances from the pension fund auditor.</p> <p>We have reviewed the IFRIC 14 assessment provided by the Actuary (Mercer). IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required for onerous funding commitments. No issues have been noted from our review.</p> <p>The assumptions used in calculating the net pension liability/surplus of both schemes are considered to be in line with expectations and we have not identified any issues with the estimation process.</p> <p>During the audit we were informed of a re-run of the LGPS values, which resulted in an increase of £223k in the fair value of pension assets. As this figure is below materiality, no changes will be made to the financial statements. Given the available economic benefit is capped at zero, this adjustment did not impact the Economic Benefit figure, and the unfunded liability of £151k remains unchanged in the Balance Sheet.</p> <p>However, the change in the fair value of plan assets has affected the ‘Effect of Asset Ceiling’ disclosure in Note 4.34 of the Financial Statements, increasing it from £5,414k to £5,637k.</p> <p>We also identified two variances, totalling an absolute difference of £11k, between the disclosures in the pensions note and the amounts reported by the actuary in Note 4.34. Management have confirmed that they will be corrected in the final set of financial statements.</p> <p>We have included disclosure misstatements in relation to the above observations on page 40.</p> <p>Pages 29 and 30 provide a detailed assessment of the estimation process for the valuation of the pension fund net liability.</p> <p>Our work in this area is complete. No further issues have been noted.</p>

# Other risks

## Risk identified

### IFRS 16 Implementation

IFRS 16 Leases is now mandatory for all Local Government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called “peppercorn” rentals. This is one instance where the right of use asset and its’ associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value. Any difference between market value and the present value of expected payments is accounted for as income. This has similarities with the treatment of donated assets.

Key judgements include

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

We have therefore identified completeness of the identification of relevant leases and valuation as a risk.

## Audit procedures performed

We have:

- reviewed the processes and controls put in place by management to ensure that the implementation of IFRS 16 complete, accurate and not materially misstated. We have also evaluated the design of the associated controls;
- reviewed the proposed accounting policy and agree disclosures presented in the financial statements to underlying accounting records and calculations; and
- reviewed management’s lease accounting calculations and assess the accuracy and appropriateness of the inputs and assumptions used including lease term, discount rate and annual rentals.

## Key observations

We have reviewed the transition adjustments and performed procedures to confirm the completeness of leases identified. No issues have been noted in this respect.

The only IFRS 16 implications for the Authority are in respect of the PFI scheme as the Authority has no other leases within the scope of IFRS 16.

Within the PFI Note 4.33, there is an error in the prior year comparative table for payment timescales, wherein the note in the accounts does not agree to the prior year signed accounts. We have challenged CCFRA on the reason for this error and received the explanation that this was due to the models being run incorrectly in the first instance, leaving a small liability outstanding after conclusion of the scheme, which appears in the 16-20 years row of the prior year comparative table of the 24/25 accounts. The 23/24 accounts are correct with the error being in the 24/25 accounts.

The models were since rerun, and the models that have been used as appropriate and reviewed by our Financial Modelling team are the correct models, but the prior year comparative table was not correctly updated. As a result, there remains a £362k error in the prior year comparative table of the note, which should instead be nil. As this is not material, management do not deem it necessary to adjust and will look at IFRS 16 in the 2025/26 accounts. We have included this as a disclosure misstatement on page 40.

Our work in this area is complete. No further issues have been noted.

# Other risks

## Risk identified

### Employee costs

- Payroll was processed by Cumberland Council during the year using the legacy Cumbria County Council payroll system. Payroll costs were paid out of Cumberland Council's bank account on behalf of the Authority.
- In 2023/24, overpayments were identified as being made by the Authority during the year due to issues with the allocation of disaggregated payroll costs to successor bodies.

## Audit procedures performed

We have:

- Understood the Authority's processes and controls in place for payroll, particularly occurrence and accuracy, during the year;
- Used audit data analytics to gain the level of assurance required to give assurance over payroll costs included within the financial statements; and
- understood how payroll costs are posted into the ledger and ensured total payroll costs per payroll system reconcile to those posted to the ledger at year end.

## Key observations

A variance of £903k has been identified between the 'Other Service Expenses' amount disclosed in Note 4.14 and that of the transaction listing provided by management. This nets off to the variances identified between 'Employee Benefit expenses' (£898k) and 'Gains/ Losses on the disposal of assets' (£5k).

Management have updated the accounts for this. The overall total expenditure has not changed but there has been a movement between 'Other Service Expenses' and 'Employee Benefit expenses'/'Gains/ Losses on the disposal of assets'. Overall Income has reduced by £5k due to a decrease in 'Gain/Loss in Disposal of Non-Current Assets. Although the net impact is trivial, we have included this within our audit adjustments on page 38 as the gross amount is over triviality.

Our work is complete and we have not identified any other matters to bring to your attention.

# Other risks

Risk identified	Audit procedures performed	Key observations
<p><b>Cash and cash equivalents - bank reconciliations</b></p> <ul style="list-style-type: none"> <li>No cashbook management processes in place or bank reconciliations completed during the year.</li> <li>Year end bank reconciliation completed at 31 March 2025.</li> </ul>	<p>We have reviewed the March 2025 bank reconciliation to ensure the appropriate controls were in place by the year-end. Reconciling items included in the reconciliation were considered and followed up as necessary.</p>	<p>One investment was queried regarding classification as a cash equivalent. The investment was due to mature six months post year end, thus not meeting the criteria as a cash equivalent under the CIPFA Code. Management have agreed to separate this £1m balance from the cash equivalents lines in the final set of financial statements.</p> <p>We have included a disclosure misstatement in relation to this on page 40.</p> <p>We also queried the treatment of cash in transit with management, the balance made up £104k of the cash at bank balance. It was determined that this balance should be classified as a receivable. Management have agreed to update in the final set of financial statements. We have included an audit adjustment in relation to this on page 38.</p> <p>Monthly bank reconciliations were not undertaken during the 24/25 financial year, with the only reconciliation taking place at the year end. The weak controls in place for cash present the risk that the cash balance could be materially misstated on the balance sheet. See page 42 for our recommendation in relation to this.</p> <p>Our work in this area is complete and we have not identified any other matters to bring to your attention.</p>
<p><b>Disaggregation from Cumbria County Council (CCC)</b></p> <ul style="list-style-type: none"> <li>Following Local Government Re-organisation, the Authority opening balances were disaggregated from the Balance Sheet of CCC to form the opening balances of the Authority as at 1 April 2023.</li> <li>Disaggregation can be a challenging process and there is a risk of error in this process. As a result, we are required to perform procedures to gain assurance.</li> <li>These opening balances should have been subject to audit in 2023/24 in order to gain assurance over accuracy and completeness. However, as the 2023/24 audit went to the backstop, we did not carry out any audit procedures over the opening balances at 1 April 2023.</li> </ul>	<p>We have:</p> <ul style="list-style-type: none"> <li>reviewed the conclusions reached on the disaggregation of opening balances of the Authority from CCC;</li> <li>tested whether the agreed disaggregated balance sheet has been accounted for appropriately; and</li> <li>agreed that the disaggregated balances for each of the Authority's, reconcile back to the total closing balance for CCC.</li> </ul>	<p>Our work in this area is complete; the Authority has finalised the agreement of balances with Westmorland and Furness Council to within an acceptable difference.</p> <p>A significant piece of work has been carried out by management in relation to the disaggregation of balances from CCC. To date there have been no issues identified in relation to this work and the amounts included in the financial statements are thought to be reasonable.</p>

# Other findings



# Other areas impacting the audit

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

Issue	Commentary	Auditor view
<p><b>Civica super-user access</b></p> <p>We noted authorisation issues arising from the use of super-user access on our findings in relation to management override of controls on page 17, however, in relation to this we also note a wider issue around the access rights of those super-users and the ability to make changes to the system over and above the risk of management override we usually address through our journals testing.</p>	<p>As part of our IT audit, we inspected administrative access to Civica and identified that all five finance users have high level privileged access. The combination of financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.</p> <p>A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. This could lead to:</p> <ul style="list-style-type: none"><li>• unauthorised changes being made to system parameters;</li><li>• creation of unauthorised accounts; and</li><li>• unauthorised updates to their own account privileges.</li></ul> <p>User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.</p>	<p>From discussions with management during the financial statements audit, we determined that there were no reports available from Civica which set out user activity throughout the year, which would therefore allow us to review any super-user access changes made.</p> <p>We have instead designed alternative procedures and reviewed all super-user access rights to determine where the risk lies and concluded that the key fraud risk is linked to debtor and creditor account management and the ability to make unauthorised changes.</p> <p>To gain assurance over this risk, we have selected a sample of debtor and creditor accounts and performed investigative procedures over these accounts to review all changes made by super-users.</p> <p>We acknowledge that the need for super-user access across the finance team is owing to the size of the team, its capacity and the lack of IT support available to the team. We appreciate that if super-user access were to be restricted, this would cause operational difficulties e.g. during periods of annual leave.</p> <p>We have included a recommendation around super-user access on page 42.</p> <p>Our work in this area is complete and we have not identified any other matters to bring to your attention.</p>

# Other areas impacting the audit

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

Issue	Commentary	Auditor view
<p><b>Level of disclosure changes</b></p> <p>From our manager/engagement lead review, consistency review and 2023/24 cold review of the financial statements, there were many queries raised which have resulted in changes being made to the financial statements.</p>	<p>This is not unusual for a first-year audit; however, this has involved a great deal of time being spent both reviewing the draft financial statements and the final set of financial statements to ensure that the changes had been made correctly.</p>	<p>Our work to ensure that changes have been correctly reflected in the final set of financial statements is ongoing. We have raised a recommendation on page 43 in respect of this.</p> <p>We acknowledge the assistance of the finance team in this area and appreciate their openness, transparency and willingness to act on our findings.</p>
<p><b>Expenditure &amp; Funding Analysis (EFA)</b></p> <p>There were several changes made to Note 4.12 Expenditure &amp; Funding Analysis and Note 4.13 Adjustments between Funding and Accounting Basis between the 2023/24 and 2024/25 financial statements.</p>	<p>Management have changed the presentation of the EFA notes between the two years in response to queries raised as part of the cold review of the 2023/24 financial statements. The prior year comparatives in the 2024/25 notes also include material figures which were not included in the prior year financial statements - this has resulted in a restatement.</p>	<p>Management have included a prior period adjustment as follows:</p> <p>“The 2023/24 Expenditure and Funding Analysis note was presented incorrectly and did not include the detailed breakdown of the other income and expenditure line by the columns now shown. The table presented in the prior year accounts did not include the five columns as now shown. There is no impact on the main financial statements or net expenditure shown in the CIES. The adjustment relates to presentational information.”</p> <p>Our work in this area is complete and we have not identified any other matters to bring to your attention.</p>
<p><b>Joint operations - North-West Fire Control (NWFC)</b></p> <p>The draft financial statements included a holding paragraph as follows:</p> <p>“At the time of publication of these draft Statement of Accounts, the draft North-West Fire Control Statement of Accounts were unavailable, therefore, estimated figures based on 2023/24 have been used.”</p>	<p>On receipt of the draft financial statements for NWFC, some differences between the estimates included and the actual draft figures were material.</p>	<p>As a result, management have updated the final version of the financial statements to reflected the actual draft financial statement figures for NWFC. We have included this adjustment on page 37.</p>

# Other findings key judgements and estimates

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

## Assessment:

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

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
<p><b>Valuation of land and buildings</b></p> <p>£43.219m at 31 March 2025</p>	<p>Land and buildings comprise of specialised assets such as fire stations, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision.</p> <p>The Authority has engaged Carigiet Cowen to complete the valuation of properties as at 31 March 2025, all assets were revalued during 2024/25.</p> <p>The total year end valuation of land and buildings was £43.219m, a net decrease of £936k from 2023/24 (£44.155m).</p>	<p>The Authority’s accounting policy on valuation of land and buildings is included in Note 4.0.13 to the financial statements.</p> <p><b>Key observations</b></p> <p>The values in the valuation report have been used to inform the measurement of property assets at valuation in the financial statements. We have:</p> <ul style="list-style-type: none"> <li>• assessed the qualifications, skills and experience of the Valuer and determined the service to be appropriate;</li> <li>• reviewed the underlying information prepared by the Authority and supplied to the Valuer and considered it to be complete and accurate; and</li> <li>• concluded that 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.</li> </ul> <p>Our review of the calculations performed by the valuer, demonstrated that the calculations had been based on realistic and sound assumptions supported by appropriate evidence at the time the work was completed.</p>	<p>No overall conclusion formed this year, as a disclaimer of opinion is proposed.</p>

# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment																								
<p><b>Valuation of net pension liability/asset - LGPS</b> £0.151m at 31 March 2025</p> <p>The Authority'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.</p> <p>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.</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</p>	<p>The Authority's Local Government Pension Scheme net pension surplus at 31 March 2025 is nil (PY: nil) for the funded benefits scheme and £0.151m (PY £0.176m) for the unfunded benefits, comprising the Cumbria Local Government Pension Scheme obligations.</p> <p>The Authority uses Mercer to provide actuarial valuations of the Authority's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2023. Small changes in assumptions can result in significant valuation movements in the net pension liability/surplus. There has been a £2.901m net actuarial gain during 2024/25.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>assessed management's expert;</li> <li>assessed the actuary's approach taken - detailed work undertaken to confirm reasonableness of approach;</li> <li>used the work of PwC, as auditor's expert, to assess the actuary and assumptions made by the actuary – see below considerations of key assumptions in your pension fund valuation:</li> </ul> <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>5.80%</td> <td>5.70% - 5.90%</td> <td>Reasonable</td> </tr> <tr> <td>CPI inflation</td> <td>CPI/CARE revaluation 2.6% Pension increases 2.7%</td> <td>2.60% - 2.70%</td> <td>Reasonable</td> </tr> <tr> <td>Salary growth</td> <td>4.10%</td> <td>3.10% - 5.20%</td> <td>Reasonable</td> </tr> <tr> <td>Life expectancy - Males currently aged 45/65</td> <td>22.8/21.5</td> <td>21.1-23.2 20.8-22.0</td> <td>Reasonable</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>25.7/24</td> <td>25.2-26.1 23.5-24.3</td> <td>Reasonable</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>undertook a reasonableness test of the Authority's share of LGPS pension assets and assessed the reasonableness of movement in the estimate; and</li> <li>assessed the adequacy of disclosure of estimate in the financial statements.</li> </ul>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.80%	5.70% - 5.90%	Reasonable	CPI inflation	CPI/CARE revaluation 2.6% Pension increases 2.7%	2.60% - 2.70%	Reasonable	Salary growth	4.10%	3.10% - 5.20%	Reasonable	Life expectancy - Males currently aged 45/65	22.8/21.5	21.1-23.2 20.8-22.0	Reasonable	Life expectancy – Females currently aged 45/65	25.7/24	25.2-26.1 23.5-24.3	Reasonable	<p>No overall conclusion formed this year, as a disclaimer of opinion is proposed.</p>
Assumption	Actuary value	PwC range	Assessment																								
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# Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment																								
<p>Valuation of net pension liability/asset - Firefighters’ Pension Scheme</p> <p>£199.840m at 31 March 2025</p>	<p>The Authority’s Firefighters’ Pension Scheme net pension liability at 31 March 2025 is £199.840m (PY: £227.347m). The Authority operates three pension schemes for firefighters, these are the 1992, 2006 and 2015 Firefighter Pension Schemes.</p> <p>The Authority uses Mercer to provide actuarial valuations of the Authority’s assets and liabilities derived from this scheme. A full actuarial valuation is required every four years.</p> <p>The latest full actuarial valuation was completed in 2020. Small changes in assumptions can result in significant valuation movements in the net pension liability/surplus. There has been a £32.388m net actuarial gain during 2024/25.</p>	<p>We have:</p> <ul style="list-style-type: none"> <li>assessed management’s expert;</li> <li>assessed the actuary’s approach taken - detailed work undertaken to confirm reasonableness of approach;</li> <li>used the work of PwC, as auditor’s expert, to assess the actuary and assumptions made by the actuary – see below considerations of key assumptions in your pension fund valuation; and</li> </ul> <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>5.80%</td> <td>5.70% - 5.90%</td> <td>Reasonable</td> </tr> <tr> <td>CPI inflation</td> <td>CPI/CARE revaluation 2.6% Pension increases 2.7%</td> <td>2.60% - 2.70%</td> <td>Reasonable</td> </tr> <tr> <td>Salary growth</td> <td>4.10%</td> <td>3.10% - 5.20%</td> <td>Reasonable</td> </tr> <tr> <td>Life expectancy - Males currently aged 45/65</td> <td>22.4/20.7</td> <td>22.4-23.0 20.7-21.4</td> <td>Reasonable</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>22.4/20.7</td> <td>22.4-25.3 20.7-23.6</td> <td>Reasonable</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>assessed the adequacy of disclosure of estimate in the financial statements.</li> </ul>	Assumption	Actuary value	PwC range	Assessment	Discount rate	5.80%	5.70% - 5.90%	Reasonable	CPI inflation	CPI/CARE revaluation 2.6% Pension increases 2.7%	2.60% - 2.70%	Reasonable	Salary growth	4.10%	3.10% - 5.20%	Reasonable	Life expectancy - Males currently aged 45/65	22.4/20.7	22.4-23.0 20.7-21.4	Reasonable	Life expectancy – Females currently aged 45/65	22.4/20.7	22.4-25.3 20.7-23.6	Reasonable	<p>No overall conclusion formed this year, as a disclaimer of opinion is proposed.</p>
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# Other findings Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance	Technology infrastructure	
Civica	<ul style="list-style-type: none"> <li>Detailed ITGC assessment (design effectiveness only)</li> </ul>	● Red	● Red	● Green	● Green	Significant deficiencies identified in IT controls relevant to the audit of the financial statements in relation to segregation of duties conflicts. See page 26 for work performed during the audit in relation to this and page 42 for our corresponding recommendation.
Active Directory	<ul style="list-style-type: none"> <li>Detailed ITGC assessment (design effectiveness only)</li> </ul>	● Green	● Green	● Not in scope	● Not in scope	IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope.

## Assessment:

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

# Communication requirements and other responsibilities



# Other communication requirements

Issue	Commentary
Matters in relation to fraud	<ul style="list-style-type: none"><li>• We have previously discussed the risk of fraud with the Joint Audit Committee. We have not been made aware of any incidents in the period and no other issues have been identified during the course of our audit procedures.</li></ul>
Matters in relation to related parties	<ul style="list-style-type: none"><li>• A member of senior management was found to hold an active directorship for which no transactions were declared. On review of the ledger, we noted one transaction with the company which was not disclosed in the related party note. This has not been updated for in the final set of financial statements as the amount is trivial.</li><li>• A related party declaration was not received for one member, management made attempts to obtain it but were unable to do so.</li><li>• We have raised recommendations in relation to these findings as detailed on page 45.</li></ul>
Matters in relation to laws and regulations	<ul style="list-style-type: none"><li>• We are not aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our work.</li></ul>
Written representations	<ul style="list-style-type: none"><li>• We draw your attention to the draft Letter of Representation which will be appended to the final version of this Audit Findings Report in Appendix B. Representations will be requested from management in respect of the prior period adjustment in relation to the Expenditure and Funding Analysis notes.</li></ul>
Confirmation requests from third parties	<ul style="list-style-type: none"><li>• We requested from management permission to send confirmation requests to the Authority's banking and treasury partners. This permission was granted and the requests were sent. All of these requests were returned with positive confirmations.</li></ul>
Disclosures	<ul style="list-style-type: none"><li>• Our review found no material omissions in the financial statements.</li></ul>
Audit evidence and explanations/significant difficulties	<ul style="list-style-type: none"><li>• All information and explanations requested from management was provided.</li><li>• During the audit we experienced difficulties in relation to Civica super-user access and obtaining reports from the system detailing how this access had been used during the year - see page 26 for further information.</li></ul>
Other matters	<ul style="list-style-type: none"><li>• There are no other matters to bring to your attention.</li></ul>

# Other responsibilities

## Issue

## Commentary

### Going concern

In performing our work on going concern, we have had reference to Statement of Recommended Practice - Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.

Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

- The use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
- For many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Authority's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

- the nature of the Authority and the environment in which it operates
- the Authority's financial reporting framework
- the Authority's system of internal control for identifying events or conditions relevant to going concern
- management's going concern assessment.

However, as this year's audit will be disclaimed, we have not been able to obtain sufficient appropriate audit evidence to enable us to conclude that:

- a material uncertainty related to going concern has not been identified; and
- management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

# Other responsibilities

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement 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>Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with ‘delivering good governance in Local Government Framework 2016 Edition’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"><li>• if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit,</li><li>• if we have applied any of our statutory powers or duties.</li><li>• where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es.</li></ul> <p>Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with ‘delivering good governance in Local Government Framework 2016 Edition’ published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit.</p>
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 detailed work is not required as the Authority does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until confirmation has been received from the NAO that the group audit has been certified by the C&amp;AG and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code.</p>

# Audit adjustments



# Audit adjustments

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

## Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
<b>Note 4.3 Joint operations - North-West Fire Control (NWFC)</b>				
The draft financial statements included a holding paragraph as follows:				
<i>“At the time of publication of these draft Statement of Accounts, the draft North-West Fire Control Statement of Accounts were unavailable, therefore, estimated figures based on 2023/24 have been used.”</i>				
On receipt of the draft financial statements for NWFC, some differences between the estimates included and the actual draft figures were material. As a result, management have updated the final version of the financial statements to reflected the actual draft financial statement figures for NWFC.				
Dr Assets				
Cr Liabilities		382		
		(391)		
Dr CIES - remeasurement of net defined benefit liability	37		37	
Cr CIES – net cost of services	(27)		(27)	
Dr Reserves				10
<b>Impact</b>	<b>10</b>	<b>(10)</b>	<b>10</b>	<b>10</b>

# Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
<b>Note 4.10 Financing and Investment Income and Expenditure</b>				
We identified £1.165m PFI interest expense included within net cost of services, which should have been included within Financing and Investment Income and Expenditure.				
Dr Financing and Investment Income and Expenditure	1,165		Nil	Nil
Cr Net Cost of Services	(1,165)			
<b>Impact</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>

# Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on total net expenditure £'000	Impact on general fund £'000
<b>Note 4.14 Expenditure and Income Analysed by Nature</b>				
A variance of £903k has been identified between the 'Other Service Expenses' amount disclosed in Note 4.14 and that of the transaction listing provided by client. This nets off to the variances identified between 'Employee Benefit expenses' (£898k) and 'Gains/ Losses on the disposal of assets' (£5k). The overall total expenditure has not changed but there has been a movement between 'Other Service expenses' and 'Employee Benefit expenses'/'Gains/ Losses on the disposal of assets'.				
Overall Income has reduced by £5k due to 'Gain/Loss in Disposal of Non-Current Assets' decreasing and overall deficit on the provision of services has gone from £4.863m to £4.858m.				
Dr Gain/Loss in Disposal of Non-Current Assets	5		(5)	(5)
Dr Employee Benefit expenses	898			
Cr Other Service Expenses	(903)			
<b>Note 4.27 Cash and Cash Equivalents</b>				
We queried the treatment of cash in transit with management, the balance made up £100k of the cash at bank balance. It was determined that this balance should be classified as a receivable.				
Dr Receivables		104		
Cr Cash and cash equivalents		(104)		
<b>Overall impact</b>	<b>10</b>	<b>(10)</b>	<b>5</b>	<b>5</b>

## Impact of unadjusted misstatements

No unadjusted misstatements have been identified at the date of issuing our report. We will provide an update to Management and the Joint Audit Committee should any issues be identified from the remaining testing.

# Audit adjustments

## Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Narrative Report	On page 12 amendments are to be made to the Balance Sheet Analysis in line with amendments to be made to the Balance Sheet within the final set of financial statements as agreed with by management.	✓
Note 4.0.11/4.0.13 Accounting Policies	Inventory accounting policy - refers to current price, should be cost in line with CIPFA Code. Depreciation accounting policy - assets have been identified within the fixed asset register which fall out of scope of useful economic life policies for both 'Buildings' and 'Vehicles, Plant, Furniture & Equipment'.	✓
Various - NWFC	On receipt of the draft financial statements for NWFC, some differences between the estimates included and the actual draft figures were material. As a result, management have updated the final version of the financial statements to reflected the actual draft financial statement figures for NWFC.	✓
Note 4.12 Expenditure & Funding Analysis (and Note 4.13 Adjustments between Funding and Accounting Basis)	There were several changes made to Note 4.12 Expenditure & Funding Analysis and Note 4.13 Adjustments between Funding and Accounting Basis between the 2023/24 and 2024/25 financial statements. Management have included a prior period adjustment. See page 26 for further details. There were also changes made to note 4.5 Adjustments between accounting basis and funding basis under Regulations between the 2023/24 published accounts and the prior year comparatives in the 2024/25 financial statements to the value of £54k.	✓
Note 4.14 Expenditure and Income Analysed by Nature	Employee benefit expenditure - Decrease of £10,732k from £29,094k to £18,632k. We identified that £10,732k of pension interest cost had been included in the employee benefit expenditure line of Note 4.14. We deem this expenditure to relate to interest payments as opposed to employee benefit expenditure, and as such, the £10,732k will be moved from employee benefit expenditure line to an Interest on net pension liability line.	✓
Note 4.15 Officer's Remuneration	Officers over £50k note should exclude senior officers disclosed separately in the senior officers note (Code 3.4.5.1.1a). Some senior officers were included within this note and therefore needed removed.	✓
Note 4.22 PPE	An £887k variance was identified between the historic cost valuation net book value figure stated within the draft accounts as of 31 March 2025 and the figure stated within the fixed asset register. This variance does not impact the figure included on the balance sheet. A £206k variance was also identified between the 2023/24 net book value figure stated in the comparative note in the draft accounts as at 31 March 2025 and the figure stated within the fixed asset register. Again, this variance does not impact the figure included in the comparative balance sheet.	✓
Note 4.24 Financial Instruments	There were several adjustments required to the financial instrument notes.	✓

# Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 4.25 Short Term Debtors	The 24/25 and 23/24 Short Term Debtors notes are inconsistent with one another in the draft accounts, due to the NWFC share figure presented together with the Other Local Authorities balance in previous years and presented separately in 24/25 accounts, the NWFC share figure was then mistakenly not removed from the Other Local Authorities balance and was so present twice within the Debtors note. The balance sheets across both years are consistent and do not require correction for this issue.	✓
Note 4.27 Cash and Cash Equivalents	One investment was queried regarding classification as a cash equivalent. The investment was due to mature six months post year end, thus not meeting the criteria as a cash equivalent under the CIPFA Code. Management have agreed to separate this £1m balance from the cash equivalents lines in the final set of financial statements.	✓
Note 4.33 PFI	<p>There is an error in the prior year comparative table for payment timescales, wherein the note in the accounts does not agree to the prior year signed accounts. We have challenged CCFRA on the reason for this error and received the explanation that this was due to the models being run incorrectly in the first instance, leaving a small liability outstanding after conclusion of the scheme, which appears in the 16-20 years row of the prior year comparative table of the 24/25 accounts. The 23/24 accounts are correct with the error being in the 24/25 accounts.</p> <p>The models were since rerun, and the models that have been used as appropriate and reviewed by our Financial Modelling team are the correct models, but the prior year comparative table was not correctly updated. As a result, there remains a £362k error in the prior year comparative table of the note, which should instead be nil. As this is not material, management do not deem it necessary to adjust.</p>	✗
Note 4.34 Disclosure of Net Pension Assets and Liabilities	<p>During the audit we were informed of a re-run of the LGPS values, which resulted in an increase of £223k in the fair value of pension assets. As this figure is below materiality, no changes will be made to the financial statements. Given the available economic benefit is capped at zero, this adjustment did not impact the Economic Benefit figure, and the unfunded liability of £151k remains unchanged in the Balance Sheet. However, the change in the fair value of plan assets has affected the 'Effect of Asset Ceiling' disclosure in Note 4.34 of the Financial Statements, increasing it from £5,414k to £5,637k.</p> <p>Management have not updated for this on the grounds of materiality.</p>	✗
Note 4.34 Disclosure of Net Pension Assets and Liabilities	We also identified two variances, totalling an absolute difference of £11k, between the disclosures in the pensions note and the amounts reported by the actuary.	✓
Note 4.36 Events after the Balance Sheet Date	Transfer from Home Office to MHCLG not disclosed in subsequent events note.	✓
Annual Governance Statement (AGS)	Several required disclosures are missing from the AGS. Disclosures omitted include summary regarding particular challenges that the authority have faced, inclusion of an agreed action plan, inclusion of a conclusion with a commitment to monitoring implementation and chief executive signature.	✓
Typographical changes	A small number of typographical and consistency changes were made to the statements.	✓

# Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
●  High	<p><b>Civica super-user access</b></p> <p>On page 26, we noted a wider management override of controls issue around the access rights of Civica super-users. As part of our IT audit, we inspected administrative access to Civica and identified that all five finance users have high level privileged access. The combination of financial responsibilities with the ability to administer end-user security is considered a segregation of duties conflict.</p> <p>A combination of administration and financial privileges creates a risk that system-enforced internal controls can be bypassed. User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.</p>	<p>The Authority should put in a place appropriate controls to address the risk posed by all finance team members having super-user access. We appreciate that in small teams this access may be considered necessary, but other processes could be introduced, for example:</p> <ul style="list-style-type: none"><li>• Developing formal user access management procedures to ensure activities are consistently performed, logged and monitored.</li><li>• Where new user access requests are initiated, management should have a process in place to record, approve and action the request based on user role, team and access level.</li><li>• Where user access is modified, the Authority should proactively review existing user access prior to additional access rights being granted. This should ensure only access required for the user's new role remains assigned and that no segregation of duty threats are created.</li><li>• The Authority should ensure that a comprehensive user administration procedures are in place to revoke application and Active Directory access in a timely manner. For a user administration process to be effective, IT must be provided with timely notifications from HR and/ or line managers</li><li>• The Authority should consider performing user access reviews on all terminated accounts to ensure all accounts have been disabled in a timely manner. Where old or unused accounts have been identified, these should be immediately revoked.</li></ul> <p><b>Management response</b></p> <p>We will work with the system supplier to better understand and develop audit reporting in the system. Limited capacity in IT and finance resource limit the ability to segregate super users from normal users. The transfer of DDaT to the Constabulary in 2027 will help to alleviate this as will the Constabulary moving to Civica at the same time. Some synergies and economies of scale will help with having super users separated.</p> <p>Further investigation into short term measures to enhance controls will be investigated and implemented to ensure controls are robust.</p> <p>Deadline: 30/06/2026</p> <p>Chief Finance Officer</p>

## Key

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

# Action plan

Assessment	Issue and risk	Recommendations
<p>● High</p>	<p><b>Journals authorisation controls</b></p> <p>We noted authorisation issues arising from the use of super-user access. Specifically, certain journals were authorised by individuals who are junior to the preparer.</p> <p>In addition to this, there are no value limits to journals which can be approved by any Finance team member. This means that large value journals could be approved by junior members of the team.</p> <p>We also identified an additional deficiency relating to the authorisation of re-code journals. There are 13 re-code journals that have not been authorised.</p> <p>Finally, there are no financial limits to posting journals for all users.</p> <p>We note that these issues present a risk of error and fraud.</p>	<p>All journals should be approved by individuals more senior to the preparer.</p> <p>Recode journals should also be subject to the authorisation control.</p> <p><b>Management response</b></p> <p>The small finance team makes hierarchical approval of journals more difficult, however, procedures will be put in place to ensure approval is given by a supervisor wherever possible to all journals. It will be recognised that there will be times where this may not be possible, e.g. during periods of leave etc. but these will be documented.</p> <p>A process will be put in place to ensure all re-code journals are approved and monitored regularly.</p> <p>Deadline: 31/03/2026</p> <p>Chief Finance Officer</p>
<p>● High</p>	<p><b>Lack of bank reconciliation</b></p> <p>Monthly bank reconciliations were not undertaken during the 24/25 financial year, with the only reconciliation taking place at the year end.</p> <p>The weak controls in place for cash present the risk that the cash balance could be materially misstated on the balance sheet.</p>	<p>We recommend that the Authority carry out monthly bank reconciliations.</p> <p><b>Management response</b></p> <p>Capacity in the finance team in 2024/25 was limited and resource was constrained by the implementation of the new system. Resource has been subsequently increased (from 3 FTE to 4 FTE) and all reconciliations will now be undertaken on a regular basis and will be signed off by the Head of Finance or Chief Finance Officer monthly.</p> <p>Deadline: 31/03/2026</p> <p>Chief Finance Officer</p>

# Action plan

Assessment	Issue and risk	Recommendations
<p>● Medium</p>	<p><b>Amendments to the accounts</b></p> <p>We noted a high level of adjustments during the audit, in terms of disclosures and financial adjustments to the draft version of accounts that were provided for audit.</p>	<p>We recommend management reviews its year-end process and ensures there is sufficient review time built in that the quality of the first draft is sufficiently high that there are less adjustments required during the audit.</p> <p><b>Management response</b></p> <p>The capacity and knowledge of the statement of accounts process is currently limited within the wider finance team. Having gone through a full year end process and with attendance at suitable training seminars, this knowledge is now increasing so that the completion of the accounts can be passed over from the Chief Finance Officer. The Chief Finance Officer will then be able to provide robust scrutiny and quality assurance of the accounts process.</p> <p>Deadline: 30/06/2026</p> <p>Chief Finance Officer</p>
<p>● Medium</p>	<p><b>Inventory control</b></p> <p>We identified a control deficiency in relation to the stock management system as there was a lack of evidence to support a number of movements in relation to stock issues and returns, with many inventory movements being tracked only on paper notes which are at risk of being lost and the movements forgotten.</p>	<p>We recommend that the Authority make improvements to its stock control system.</p> <p><b>Management response</b></p> <p>We recognise that the system used to control stock is not ideal and have been looking at an appropriate solution that will help manage stock better. We will progress this and ensure in the meantime we have robust controls in place for the management of stock and stores.</p> <p>Deadline: 30/06/2026</p> <p>Assistant Chief Fire Officer i Service Support</p>

# Action plan

Assessment	Issue and risk	Recommendations
<p>● Low</p>	<p><b>Related party disclosures</b></p> <p>A member of senior management was found to hold an active directorship for which no transactions were declared. On review of the ledger, we noted one transaction with the company which was not disclosed in the related party note.</p> <p>A related party declaration was not received for one member, management made attempts to obtain it but were unable to do so.</p> <p>Management should ensure that all forms are received and disclosures are complete to ensure transparency.</p>	<p>Management should ensure that related party disclosure forms are received for all members, forms are complete and that the necessary disclosures are included in the financial statements.</p> <p><b>Management response</b></p> <p>Reminders are given to the members and officers who are required to complete the forms. Efforts will be made to ensure all forms are received, especially from those who have since left the service.</p> <p>Deadline: 31/03/2026</p> <p>Chief Finance Officer</p>
<p>● Low</p>	<p><b>Cybersecurity</b></p> <p>The Authority have not evidenced a dedicated system for monitoring and controlling compliance with applicable cybersecurity related privacy laws, rules or regulations including GDPR and similar regulations.</p>	<p>Management should implement such a system to ensure that any and all applicable regulations are adhered to.</p> <p><b>Management response</b></p> <p>CCFRS are developing a dedicated, outcome based compliance and resilience system. This provides continuous monitoring control and assurance of GDPR compliance and cyber security obligations. The ICO formal tracker is used to assess practices and to record track and report on progress. This is used as our governance front end.</p> <p>The CAF delivers government endorsed objectives and 14 principles for managing risk, protecting against attack, detecting events and minimising impact. The ICO and NCSC cooperate under an MOU; the outcomes of the CAF articulate what appropriate measures should be defined. We are currently undertaking a pre-assessment of Section B (protecting against cyber-attack), as there is a requirement for the Fire Service to be compliant with the CAF by 2027. Our Information Security Management approaches are aligned to ISO/IEC 27001:2022.</p> <p>The integrated model meets the audit requirement for a dedicated system and demonstrates continuous monitoring and control of GDPR and related privacy obligations.</p> <p>Deadline: 2027</p> <p>Area Manager</p>
<p>● Low</p>	<p><b>Property title deeds</b></p> <p>Land and buildings owned by the Authority are still registered in the name of Cumbria County Council on the title deeds.</p>	<p>Management should look to update the title deeds to reflect that the land and buildings are now owned by the Authority.</p> <p><b>Management response</b></p> <p>The assets were transferred to the fire authority on the closure of the county council based on a schedule of title deeds attached to the formal statutory instrument. On review, it has become apparent that the deeds quoted do not in all instances reflect the exact asset transfers that were intended to reflect fire's asset ownership. The service is working to progress the reconciliation of the correct deeds, make any corrections required and progress the transfer but this requires quite significant legal input and will take some time.</p>

# Value for Money arrangements

# Value for Money arrangements

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

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30<sup>th</sup> November each year from 2024-25. Our interim AAR was reported to you during the 11 September 2025 Joint Audit Committee. In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.



### Improving economy, efficiency and effectiveness

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



### Financial sustainability

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



### Governance

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

In undertaking this work we did not identify any significant weakness in arrangements. We have now completed all of our VFM work and can issue our final AAR to management, once the financial statements audit have been signed off.

# Independence considerations



# Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no independence matters that we would like to report to you.

We are required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. No such breaches have been identified by team.

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

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

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

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

# Fees and non-audit services

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

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Cumbria Commissioner Fire and Rescue Authority. There are no non-audit services provided to the Authority.

<b>Audit fees</b>	<b>£</b>
PSAA scale fee	£111,586
Additional IT related procedures for new ledger implementation	£10,000
IFRS 16	£500
Additional fees in respect of additional time spent on accounts reviews and adjustments and additional work performed to address the risk posed by Civica super-user access.	£10,000
<b>Total</b>	<b>£132,086</b>

The above fees are exclusive of VAT.

The fees reconcile to the financial statements as follows:

• fees per financial statements	£67k
• prior year adjustment due to reduced audit work in 23/24	£41k
• rebate from PSAA in year	£14k
• Additional fees not included in Audit Plan	£10k
• total fees per above	£132k

# Appendices



# A. Communication of audit matters with those charged with governance

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

# A. Communication of audit matters with those charged with governance

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

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

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

## Respective responsibilities

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

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

## Distribution of this Audit Findings report

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

## **B. Management letter of representation**

We have provided management with a letter of representation, which is a separate agenda item at the 24 February 2026 Joint Audit Committee. The letter includes representations on the prior period adjustment as included in this audit findings report.

# C. Audit opinion

## Draft independent auditor's report to the members of Cumbria Commissioner Fire and Rescue Authority

### Report on the audit of the financial statements

#### Disclaimer of opinion

We were engaged to audit the financial statements of Cumbria Commissioner Fire and Rescue Authority (the 'Authority') for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including material accounting policy information and include the firefighters' pension fund financial statements comprising the Fund Account, the Net Current Assets and Liabilities Statement and notes to the Firefighters Pension Fund account. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25.

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

#### Basis for disclaimer of opinion

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

On 27 February 2025, we issued a disclaimer of opinion on the Authority's financial statements for the year ended 31 March 2024. We ~~were not able to~~ obtain sufficient appropriate audit evidence by 28 February 2025, the previous backstop date, that the financial statements were free from material misstatement. We were therefore unable to obtain sufficient appropriate audit evidence over the corresponding figures or whether there was any consequential effect on the Authority Comprehensive Income and Expenditure Statement for the year ended 31 March 2025 for the same reason.

As a result of the limitations imposed by the backstop date, we have been unable to obtain sufficient appropriate audit evidence over the Authority's opening balances reported in the financial statements for the year ended 31 March 2025. Consequently, we have been unable to satisfy ourselves over the in-year movements in the net pension liability and property, plant and equipment. Similarly, we have not been able to obtain assurance over the Authority's closing reserves balance of £163 million at 31 March 2025, also due to the uncertainty over their opening amount.

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

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

Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

#### Opinion on other matters required by the Code of Audit Practice

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the Authority's financial statements and our auditor's report thereon. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our

work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, whether the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Matters on which we are required to report by exception

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

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

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

#### Responsibilities of the Authority and the Chief Finance Officer

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

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

#### Auditor's responsibilities for the audit of the financial statements

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

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

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

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

# C. Audit opinion

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

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

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

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

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

### Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper [arrangements](#)'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

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

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

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

\*\*\*TO BE SIGNED\*\*\*

Elizabeth Luddington, Key Audit Partner

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

Manchester

\*\*\*TO BE DATED\*\*\*



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