

AUDIT AND ASSURANCE COMMITTEE

Minutes of a Meeting of the Audit and Assurance Committee held on Thursday, 11 March 2021 at 10.30 am via Microsoft Teams.

PRESENT:

Mrs HF Carrick (Chair)

Ms C McCarron-Holmes
(Vice-Chair)
Mr NH Marriner
Mr GD Cook

Mr SB Collins
Mrs EA Mallinson
Mr FI Morgan

Also in Attendance:-

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Mrs J Crellin	-	Director of Finance (Section 151 Officer)
Dr D Roberts	-	Executive Director - Corporate, Customer and Community Services
Mr R McGahon	-	Group Audit Manager
Ms H Kirk	-	Senior Risk Officer
Sabuda	-	Senior Manager - ICT Delivery
Mr P Turney	-	Senior Manager - Accountancy (Deputy s151 Officer)
Ms C Whalley	-	Assistant Director - Adults

PART 1 – ITEMS CONSIDERED IN THE PRESENCE OF THE PUBLIC AND PRESS

116 APOLOGIES FOR ABSENCE

There were no apologies received on this occasion.

117 MEMBERSHIP

There were no changes of membership on this occasion.

118 DISCLOSURES OF INTEREST

There were no disclosures of interest made on this occasion.

119 EXCLUSION OF PRESS AND PUBLIC

There were no items on the agenda which required the exclusion of press and public.

120 MINUTES

RESOLVED that, the minutes of the previous meeting held on 15 January 2021 be agreed as an accurate and complete record with the following amendments:-

Minute 109 - On page 8, the first sentence of the second paragraph should read, 'ongoing challenging context in which the Council has been operating'.

On page 8, the first sentence of the third paragraph should read, '12 risks remained on the corporate risk register'.

On page 9, the first sentence of the fourth paragraph should read, '...the Council's planned arrangements'.

On page 10, the final sentence of the first paragraph should read, 'however, the consequences may be felt more greatly in coming years depending on the extent of economic recovery post COVID-19.'

Minute 110 - Page 11, final sentence of the first paragraph should read, 'on how the Council was helping'.

Page 11, the fifth line of the second paragraph should read, 'the private sector had received their vaccinations'.

Page 11, the final sentence of the second paragraph should read, 'work closely with care homes to mitigate any outbreaks'.

Page 11, the second sentence of the third paragraph should read, 'The Assistant Director - Adults explained that patients that had tested positive were not being discharged from hospital into settings without designated beds'.

Minute 111 – Page 12, the second sentence of the second paragraph should read, '... were included in the 2019/20 Head of Internal Audit Opinion'.

Page 13, second sentence of the third paragraph should read, 'The Group Audit manager advised that the follow up...'

Minute 112 – Page 13, the first sentence of the third paragraph should read, 'appointment of independent members to Audit committees'.

Page 13, the first sentence of the fifth paragraph should read, 'provide the necessary assurance to those charged with governance in local authorities over a range of matters including the validation of the appropriateness of the financial statements, the control and governance arrangements of the Council and the Value for Money judgement in respect of the Councils use of resources in the period reviewed.'

121 2020/21 QUARTER 3 CORPORATE RISK REPORT

Members considered a report from the Director of Finance (s151 Officer) which provided the Committee with a progress update on the Corporate Risk Register for the third quarter to 31 December 2020.

The Director of Finance (s151 Officer) introduced the report before welcoming the Senior Risk Officer to provide a detailed overview. This began by informing members that there had been no further risks added to the register during Quarter 3 and no risks removed from the register and there were no proposed changes to the risk scores for Quarter 3. Throughout Quarter 3 there remained the emerging risk of climate change and its potential impact on Council services. The Senior Risk Officer stated that though there had been no changes to the risk scores in Quarter 3, risk management activity had intensified, and this was reflected in the volume of risk mitigation work which had been undertaken.

During the third quarter of 2020/21, the Council along with other Local Authorities faced a particularly challenging period with significant rises in COVID-19 cases leading to the second national lockdown and introduction of the tiering system across the UK. As discussed in the Committee meeting in January 2021, in Quarter 3 the Council anticipated additional pressures and impacts from severe weather, seasonal flu, the end of the EU Exit period and the increasing pressure on Health & Social Care systems. In anticipation of this combination of events, the Council had been proactive in analysing and developing a suite of response arrangements including; Adult Social Care Winter Plans, EU Exit risk assessments, business continuity and emergency response plans in order to deal with the potential complexity of the concurrent impacts from these events.

Members were reminded that Quarter 3 saw the new UK-EU Trade and Cooperation Agreement come into effect at 11pm on 31 December 2020 and were informed that the EU Exit Officer Working Group would continue to meet quarterly to monitor relevant risk assessments, provide oversight of any further key milestones to ensure compliance with the new UK-EU Trade and Cooperation Agreement and to provide a wider horizon scan of the impact of new EU Policy changes as well as the medium to long term impact on the Economy and Communities across Cumbria. Members were assured that there had been no immediate impacts experienced by the Council in relation to exiting the EU however, the wider impact on certain sectors of the Cumbrian Economy such as the Haulage Sector were being closely monitored.

The Executive Director – Corporate, Customer and Community Services Members provided assurance regarding a question of risk in relation to cyber security. The Senior Manager - ICT Delivery addressed a specific question regarding the exploitation of vulnerabilities found in the Microsoft Exchange Server mail and calendar software for corporate and government data centres. He explained that on 4 March 2021 the Council were informed of the vulnerability by the Microsoft account manager and the National Cybersecurity Centre, the servers were successfully patched within hours and a subsequent check on email servers showed that the Council had not been affected by the Zero Day exploit. The Senior Manager – ICT Delivery explained that cyber security and information security was a high priority for the ICT team and the Council, and he was confident that the embedded processes, the right members of staff and the right skill sets would continue to mitigate any threats.

A discussion took place regarding the joint work of Adult Social Care and Children's services to identify issues relating to domestic abuse over the course of the COVID-

19 pandemic. The Assistant Director for Adult Social Care provided assurance that each of the respective safeguarding boards had worked closely to identify any emerging safeguarding issues for both adults and children. It was **AGREED** that a collaborative response from Adult's and Children's Services be circulated to members.

The Director of Finance (s151 Officer) reflected on the context of the Quarter 3 Corporate Risk report and spoke positively of the Council's management of the risks presented in Quarter 3.

In response to a question regarding workforce mental health, the Executive Director – Corporate, Customer and Community Services explained the prioritisation by the senior team to demonstrate the importance of mental health interventions. Members heard that the employee support portal was accessible to all members of staff as a part of a growing programme of support. The progress of the detailed interventions described in the report would be reflected in the Quarter 4 corporate risk report and had been driven by engagement with external experts including Hull University to discover what more could be done to support the workforce. It was **AGREED** that the Workforce Matters presentation from the last meeting of the Scrutiny Management Board be shared with the Audit and Assurance Committee.

Officers were asked to consider the 'loss of corporate memory' as a risk ahead of the proposed reform of local governance arrangements to ensure continuity. The Executive Director – Corporate, Customer and Community Services provided assurance that comprehensive risk assessments would be carried out collaboratively with district and borough council partners as part of the Local Government Reorganisation and significant programme of change.

The Chair asked a question regarding information security and the relationship between the CCTV Compliance Statement and the RIPA Regulations. The Executive Director – Corporate, Customer and Community Services explained the RIPA Regulations and the regular review of the RIPA arrangements and **AGREED** that more information regarding the CCTV Compliance Statement be circulated to the Committee.

RESOLVED that, members noted the updates to Corporate Risks for Quarter 3 2020/21 and agreed that the report provides sufficient assurance that the current Risk Management arrangements are both robust and effective.

122 ACCOUNTS PREPARATION 2020/21

Members considered a report from the Director of Finance (s151 Officer) which summarised the overall approach and progress to date on the preparations for the Council's and Cumbria Local Government Pension Scheme Statement of Accounts 2020/21 and the Council's Value for Money conclusion.

Members heard that the Audit Findings Report (AFR) for the Council's 2019/20 Accounts concluded that again the Council achieved a very high quality of financial reporting, with working papers being to a good standard and with Grant Thornton commenting positively on the effective response time to their audit queries. The Director of Finance (s151 Officer) informed members that only 45% of Local Authority accounts met the revised statutory deadline of 30 November 2020 and the Council's success in doing so to such a high standard reflected the constructive working relationship between the Committee, the finance team and the external auditor.

The report set out that the original deadline for the sign off of the unaudited accounts of 2020/21 was Friday 28 May 2021 in advance of the statutory deadline of 31 May. The statutory deadline was expected to be amended to 1st August 2021 pending the outcome of the MHCLG consultation on changes to the Accounts and Audit Regulations following the recommendations of the Redmond Review. The Director of Finance (s151 Officer) explained that the Finance team would be working substantively to the original timetable. However, the extension would provide for some flexibility, which may be welcome to accommodate the finalisation of Audit Plans by the External Auditor and the impact of COVID-19 on accounting and reporting activities.

RESOLVED that,

- a) the high-level timetable for the closedown of the Council's and the Cumbria Local Government Pension Scheme 2020/21 accounts (paragraph 4.27 of the report) be noted,
- b) the potential risks for the closure of the Council's 2020/21 accounts (paragraph 4.35 of the report) be noted,
- c) the Value For Money (VFM) approach to determine the VFM conclusion as part of the final accounts process (paragraph 4.37 to 4.43 of the report) be noted,
- d) the potential risks for the closure of the CLGPS 2020/21 accounts (paragraphs 5.8 to 5.9 of the report) be noted.

123 INTERNAL AUDIT PROGRESS REPORT TO 31 JANUARY 2021

Members considered a report from the Group Audit Manager which provided a summary of the work of Internal Audit between 15 December 2020 and 31 January 2021.

The Group Audit Manager highlighted the key points of the report. He began by explaining that work was progressing on the reviews in the 2020/21 audit plan but that delays in starting 2020/21 audit work had been caused by the impact on Directorate teams in responding to COVID-19 and the additional support provided by Internal Audit as part of the wider Council response. The Group Audit Manager

assured members that Internal Audit work to recover the position on the 2020/21 audit plan would continue up to the date of the Head of Internal Audit opinion on 31 May 2021.

Members heard that the level of audits that were receiving Reasonable or Substantial assurance in 2020/21 was 73% (taking account of all current draft and final reports issued). This was only slight lower than the 76% at the same stage in 2019/20. The Group Audit Manager as Head of Internal Audit was content with the progress made to date, the intended coverage of the audit plan and the work underway.

Work in the 2020/21 audit plan, which had not commenced at 31 January 2021, had been re-risk assessed and it was proposed that 6 audits be included in the draft 2021/22 audit plan.

The Group Audit Manager having attended several regional and national events for heads of internal audit over the last two months summarised some of the key messages as:

- a mixed picture across the country in terms of ability to give a Head of Internal Audit Opinion for 2020/21 without any limitation of scope
- the level of normal internal audit work undertaken by audit teams in 2020/21 differs significantly across the country and across the type of authorities (counties, mets, districts)
- several different approaches being taken to giving the Head of Internal Audit opinion in 2020/21 depending on the extent of normal audit work undertaken in 2020/21 but a clear message of utilising as many sources of evidence as possible.

Clarification was sought regarding the Internal Audit teams work for ensuring value for money. The Group Audit Manager explained that the processes in place and the audits carried out by the Internal Audit team always had value for money in mind but unlike the External Auditor there was not a specific review carried out to assess value for money.

The Chair also sought clarification regarding the Internal Audit recommendation for Allocation for Personal Budgets which stated that 'Annual reviews of care and support plans not carried out for all service users with personal budgets, as required by the Care Act'.

It was confirmed that this recommendation was not suggesting that the appropriate support plans had not been put in place or that these were not monitored throughout the year, instead the recommendation was in reference to the requirement to carry out an annual review of all service users.

RESOLVED that,

- a) members noted the progress and the outcomes of internal audit work,
- b) members approved the changes to the 2020/21 Audit Plan.

124 DRAFT INTERNAL AUDIT PLAN 2021/22

Members considered a report from the Group Audit Manager which detailed the Draft Internal Audit Plan 2021/22.

Members heard that in producing the 2021/22 plan the Group Audit Manager had included 115 days of unallocated time relating specifically to the 'People' and 'Corporate, Customer & Community Services' Directorates. This was to reflect the fact that as key directorate staff had had to prioritise responding to the COVID-19 pandemic in the quarter, it had been agreed that Internal Audit would meet the Assistant Directors in March / April 2021. Given these Assistant Directors were dealing with key parts of the Council's response to COVID-19 there was the potential that risks in those areas would emerge during the year. An update would be provided to the Committee at its meeting in June.

Overall, 70 days of the plan had been allocated to consultancy / support and advice work. This equated to 5.9% of overall audit resources in the plan, and if management overheads were excluded this would equate to 7.1% of productive time spent on audit reviews. There is one specified piece of work on Lateral Flow Testing (LFT) and discussions would be held with management to agree a further piece of work during the year.

Members were given assurance that the planned Internal Audit coverage was consistent with the coverage in a normal year and was considered adequate to provide an annual audit opinion.

RESOLVED that, the Audit and Assurance Committee approve the draft audit plan for 2021/22 and the Audit Charter for 2021/22.

125 (GRANT THORNTON ITEMS)

a External Audit - Annual Audit Letter

Members considered the Annual Audit Letter which summarised the key findings arising from work carried out by Grant Thornton at Cumbria County Council (the Council) and its subsidiaries (the Group) and Cumbria Local Government Pension Scheme (the Scheme) for the year ended 31 March 2020. The Engagement Lead introduced the report and summarised the result of the External Audit over three key

areas. With regards to financial statement, members noted that Grant Thornton had given an unqualified opinion on the Council and Group's financial statements on 30 November 2020. With regards to the External Auditor's Value for Money conclusion, the Engagement Lead confirmed that they had been satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020. The Engagement Lead stated that he had not needed to invoke any of the External Auditor's statutory powers.

b External Audit - Progress and update report

The Engagement Lead introduced the progress and update report which sought to provide an overview of the current position for the 2020/21 audit plan. Members heard that due to the challenges presented during the previous year 2019/20 the timetable for the current financial had needed to be adjusted. However, the Committee was assured that the Council and pension fund audit would not be affected and that the complete audit plan would be finalised by April 2021.

The Engagement Lead provided a summary of the revisions to auditing standards which would affect the audit for the 2020/21. It was explained that during the period December 2018 to January 2020 the Financial Reporting Council issued a number of updated International Auditing Standards (ISAs (UK)) which would be effective for audits of financial statements for periods beginning on or after 15 December 2019. Members were asked to note a significant revision which had asked that External Auditors assess the ability of those charged with governance to oversee management's process for making accounting estimates as well as how management had arrived at those accounting estimates.

Members were provided with assurance around the revision of requirements regarding accounting estimates. The Director of Finance proposed a briefing session with the committee in May so that Members had the opportunity to consider the Council's approach to accounting for estimates and preparing for the Audit. However, she also commented on the importance of the requirements upon the Committee as those charged with governance being formally recognised at the June meeting so that the Committee would be able to evidence its compliance and execution of its responsibilities. It was **AGREED** that a briefing session on accounting estimates be for Members of the Committee before the June meeting. The Engagement Lead agreed with the Director of Finance in confirming that all partners of the Council and other public sector bodies would be subject to the same auditing standards. It was **AGREED** that more detail be provided on implications for Council partners, where appropriate, at the accounts briefing session.

A detailed discussion took place regarding the increased workload presented by the revision to the International Auditing Standards and the ability of the Audit and Assurance Committee to deliver professional comment on accounting estimates. The Chair was given assurance from the Engagement Lead that an ongoing dialogue would continue between the external auditor and the Council management to ensure that they were able to provide the Committee with a detailed framework of what is expected when investigating and overseeing account estimate processes.

The Engagement Lead then highlighted the changes made as part of the revised approach to Value for Money audit work. The changes included more extensive reporting, with a requirement on the auditor to produce a commentary on arrangements across all of the key criteria, rather than the current 'reporting by exception' approach. A discussion took place regarding the framework and the replacement of the binary (qualified / unqualified) approach to Value for Money conclusions, with far more sophisticated judgements on performance, as well as the requirement for key recommendations related to any significant weaknesses in arrangements identified during the audit.

c External Audit - Teacher's Pension return: Confirmation Letter

The Engagement Lead introduced the report by confirming the positive progress that had been made since the previous year's Teachers' Pension Return. The Senior Audit Manager provided further detail on the tests carried out on the teachers' pension claims. Members noted that work was completed in January 2021, only one minor exception had been found and any issues raised in the previous years' report had now been addressed.

126 FORWARD PLAN - AUDIT AND ASSURANCE COMMITTEE

The Director of Finance asked that three further items be added to the agenda for the 14 June meeting. Firstly, it was **AGREED** to add an item which would address the need for the committee to be updated on the Accounts Preparation 2020/21 so as to respond to questions around the new auditing standards regarding estimates. Further to this, it was **AGREED** that items should be added to include the External Audit Plan for Cumbria County Council accounts and for the LGPS accounts from the External Auditor.

127 DATE & TIME OF NEXT MEETING

The next meeting of the Committee is due to take place on 14 June 2021.

The meeting ended at 13:30pm