

AUDIT AND ASSURANCE COMMITTEE

Minutes of a Meeting of the Audit and Assurance Committee held on Monday, 14 June 2021 at 10.30 am at County Hall, Kendal.

PRESENT:

Mrs HF Carrick (Chair)

Mr NH Marriner
Mr GD Cook
Mr SB Collins

Mrs EA Mallinson
Mr FI Morgan (Vice-Chair)
Mr J Bell

Also in Attendance:-

- | | | |
|---------------|---|---|
| Dr D Roberts | - | Executive Director - Corporate, Customer and Community Services |
| Ms P Duke | - | Director of Finance (Section 151 Officer) |
| Ms I Puzio | - | Chief Legal Officer (Monitoring Officer) |
| Mr P Turney | - | Senior Manager - Accountancy (Deputy s151 Officer) |
| Ms A Clark | - | Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions) |
| Mr R McGahon | - | Group Audit Manager |
| Ms H Kirk | - | Senior Risk Officer |
| Ms F Parker | - | Group Finance Manager - Corporate Accounting |
| Mr D Hamilton | - | Democratic Services Officer |

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

128 APOLOGIES FOR ABSENCE

There were no apologies received on this occasion.

129 MEMBERSHIP

Members welcomed Mr J Bell to the Audit and Assurance Committee and noted that he would replace Mrs C McCarron-Holmes as a permanent member of the Committee. Mrs C McCarron-Holmes' previous role as Vice-Chair would now be held by Cllr Frank Morgan. The Chair asked that her thanks to Mrs McCarron-Holmes for her contribution to the Committee be recorded.

130 DISCLOSURES OF INTEREST

There were no disclosures made on this occasion.

131 EXCLUSION OF PRESS AND PUBLIC

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

132 MINUTES

RESOLVED that, the minutes of the previous meeting held on 11 March 2021 be agreed as an accurate and complete record.

133 QUARTER 4 - RISK REPORT

Members considered a report from the Director of Finance (s151 Officer) which provided a progress update on the Corporate Risk Register to 31 March 2021.

The Senior Risk Officer provided some background to the Quarter 4 period outlining how the further lockdown restrictions, alongside the NHS led COVID-19 Vaccination programme, had led to a steadily improving situation in case rates from January 2021. And it was this improving situation that led to the reduction in risk scores for 3 of the corporate risks at the end of March 2021.

Since the end of March 2021, there had been further easing of restrictions (entering Stage 3 of the Government's four-step roadmap on 17 May) and although Cumbria's case rate remained well below the National and Regional average rates, new cases in Cumbria were now on the increase.

The Health Protection Tactical Oversight Group would continue to monitor ongoing developments and the Council's COVID-19 co-ordination arrangements will be adapted depending on the status of the case rates so as to allocate resources as required.

The Senior Risk Officer provided a summary of the Q4 Risk Register. Members heard that 12 risks remained on the Q4 Risk Register, 8 high risks and 4 medium risks. There had been no new risks added to the register and no risks had been closed off and removed from the register. There were three corporate risks, at the end of March/Q4, which had been reduced in score and there was still one notable evolving risk, that of Climate Change.

The Senior Risk Officer outlined the rationale for the risk score reduction of three corporate risks explaining that these reductions reflected the overall improving picture in terms of COVID-19, strong performance of the NHS led vaccination programme and effective risk controls. The three risks in question were:

- Risk 4 - Health and Social Care Demand and System Failure risk - Risk score reduction from 20 to 16, meeting end of year target score.
- Risk 6 - Impact of COVID-19 on the provision of Council Services risk - Risk score reduction from 20 to 15, coming in below the end of year target score.
- Risk 7 - Cumbria COVID-19 Local Outbreak Control Plan - Risk score reduction from 20 to 15, meeting end of year target score.

Although many of the risk scores had not changed in the last quarter there was recognition that risk management improvement activity had continued over this period, as reflected in the further risk mitigation work undertaken and highlighted as part of Appendix 2 of the Corporate Risk Register report. The Senior Risk Officer focused in on the Safeguarding of Adults risk, where the risk score had not changed for a long period of time because there had been significant risk management improvements over this period which had prevented the risk score increasing.

Members discussed the potential emerging risks that could arise from the proposed reform of Local Government. Officers were asked to provide assurance that there were arrangements in place to manage the risks that could arise relating to loss of material or immaterial assets including the loss of corporate knowledge.

In relation to this discussion, the Executive Director – Corporate, Customer and Community Services asked first that members reflect upon comments made at the last meeting relating to document loss. Members heard that there had been a subsequent conversation regarding the specifics of that concern which were found to date back a number of years and related to the loss of highways documentation associated with an office move. It was established that in the build up to the move from Carlisle’s Citadel building and Portland Square to Cumbria House and Parkhouse there were robust procedures put in place around document retention and the movement of documentation which involved prescribed and careful logging of information. Those procedures had served the Council well over the last 5 years and over that time the Council has reported no significant document loss associated with office moves. The Executive Director – Corporate, Customer and Community Services provided assurance to members that the robust procedures already in place would stand the Council in good stead ahead of the potential changes brought about by Local Government Reform. The Draft Corporate Risk Refresh 2021/22 which is incorporated into the next item on the agenda does identify a risk in relation to Local Government Reform.

Regarding the Zero Carbon Cumbria action plan, the Committee asked if more detail could be shared regarding the 12 new job roles created and funded through the National Lottery to deliver a programme of activities to achieve net zero carbon by 2037. The Senior Risk Officer explained that with regards to monitoring and evaluation that it would be the partnership group itself that would be responsible, and that the Council would play a key role in that monitoring. It was **AGREED** that

more detail would be provided to members regarding the responsibility of the Council with regard to governance of these programmes of activity. A discussion took place regarding the importance of transparency when working as part of a partnership arrangement especially in light of the new audit regime. The Chair agreed that this was significant but explained that members must remain mindful of the different roles of scrutiny and audit when considering such topics.

Members highlighted the increased use of ransomware against local authority computer services. Members asked that it be noted as a potential risk that partnership communications had been targeted for these purposes. In relation to those comments around the increased use of ransomware nationally and the risks associated with partners being targeted, the Executive Director – Corporate, Customer and Community Services explained that IT security was always taken very seriously and though she was confident that the Council had robust arrangements in place to protect the system the IT Service could never be complacent and would continue to monitor the situation.

Relating to a statement regarding a refocused approach to sickness absence, the Chair asked if there was anyway of distinguishing between the sickness and absence trend prior to COVID and the trend since. The Executive Director – Corporate, Customer and Community Services stated that the data did allow the Council to distinguish between COVID related absence and other types of absence. A report had been taken to Scrutiny Management Board which related to the corporate approach to wellbeing and sickness absence, and it was **AGREED** that the report from Scrutiny Management Board be shared with the Audit and Assurance Committee.

The Executive Director – Corporate, Customer and Community Services explained that there were challenges in relation to recruitment and retention in certain parts of the workforce. Professional areas such as social work, educational psychology and the legal department. This had been a focus for some time but in the last few months the new Assistant Director - Workforce and Organisational Development had been leading on a piece of work with the People Directorate to refresh the approach to adult and children's social care recruitment. Members heard that the 'New Ways of Working' approach would set about to provide more flexibility regarding how people work. This would allow the Council to think differently about how to attract new talent to the workforce.

The Chair highlighted the importance of the continuous hard work of risk management personnel to mitigate risk and spoke positively of the Council's overall response to the COVID-19 pandemic. The Chair then commented about the importance of retaining the learning embedded within the Risk Register and asked that this continue to be the case.

RESOLVED that, Members noted the updates on Corporate Risks for Quarter 4 2020/21 and agreed that the report provided

sufficient assurance that the current Risk Management arrangements were both robust and effective.

134 DRAFT CORPORATE RISK REFRESH 2021/22

Members considered the report from the Director of Finance (s151 Officer) which recommended to the Committee the corporate risks to be included within the 2021/22 Corporate Risk Register and provided a summary of the changes to the Quarter 4 risks as well as those risks to be closed off and those risks newly added to the register.

Members heard that the Risk Owners Group as well as Directorate Management Teams had been engaged in the review of the current corporate risks and had considered and agreed the removal of or addition of new risks and new evolving risks relevant to the future risk landscape of the Council.

The Committee were informed of the outcomes of the Risk Horizon Scan session provided by Zurich Municipal at the 29 April 2021 Risk Owners Group meeting and consideration of the global risks for 2021 and of how these may potentially impact UK Public Services. The Senior Risk Officer provided an outline of the key areas of reform, change and uncertainty for UK Public Services in general and Cumbria in particular, that could impact the Council over the following year. The areas discussed included: -

- The potential for further waves of COVID-19 & the emergence of new COVID-19 variants of concern.
- Post COVID-19 impact on Service Demands, impact on the Council and New Ways of Working and post COVID-19 Recovery across Cumbria
- Financial Sustainability for the Council in context of the ongoing impact of COVID-19 and sustained uncertainty of funding for local government
- The reorganisation of Local Government in Cumbria concurrent with the reform in other areas of Public Services
- Ongoing impact of climate change and extreme weather events and of increasing environmental interest in relation to Council decisions
- The collective impact of reform, change and uncertainty on workforce mental health and wellbeing.

The Senior Risk Officer summarised the proposed risks for 2021/22 and those still under consideration. There would be: -

- 12 risks in total

- 9 risks roll forward unchanged
- 2 risks and their risk descriptions would be slightly reworded
- 1 risk would be closed off from the register
- 1 new risk added to the register
- 2 areas of evolving risk, that of climate change and COVID-19 Recovery across Cumbria.

In the context of significant organisational reform and post COVID-19 recovery, the Corporate Risk Register for 2021/22 demonstrated a high degree of similarity of corporate risks (with minor amendments) compared to 2020/21.

The additional areas of uncertainty would continue to evolve over time. For example, the risks associated with the potential impact of Climate Change and the post COVID-19 Recovery for Cumbria, including sustainable economic recovery. Members were assured that officers would continue to evaluate and report on these evolving areas of risk.

A discussion took place regarding Local Government Reform and the work to coordinate between partners including the district and borough Councils. The Executive Director – Corporate, Customer and Community Services stated that from the perspective of risk she could see this subject being a key area of focus for the Committee in the future. In explaining the process, the Executive Director – Corporate, Customer and Community Services stated that after the decision was taken, work would begin to develop a structural change order which would provide the legislative basis for the change. It was through this work that the councils would put the controls and procedures in place relating to spending and asset transfers. There would need to be comprehensive risk management arrangements as effective risk management throughout this period would be critical. Indicative planning work had been taking place ahead of the decision, but this would take greater shape once the decision had been made. The Executive Director – Corporate, Customer and Community Services advised that the Committee retain the risk wording for now but assured members that their comments would be noted and would be incorporated into the risk as the situation develops.

A detailed discussion took place regarding the future role of the Audit and Assurance Committee and the major role that it would play in assuring that the controls and governance arrangements were place in the build up to the reform of local government.

RESOLVED that,

- 1) Members noted the summary of refreshed risks and agreed that they adequately cover all areas of Strategic Risk

- 2) Members identified additional new or emerging risks to be added to the Corporate Risk Register for 2021/22.

135 ANNUAL REVIEW AUDIT AND ASSURANCE COMMITTEE EFFECTIVENESS

Members considered a report from the Director of Finance (s151 Officer) which provided a review of the work of the Audit and Assurance Committee against the core functions of an audit committee as defined within the CIPFA Position Statement on Audit Committees: Practical guidance for Local Authorities and Police 2018.

The Senior Manager - Accountancy (Deputy s151 Officer) explained that the Council were also required to include within the Annual Governance Statement reference to, and assessment of, the effectiveness of key elements of the governance framework including the Audit Committee.

The Committee met six times during 2020/21, in July, September, twice in November 2020, January and March 2021. The meeting that had been scheduled for 29 June 2020 was cancelled and re-arranged to July because of the impact of the ongoing COVID-19 outbreak and restrictions.

The Senior Manager - Accountancy (Deputy s151 Officer) reminded members of some of the impact that COVID-19 had on the Committee's workload, and timing of its work but also highlighted some of the key work of the Committee in 2020/21. This included:

- In July 2020, the Committee considered the Annual Governance Statement for 2019/20 and were advised that no significant governance issues had been identified. The Monitoring Officer highlighted that a review had also been carried out into the impacts of the COVID-19 outbreak on the Council's governance. This review concluded that robust emergency planning and business continuity arrangements ensured that the Council could both respond effectively and maintain an effective response to the continuing pandemic whilst maintaining the provision of key services.
- The Committee had continued to take a keen interest in the arrangements for effective risk management and seeking assurances that risk management arrangements are both robust and effective. In July 2020 the Committee received the Quarter 4 update on the Corporate Risk register 2019/20 which included key updates for Quarters 3 and 4 as the March 2020 Committee had been cancelled. The Committee has also received a number of deep dive presentations during the year to help it gain a deeper understanding of specific corporate risks and the arrangement in place to manage them.

- The Committee had continued to receive regular progress reports on the work of Internal Audit. During the year the Committee had actually approved two audit plans, the re-assessed 2020/21 audit plan (July 2020) and the 2021/22 audit plan (March 2021). The Committee also considered the Internal Audit annual report for 2019/20 in July 2020 and the Internal Audit annual report for 2020/21 was being considered at this meeting.
- The Committee also approved the Audited Accounts for 2019/20 for Cumbria County Council, Cumbria Local Government Pension Scheme and the Port of Workington Harbour.

Members heard that the key message from the report reflected the opinion that: 'The Audit and Assurance Committee compares well against the CIPFA core purpose statements for audit committees'.

RESOLVED that, Members noted the report and confirmed the assessment of conformance with the core functions of an audit committee per the 2018 CIPFA Guidance as set out at Appendix 1 of the report.

136 ACCOUNTS PREPARATION UPDATE 2020/21

Members considered a report from the Director of Finance (s151 Officer) which provided an update with regards to Accounts Preparation for both the Council and the Cumbria Local Government Pension Scheme.

The Senior Manager - Accountancy (Deputy s151 Officer) informed members of the outcome of the MHCLG consultation in February on extending the deadline for publishing the accounts. Members heard that the final accounts publication date had now been changed to 30 September 2021 with the unaudited accounts publication date now 31 July. The accounts timeline had since been updated and the aim would be to publish unaudited accounts on 30 June 2021 a full month ahead of the statutory deadline. The first draft of the statement of accounts was completed on 8 June, ahead of the 11 June target date.

The Senior Manager - Accountancy (Deputy s151 Officer) described the Members briefing session which took place on 18 May and looked at the material estimates for both the Council and the Cumbria Local Government Pension Scheme as identified by the auditors and covered areas such as the methods, models and assumptions used as well as the process followed in making accounting estimates. Members shared the opinion that it had been important opportunity to challenge the approach and methods used in order to be assured that the process and assumptions were reasonable.

With regards to the significant risks identified by Grant Thornton in their audit planning work for the Council the Senior Manager - Accountancy (Deputy s151

Officer) provided the committee with assurance that these risks were included in the planning for the preparation of the 2020/21 statement of accounts.

Members noted that it had now been confirmed that the VFM deadline was now the end of December 2021 and so the outcome of the auditor's work would be reported to the 3 December meeting and not the 27 September as previously stated.

The Senior Manager - Pensions and Financial Services highlighted the key areas of the Accounts Preparation for the Cumbria Local Government Pension Scheme. In terms of the timetable of preparation the process for the production of the accounts had been consistent with that applied in previous years. The cut-off date for estimates was mid-May and the draft accounts were presented to the Pensions Committee at its meeting 8 June 2021.

Members heard that after raising some excellent questions on the draft accounts, the Pensions Committee agreed to submit them to the Audit and Assurance Committee for approval on behalf of the Council later this year.

The risks identified by the auditor remain unchanged from last year and relate to the potential for managements override of controls and the valuation of both directly held investment property and level 3 investments. In addition, a further risk had been identified relating to the details of the resolution to the McCloud age discrimination case. The estimated impact of the expected resolution had been incorporated into the accounts but if the final details were to be announced before the sign-off of the accounts, then there may be a need to adjust the accounting entries.

A discussion took place regarding the Council's share of the Pension Scheme liability whereby members questioned the presentation of the liability on the basis of IAS19. It was explained by the Senior Manager - Accountancy (Deputy s151 Officer) that IAS19 figures included in the report were singular estimates that were included as part of the report to illustrate how the Council calculates estimates for IAS19. Members heard that the singular estimates as presented in the report were set in the wider context of the accounts which would be presented in September 2021.

RESOLVED that,

- 1) Members noted the revised high-level timetable for the closedown of the Council's and the Cumbria Local Government Pension Scheme 2020/21 accounts as set out in paragraph 4.7 of the report.
- 2) Members confirm in respect of the use of estimates (paragraphs 4.10-4.14) that:
 - They had been appropriately briefed on how accounting estimates are used.
 - They had the opportunity to consider the areas where estimates are used.

- They had the opportunity to challenge the approach / methodologies.
- They agreed that the approach taken by management towards providing appropriate training on accounting estimates was reasonable.

137 INTERNAL AUDIT ANNUAL REPORT 2020/21

Members considered a report from the Group Audit Manager which provided a summary of all internal audit work for the year and built on the quarterly progress reports that have been presented to CMT and Audit & Assurance Committee during 2020/21.

Members heard that the Group Audit Manager was able to provide 'Reasonable' assurance over the effectiveness of the Council's arrangements for governance, risk management and internal control for 2020/21.

The Group Audit Manager explained that from all the assurance work (including schools) undertaken in the year (completed and draft reports), 74% resulted in 'Reasonable' or 'Substantial' assurance. There had been no audit reviews in 2020/21 which received the lowest assurance level of 'limited'. 71% of risk-based audits had resulted in 'Reasonable' or 'Substantial' assurance. Which showed a slight reduction on 2019/20 outcomes where 77% received 'Substantial' or 'Reasonable' assurance but was better than the 65% achieved in 2018/19.

Members heard that the Group Audit Manager had concluded that overall audit coverage had been sufficient to provide an opinion in terms of the level of coverage and across the directorates. It was highlighted that CIPFA recognised that COVID-19 would potentially have a greater impact on the 2020/21 Head of Internal Audit opinion than it did on the 2019/20 opinion. The key focus of the CIPFA guidance issued in November 2020 was whether Heads of Audit would be able to issue a complete annual opinion or whether there would need to be a limitation of scope. The Group Audit Manager confirmed that he was able to give the annual opinion without any limitation of scope as there had been sufficient assurance across each of the three aspect of the opinion: governance, risk management and internal organisation as well as sufficient assurance across significant areas of operation of the Council.

The opinion was based on 27 reviews completed or at draft stage (compared with 34 reviews for 2019/20) and represents 60% of the overall audit plan and 69% of audit reviews that would have been given a scored assessment.

Members heard that a separate commentary on arrangements for risk management, governance and internal control had been provided. Overall, the message showed the Council continued to make progress in several areas and was continuing to work on these. It also comments upon how the Council had responded to COVID-19 and its impact on the three areas covered by the opinion. The Group Audit Manager explained that there had been some positive areas of response including in

operational risk management during COVID-19 and real time risk management responsive for Personal Protective Equipment (PPE) availability as well as managing COVID-19 outbreaks in care homes.

There had been improvements that had strengthened assurance on officer decision making with Officer Decision Records for both key decisions and other significant decisions made by officers. Decision logs had been maintained by all directorates and were reviewed on a regular basis by the Corporate Governance Group.

Members heard the Group Audit Manager recommend that further progress was required to ensure more consistency in service / operational risk management and in ensuring that up to date procedure notes were in place, where required. Members commented about the high standard of Internal Audit and complimented the Group Audit Manager and the team.

The Chair asked about a specific follow up review that received 'partial assurance' which the Group Audit Manager identified as relating to the service for Children with Additional Needs in South Cumbria. Reviews were carried out for South and North Cumbria and it was found that the North of Cumbria had progressed quicker and therefore received a 'reasonable assurance', South Cumbria had not progressed as quickly as planned and therefore received a 'partial assurance' judgement.

RESOLVED that,

- 1) Members noted the progress in delivering the 2020/21 audit plan and the outcomes of completed audits set out at Appendix 1 of the report.
- 2) Members noted the Head of Internal Audit's opinion of reasonable assurance over the adequacy and effectiveness of the Council's arrangements for governance, risk management and internal control for the year ended 31 March 2021.
- 3) Members note the Head of Internal Audit's declaration of conformance with the mandatory PSIAS.
- 4) Members noted the Head of Internal Audit's declaration of safeguards put in place to protect Internal Audit's independence as required by the PSIAS.
- 5) Members noted the results of the Quality Assurance and Improvement Programme.

138 DRAFT ANNUAL GOVERNANCE STATEMENT 2020/21

Members considered the draft Annual Governance Statement 2020/2021 presented to the Committee by the Chief Legal Officer (Monitoring Officer).

The Chief Legal Officer provided some background to the report stating that following the annual review of the effectiveness of the Council's corporate governance framework, no significant governance issues had been identified. While the Council experienced significant disruption to its day-to-day operations as a result

of the coronavirus pandemic, the governance arrangements that the Council had in place prior to the pandemic provided a strong foundation for the governance of the Council's response to the pandemic. Therefore, there had been no significant impact on the Local Code of Governance or the governance arrangements within the Council.

Members heard that in line with guidance issued by CIPFA in February 2021 "Application of the Good Governance Framework 2020/21" the annual governance statement 2020/21 included a specific commentary around the impacts of the coronavirus pandemic on the Council's governance. This guidance included details of any significant changes which had been made to the governance arrangements, whether the arrangements remain fit for purpose and any new challenges or actions needed to restore governance arrangements that might have lapsed during the year.

In line with CIPFA guidance the statement also included the conclusion of an initial assessment of the organisation's compliance with the FM Code and details of the steps the Council had taken to ensure compliance.

Members heard that in undertaking the review the Monitoring Officer gathered evidence from a number of sources including senior managers as well as from corporate information and reports assessing the performance of the Council in various aspects of its work.

Members were assured that this had been a comprehensive review of governance despite the disruption caused by the pandemic and the Monitoring Officer gave specific thanks to ELT for prioritising the compilation of the Annual Governance Statement 2020/21.

Members heard that the conclusion of the Draft Annual Governance Statement 2020/21 was that there had been no significant governance issues identified. The Monitoring Officer stated that the outcome was one to be proud of given the events of the previous year. Both the Chair and the Monitoring Officer gave thanks to everyone who contributed to the Statement.

RESOLVED that, members reviewed the draft Annual Governance Statement of Cumbria County Council for 2020/2021 before its publication as a draft on the Council's website.

139 (GRANT THORNTON ITEMS)

a External Audit Plan 2020/21 - Cumbria County Council

The Senior Audit Manager – Grant Thornton introduced the report and provided a detailed outline of the Audit Plan for Cumbria County Council beginning with the significant risks identified. These were: -

- Management override of controls - A presumed risk across all audit plans. In response to this risk a detailed testing of journal entries, estimates and judgements made by management would be carried out.
- Valuation of land and buildings – Risk regarding valuation estimates. In response to this the process of arriving at these estimates would be reviewed.
- Valuation of Pension Fund Net Liability – Risk regarding valuation on a ISA basis. In response to this actuary estimates would be assessed with support from PwC.
- ISA 240 Improper Expenditure Recognition – Presumed risk of income and expenditure recognition around the way that new funding streams should be reflected in the accounts.

Members heard that the materiality of the audit as a percentage of the Council prior year gross expenditure for the year was 1.3% which reflected Grant Thornton's view that the profile of the Council accounts was consistent with the previous year.

The Senior Audit Manager drew members attention to the additional work of the External Auditor including areas of Going Concern and Value for Money judgements.

The Chair observed the increased complexity for the External Auditor, as well as with regards to the Committee's role in relation to estimates and the Finance team's role in accounting for the COVID-19 related funding streams. Members were reminded that the aim was for the unaudited accounts to be published by the end of June and on this basis the Chair sought assurance from the External Auditor that timescales would be met to ensure the Committee was able to agree the audited accounts on 27 September 2021.

The Senior Manager confirmed that the intention was to deliver the audit in keeping with the September 2021 timetable but highlighted that there were areas outside of Grant Thornton's control, he cited the forthcoming McCloud judgement which could impact potential liability. With regards to the reporting timetable for the Value for Money conclusion, the deadline had been amended to December 2021 and it was Grant Thornton's intention to use that extra time and bring the report to the December 2021 meeting.

The Senior Manager - Accountancy (Deputy s151 Officer) provided assurance to the Committee with regards to the risks identified by the External Auditor. In terms of the 'Improper Expenditure Recognition' there had been a significant amount of work done as part of the closure of accounts. Almost 35 distinct funding streams (in the region of £70 million) had been closely inspected throughout the year as were their terms and conditions.

With regards to the additional expenditure on audit fees, the Senior Manager - Accountancy (Deputy s151 Officer) informed members that it had been announced

that there would be additional funding nationally and the Council awaits its allocation that would offset some of the additional cost.

140 EXTERNAL AUDIT PLAN 2020/21 - CUMBRIA LGPS

The Senior Audit Manager explained that at the time of producing the plan, the Scheme's latest fund asset valuation showed a significant increase in the value of net assets of the Fund. At 31 March 2020, the Scheme reported net assets of £2.574 billion. This valuation was lower than had previously been forecast, due to the volatility experienced in financial markets in March 2020, directly linked to the COVID-19 pandemic. Since then, the financial markets have recovered significantly and the Scheme has seen large increases in the value of their assets, with the value of the Scheme in excess of £3 billion as of 31 December 2020.

The Senior Audit Manager provided a detailed outline of the Audit Plan for Cumbria Local Government Pension Scheme beginning with the significant risks identified. These were: -

- Management override of controls
- Valuation of Directly-held Investment Property
- Valuation of Level 3 Investment

Members heard that planning materiality had been set at £30.08 million based on 1% of the overall assets of the fund. The Senior Audit Manager explained that the External Auditor was obliged to report unconnected omissions or misstatements other than those considered 'clearly trivial' to those charged with governance. 'Clearly trivial' materiality had been set at £1.504 million.

The Senior Manager - Pensions and Financial Services gave assurances to members that completion of the annual report for the pension fund was on schedule with the intention of meeting the statutory deadline of 1 December 2021.

141 EXTERNAL AUDIT - FEES LETTER 2020/21

The Senior Account Manager explained that in relation to Audit fees for the Cumbria County Council accounts, the changes to auditing standards and the increased scope of audit practice there would be a requirement that more time be spent on the audit which would result in an increase in the estimated fee of £19,000 (21.5%).

The Audit of the Cumbria Local Government Pension Scheme accounts would see a similar increase in scope particularly around enhanced audit procedures for Directly-held Property and the increased audit requirements of the ISA revisions.

142 FORWARD PLAN - AUDIT AND ASSURANCE COMMITTEE

It was **AGREED** that the Senior Information Risk Owner (SIRO) and Information Governance Annual Report be brought to the 14 September meeting of Committee rather than the 27 September and that the Forward Plan be updated to reflect this.

It was **AGREED** that the item listed as External Audit – Audit Progress due to be brought to 3 December meeting of Committee be amended to read 'External Audit - Annual report'.

143 DATE & TIME OF NEXT MEETING

The next meeting of the Audit and Assurance Committee is due to take place on 14 September 2021.

The meeting ended at 13:00 pm