

AUDIT AND ASSURANCE COMMITTEE

Minutes of a Meeting of the Audit and Assurance Committee held on Friday, 15 January 2021 at 2.00 pm 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:-

Mrs J Crellin	-	Director of Finance (Section 151 Officer)
Dr D Roberts	-	Executive Director - Corporate, Customer and Community Services
Mr J Readman	-	Deputy Chief Executive and Executive Director - People
Mr C Cox	-	Director of Public Health
Ms C Whalley	-	Assistant Director – Adults
Mrs H Kirk	-	Senior Risk Officer
Mr R McGahon	-	Group Audit Manager
Mr D Hamilton	-	Democratic Services Officer
Mr D Houston	-	Senior Manager - Health and Care Integration
Ms C Killeen	-	Strategic Policy and Scrutiny Advisor
Mr G Kelly	-	Engagement Lead - Grant Thornton
Mr R Anderson	-	Senior Audit Manager – Grant Thornton

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

104 APOLOGIES FOR ABSENCE

There were no apologies for absence received on this occasion.

105 MEMBERSHIP

Members were informed that Mr FI Morgan had become a full member of the Committee having replaced Mr F Cassidy.

106 DISCLOSURES OF INTEREST

There were no disclosures made on this occasion.

107 EXCLUSION OF PRESS AND PUBLIC

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

108 MINUTES

RESOLVED that, the minutes of previous meetings held on 23 November 2020 and 27 November 2020 be confirmed as accurate and complete records.

109 QUARTER 2 – CORPORATE RISK REPORT

Members considered a report from the Director of Finance (S151 Officer) which provided a progress update on the Corporate Risk Register for the second quarter to 30th September 2020. Reflecting the timing of the meeting the report focused on the Quarter 2 position but also gave an indication of the direction of travel during Quarter 3 which would be reported upon further at the March 2021 meeting of the Committee.

The Director of Finance (S151 Officer) introduced the report by providing an overview of the ongoing challenging context in which we have been operating since the last risk report delivered to Committee on 17 September 2020, and also provided adequate assurances around the controls and preparatory measures needed to be in place to manage the escalating demands on Council Services during the winter months (Quarter 3) and specifically in context of the ongoing & changing impact of COVID-19, the potential impact of coming to the end of the EU Exit transition period as well as the potential for winter weather events. The Director of Finance then handed over to the Senior Risk Officer to talk members through the detail of the report.

During Quarter 2, 12 risks remained on the register, 8 of which were high risks and 4 were medium risks. There were no new risks added and no risks were closed off or removed. There remained 1 notable emerging risk which was Climate Change.

Members heard that on considering their Corporate Risks, the People Directorate Management Team concluded that in respect of 3 risks, the risk scores needed to increase due to the escalating impact of the second wave of COVID-19. These 3 risks and their scores were as follows: -

- Risk 4 - Health and Social Care Demand and System Failure - increased from 16 to 20

- Risk 5 - Resilience of the Care Sector and impact on meeting care needs - increased from 16 to 20
- Risk 6 - Cumbria COVID-19 Local Outbreak Control Plan - increased from 15 to 20

These three risks, as well as the risk of COVID-19 impacting on the provision of Council Services, formed the basis of the Deep Dive Risk Analysis at item 8 of the agenda. The presentation would outline the key controls and mitigating actions that are in place to help manage the interrelated aspects of all of these risks, and in particular the planned arrangements in place to deal with the unprecedented demands of this year's Winter Pressures.

The Senior Risk Officer then updated members of the Committee on the other main area of significant change since the September committee meeting, the corporate risk of exiting the EU transition period. An update on this risk was provided within the Quarter 2 report due to the timing of this meeting (January 2021) relative to the end of the transition period (31 Dec 2020).

It was explained that a considerable amount of effort had been taken by many officers to ensure robust risk assessments and planned arrangements were in place to mitigate or respond to all known possible scenarios resulting from the end of the transition period, with or without a negotiated trade deal. To this end the risk score at the end of Quarter 2 remained at a score of 9.

By mid-December 2020 there was still uncertainty of a trade deal being negotiated however, by the end of December 2020 a trade deal was successfully in place and the initial indications were that our planned arrangements were still very relevant to the expected short and medium term impacts of exiting the EU.

There may be unknown and unpredictable impacts that have not been considered and the committee was assured that a reporting mechanism was in place to identify and track EU Exit related impacts, and that any emerging issues would be escalated as necessary through the Council's existing emergency response structures and governance arrangements already in place for COVID-19.

Regarding corporate risks 8 (Information Security Arrangements) and 12 (The Impact of exiting the EU transition period), the Chair observed that it was the systems and controls that were in place to mitigate and manage these risks which were enabling the risks to be successfully maintained at the level shown in the report and credited officers for the hard work being carried out to keep the Council in this manageable position. The Executive Director – Corporate, Customer and Community Services thanked the Chair and spoke in more detail about the active management of the two risks over this period, and more generally, about the dynamic nature of the Risk Register. She explained that the Register reflected a risk score at a particular time but included in the report were all the mitigations introduced during Quarter 2 to keep that risk score stable.

Members raised a concern regarding the inclusion of 'Underachievement of income budgets' as an aspect of risk 2 'Deliver a Financially Sustainable Authority'. This related to the impact of COVID-19 on two key sources of funding for the Council, that of Business Rates and Council Tax. The Director of Finance (s151 Officer) stated that this particular aspect of the risk is being partially mitigated by Government funding and will not be felt as greatly as first thought for this year however, the consequences may be felt more greatly in coming years.

Members sought assurance that robust procedures were in place to mitigate external threats when updating IT and security systems. The Executive Director – Corporate, Customer and Community Services provided assurance that significant systems were subject to rigorous assessment before being updated and that this process was being reviewed regularly. In answer to another question, the Executive Director – Corporate, Customer and Community Services explained the data retention policies and procedures that the Council had in place and suggested that the arrangements for handling of data records be included as part of the next Corporate Risk Report. It was **AGREED** that the details of data records procedures be incorporated into the Quarter 3 Corporate Risk Register.

Members were given assurance of that the wellbeing of the workforce was a focus for the Corporate Management Team. The Executive Director – Corporate, Customer and Community Services explained that work was being carried out across the Council to provide new resources and to consider new approaches to supporting the workforce. A more detailed understanding of the impact of the pandemic on workforce wellbeing and absence was being addressed through the Scrutiny Management Board.

RESOLVED that, members note the updates on Corporate Risks for Quarter 2 2020/21 and agree that the report provided sufficient assurance that the current Risk Management arrangements were both robust and effective.

110 DEEP DIVE RISK ANALYSIS - WINTER PRESSURES

The Deep Dive Analysis for this meeting related to Winter Pressures.

The presentation was introduced by the Executive Director – People (Deputy Chief Executive) and then delivered by the Senior Manager - Health and Care Integration.

The presentation included the following risk management items: -

- Introduction
- Impact of COVID-19 on the provision of Council Services – Update
- Health and Social Care Demand and System Failure – Update
- Resilience of the Care Sector and impact on meeting care needs
- Cumbria COVID-19 Local Outbreak Control Plan
- Interdependencies
- System Controls

Members sought assurances from officers on how we were progressing with the vaccination programme for Cumbria Care Homes and on how we were helping to support other care homes at this time.

Members heard that as of the week beginning 11 January 2021, 60% of staff and 69% of residents across Cumbria care settings had been vaccinated. The Director of Public Health also confirmed that the rollout plan for the following week would ensure all eligible residents across both Cumbria Care and the private sector had received their vaccine. In response to a specific question regarding care home support, the Director of Public Health stated that there was a high degree of support available to care homes for both the public and private sector and this has been in place for some time. It was explained that oversight had been provided by the outbreak control team which had been meeting daily since mid-April 2020. There was also a dedicated infection prevention team that was staffed every day of the week and would work closely with care homes to mitigate outbreaks.

Members sought assurances regarding the discharge of COVID-19 positive residents into care homes. The Assistant Director - Adults explained that patients that had tested positive were not being discharged from hospital into settings where there are not designated beds. There was work in progress to secure a designated setting and officers were optimistic that this would be established by the end of the following week.

A further concern was raised around the availability of vaccinations for those who provide as well as receive domiciliary care. The Director of Public Health confirmed that domiciliary care staff are frontline health and social care workers and were priority 2 and should be vaccinated by the end of next week. In terms of residents, they are not explicitly identified as a group in the prioritisation list which is largely factored by age and vulnerability but because most people receiving care at home would fall into these categories they should have already received vaccines or be due to receive them soon.

RESOLVED that, members receive a presentation on 'Planning for Winter Pressures'.

111 INTERNAL AUDIT PROGRESS REPORT TO THE 15 DECEMBER 2020

Members considered a report from the Group Audit Manager which highlighted the progress toward completion of outstanding 2019/20 audit work and work from the 2020/21 audit plan. The Group Audit Manager introduced the report by explaining to members that this was an additional report outside of the normal reporting cycle which would provide a summary of the work of Internal Audit in the six weeks to 15 December 2020.

The Group Audit Manager informed members that there had been 1 completed audit in respect of the 2020/21 Audit Plan which related to a follow up on Vacant Properties which achieved 'Reasonable assurance'. Two draft reports had also been

finalised from earlier audit plans which were included in the 2019/20 Head of Internal Opinion but finalised in 2020/21. These related to CNDR Connect (Partial assurance) and Follow up - Care Act Implementation (Reasonable assurance). There were a further 6 audits which had been completed to draft report stage, with 5 of these contributing towards the 2020/21 Head of Internal Audit Opinion.

With regards to amendments to the approved plan for 2020/21, the Group Audit Manager reiterated the importance of flexibility at the current time and highlighted the necessary amendments to the plan. The Emergency Duty Team (EDT) review had now been amended from a full review to a follow up, and the Children Looked After Recovery Plan and Hospital Discharges (Dtoc2) reviews had been removed from the 2020/21 audit plan with the Children Looked After Recovery Plan being deferred and added to the 2021/22 audit plan under the heading 'Increased demand for children's services'. The revised plan for 2020/21 now included 49 views, 15 of which had been completed to at least draft report stage and 20 of which were in progress.

The Group Audit Manager explained to members that he had met and discussed progress on the 2020/21 audit reviews with the Executive Director – People on 11 December 2020 and both were keen to progress as much work as possible to avoid any impact on the Head of Internal Audit Opinion for 2020/21.

As previously reported to the Committee, the Chartered Institute of Internal Auditors recognised that the impact of the COVID-19 outbreak would continue to be felt during 2020/21 and the challenges and potential impact this might have on delivering the Head of Internal Audit Opinion for 2020/21. CIPFA issued guidance in November 2020 on Head of Internal Audit Opinions for 2020/21 and on 15 December 2020 the three senior members of the Internal Audit team attended the CIPFA webinar on this subject.

Members heard that at the CIPFA webinar it was clear from those attending that, as referred to in our last update report, there is still 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.

It remained the view of the Group Audit Manager that work continue as planned, in terms of progressing our Internal Audit Plan for 2020/21, seeking to obtain appropriate coverage across the directorates to be able to deliver the 2020/21 Head of Internal Audit Opinion at 31 May 2021. It was explained that the position remained very challenging but progress on the delivery of the 2020/21 audit plan would be monitored closely and an update would be provided to the Committee at its meeting on 11 March 2021.

The Chair asked for confirmation that the CNDR Connect review that had been finalised was reporting the historic position when the work was undertaken. The Group Audit Manager provided Members with the assurance that this was the case and that the findings had been included in the work on the Amey Lessons Learned and ZM Action Plans in 2019. The Group Audit Manager that the follow up audit of CNDR Connect would commence in January 2021. The Chair then thanked the

Group Audit Manager for the report and praised the flexible approach to the Internal Audit Plan.

RESOLVED that, members note the progress and the outcomes of internal audit work.

112 THE OUTCOME OF THE REDMOND REVIEW REPORT

Members considered a report from the Director of Finance (s151 officer) which provided a summary of the outcome of the Redmond Review on 'Local Audit and the Transparency of Local Authority Financial Reporting'.

The Director of Finance (s151 officer) introduced the report and highlighted the key message of the Redmond Review which was to address the need for greater accountability and improved transparency in financial reporting in local government and the need for urgent reform to address the local audit market where audit firms were struggling to meet contractual requirements.

The Group Audit Manager summarised some of the recommendations that had arisen from the Redmond Review and explained that the new VFM framework for 2020/21 which would increase focus on financial sustainability, governance and value for money and would impact on the officer time needed for this part of the audit. Another key change was the extension of the accounts audit deadline to 30 September for 2020/21 and 2021/22. Members also heard that the Ministry of Housing, Communities and Local Government (MHCLG) strongly agreed with the Redmond Review recommendation that the external auditor should be required to present an Annual Report to a Full Council meeting. It was also explained that MHCLG was to work with CIPFA, NAO and LGA to provide new guidance on the appointment of independent member to Audit Committee.

A Member asked about any potential pitfalls of appointing an independent member to the Audit and Assurance Committee and the Group Audit Manager clarified that one of the key considerations, if an independent member was appointed, would be regarding the extent of their current knowledge and training necessary to familiarise them with Local Authority accounts and auditing processes. Another challenge was that they would need to understand how Cumbria County Council worked and the issues facing it and this would take a time commitment from them to do this.

A discussion took place regarding external audit fees in which the Director of Finance (s151 Officer) stated the importance of both internal and external audit being adequately resourced so as to fulfil their responsibilities and provide the necessary assurance to Local Authorities which included the validation of the appropriateness of the financial statements, the governance arrangements surrounding them and the Value for Money judgement.

The Engagement Lead – Grant Thornton explained to members that there was a lot of recommendations made in the Redmond Review were things which the External Auditors and the Council did already. The Review would formalise these processes

and the Engagement Lead welcomed this and stated that there was a close interrelatedness between the recommendations which would mean they would need to be taken as a whole.

The Chair raised concerns regarding the extension of the accounts audit deadline to 30 September for 2021/22 but not for 2022/23 which could create issues due to the tight time frame and the potential changes which could be brought about by local government reform.

RESOLVED that, members note the outcome of the Redmond review and the action plan produced to address the recommendations which will directly impact on the Council.

113 (GRANT THORNTON ITEMS)

a External Audit - Audit Progress Report

Members heard a verbal update from the Engagement Lead – Grant Thornton which provided an update on progress of the External Audit. The Engagement Lead began by explaining the completion of the whole government accounts work and the issuing of the External Audit final certification for the accounts 2019/20 on 17 January 2021.

The Senior Audit Manager then gave an update on the progress of the teacher's pension's grant assurance work whereby he stated that it was substantially complete and that expectations were that it would be completed in the next week.

114 FORWARD PLAN - AUDIT AND ASSURANCE COMMITTEE

Members noted the forward plan.

115 DATE & TIME OF NEXT MEETING

The next meeting of the Audit and Assurance Committee is due to take place on 11 March 2021 via Microsoft Teams.

The meeting ended at 4:45pm