AUDIT AND ASSURANCE COMMITTEE

Minutes of a Meeting of the Audit and Assurance Committee held on Wednesday, 21 September 2016 at 10.30 am at Old Court Room, The Courts, Carlisle, CA3 8NA

PRESENT:

Mr TJ Knowles (Chair)
Mr NH Marriner (Vice-Chair) Mr H Wormstrup
Mr LN Fisher Mr P Thornton
Ms C McCarron-Holmes Mr GD Cook

Also in Attendance:-

Mrs J Crellin - Assistant Director - Finance
Mrs N Parker - Group Audit Manager
Ms F Parker - Group Finance Manager - Corporate Accounting
Ms D Purvis - Finance Manager - Pensions & Treasury

Mrs J Bellard - Director - Grant Thornton
Mr G Kelly - Audit Manager - Grant Thornton
Ms A Pieri - Assistant Manager - Public Sector Assurance, Grant Thornton

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

49 APOLOGIES FOR ABSENCE

Apologies for absence were received from Mr S Collins.

50 MEMBERSHIP

Mr G Cook replaced Mr S Collins as a member of the Committee for this meeting only.

51 DISCLOSURES OF INTEREST

No declarations of interest were made.

52 MINUTES

The Minutes of the meeting held on 9 September 2016 would be considered at the 6 December 2016 meeting.
53 EXCLUSION OF PRESS AND PUBLIC

There were no items for which it would be necessary to exclude the press and public.

54 AUDIT 2015/16 OVERVIEW

A report was considered from the Assistant Director – Finance (S151 Officer) regarding the Unaudited Accounts for the Council and the separate Cumbria Local Government Pension Scheme (Cumbria LGPS) 2015/16. It outlined the key messages of the Audit Findings Report, and stated that the Audit and Assurance Committee was required to approve the audited set of accounts and consider the Letters of Representation in accordance with the Accounts and Audit Regulations 2011 and the County Council’s Constitution.

The Chair commented that it was particularly commendable that Officers had achieved a high standard of financial reporting in the context of reductions in staffing and increasing statutory requirements.

The Assistant Director – Finance (S151 Officer) guided members through the report and stated that both sets of accounts had been produced to a high standard and complied with statutory requirements.

The External Auditor was invited to comment on the Audit Findings Report for Cumbria County Council 2015/16 (recorded at Minute 55) and on the Audit Findings Report for the Local Government Pension Scheme 2015 (recorded at Minute 56).

The Assistant Director – Finance drew members’ attention to the management decision not to adjust for the items raised in the unadjusted misstatements as outlined in the Cumbria County Council Audit Findings Report and the CLGPS Audit Findings Report and asked members to confirm whether they were happy with the decision. A member commented on the narrative statement which had been newly introduced; he considered it more complex to read and felt it could be more understandable to the reader. The Chair concurred but appreciated that officers had completed the narrative statement as directed. The Assistant Director – Finance advised that the guidance for completing the narrative statement had been received late and was complex. The approach to the narrative statement would be considered in planning for closure of accounts 2016/17. The Assistant Director – Finance asked members if they were comfortable with the actions as outlined in the Action Plans to the Audit Findings Report for Cumbria County Council and Cumbria LGPS.

The Committee was asked for its permission for the Assistant Director – Finance to sign the letters to Grant Thornton in order to come to their considerations in respect of the County Council’s Group Financial Statements and Cumbria LGPS – Financial Statements for the year ended 31 March 2016. The Assistant Director – Finance reminded Members that the audit was not yet complete therefore the recommendation (5), as identified in the report before members would be slightly amended to reflect the circumstances. Members were provided with an updated
recommendation which was duly considered. Members were informed that the letters of representation would be signed at Audit sign off, with the permission of the Committee.

Members were asked to confirm their approval for the County Council Accounts 2015/16 and asked whether the Assistant Director – Finance could be authorised to sign the two sets of accounts on behalf of the Council.

RESOLVED that,

1. The report be noted.

2. The matters set out by Grant Thornton in relation to Cumbria County Council be noted, in particular (a) the key issues arising from the Audit and (b) the Audit Findings.

3. The matters set out by Grant Thornton in the Audit Findings Report – Cumbria Local Government Pension Scheme Audit 2015/16 (Agenda Item 8) be noted, in particular (a) the key Audit and Financial Reporting Issues and (b) the Audit Findings.

4. Management’s decision not to adjust for the items raised in the unadjusted misstatements section of the CCC Audit Findings Report and the CLGPS Audit Findings Report be approved.

5. The Letters of Representation on behalf of the Council in respect of the two sets of accounts considered at the meeting held on 21 September 2016 be agreed and the Assistant Director - Finance as the Council’s S151 officer be authorised to sign the Letters and agree to the update of the Letters at Audit sign off.

6. Cumbria County Council Accounts 2015/16 incorporating the Cumbria Local Government Pension Scheme Accounts on behalf of the Council be approved.

7. The Assistant Director – Finance as the Council’s Section 151 (Local Government Act 1972) Officer be authorised to sign the two sets of accounts on behalf of the Council.

8. The completed Action Plans to the Audit Findings Report for the Council and Cumbria LGPS be agreed.

   a Cumbria County Council Letter of Representation

The Assistant Director referred members to her representation letter to The Director of Grant Thornton regarding the Group Financial Statements of Cumbria County Council and its subsidiary undertakings for the year ended 31 March 2016 for the purpose of Grant Thornton expressing an opinion as to whether the group and parent financial statements gave a true and fair view in accordance with
international reporting Standards and the CIPFA/LASAAC Code of practice on local Authority Accounting in the United Kingdom 2015/16 and applicable law.

This item was considered at Agenda item 6 Audit 2015/16 Overview with the resolution recorded at Minute 54.

b CLGPS Letter of Representation

The letter of representation for Cumbria Local Government Pension Scheme (Cumbria LGPS) – Financial Statements for the year ended 31 March 2016 was considered. This was provided for Grant Thornton to express an opinion as to whether the financial statements showed a true and fair view of the financial transactions of the Fund during the year ended 31 March 2016.

This item was considered at Agenda item 6 Audit 2015/16 Overview with the resolution recorded at Minute 54.

c Cumbria County Council Audited Annual Financial Report 2015/16

Discussion for this item took place as part of Agenda item 6 Audit 2015/16 Overview with the resolution recorded at Minute 54.

55 THE AUDIT FINDINGS REPORT FOR CUMBRIA COUNTY COUNCIL 2015/16

The Grant Thornton Audit Findings Report for Cumbria County Council for the year ended 31 March 2016 was considered. The report highlighted the key findings arising from the audit for the Audit and Assurance Committee as required by the International Standard on Auditing (UK and Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Audit Practice. The contents of the report had been discussed with management.

The Director - Grant Thornton agreed with the Assistant Director – Finance that it was a good set of accounts and Officers were thanked for their timely responses to queries and for their input in the Audit process. Members were advised that the audit was substantially complete although some areas required finalising. As an update to the Committee, she stated that the discussion with Counsel in respect of a contractual dispute as outlined in the report, had taken place on 20 September 2016 and the outcome of the discussion required finalisation.

It was reported that no adjusted misstatements had been identified and it was unusual to see so few amendments. In terms of the narrative statement the Director – Grant Thornton advised that it would be useful for Officers to look at other statements once the sector had reflected on 2015/16 experience. The Engagement Lead - Grant Thornton added that a report had been published by CIPFA regarding integrated thinking which would be used in future narrative statements to the Committee. The Treasury Management Strategy was referred to; it was noted that a typographical error had been rectified and it was welcomed that the authorisation of
journals had now taken place. It was confirmed that the additional risks identified by the Auditor in her planning for the 2015/16 Audit had not impacted on the Accounts.

Members were appraised of the accounting policies, estimates and judgements and of the adjusted misstatements. The Director – Grant Thornton stated that disclosure changes had only been reported as they were sensitive items. The Chair was encouraged by the progressive improvement which had been reported and, along with other members, congratulated the professionalism of the teams who worked closely together resulting in a high standard of accounts. The Members commented on the usefulness of the private briefing provided to the Committee prior to the formal meeting be offered to all Members. The Assistant Director – Finance will discuss this with the Chair.

A Member commented on one initial error of £2k and the subsequent extrapolation, leading the Director – Grant Thornton to explain that Audit regulations required the figure to be reported but it was not considered to be material by Grant Thornton. The Chair stated that he was reassured that Grant Thornton considered the figure to be immaterial in their findings. It was questioned whether the level of materiality had been considered in the identification of the error to which the Director – Grant Thornton stated that materiality was revisited throughout the whole audit process but that the figure had to be reported to the Committee.

The Director – Grant Thornton stated that findings had been as expected, given the continual reporting process and that Cumbria County Council gave value for money in all material aspects except for in relation to ~Looked After Children. There was one issue which related to the Ofsted inspection of Children’s Services; there was acknowledgement that improvement was being made in this area and there was a positive direction of travel therefore Members were advised that the significant risk should be considered in that context. Health and Social Care Integration, also a significant risk, was considered to be a challenging agenda which Grant Thornton acknowledged and commended Officers for the good work being undertaken in this area given the formation of a split health economy.

In terms of risk relating to the Medium Term Financial Plan, Grant Thornton had reflected on the impact of the December 2015 flood event and commented on the achievements made by the Council working in partnership. The Chair commented on Officers’ ability to produce their work to a high standard whilst also contributing to the flood recovery process in the County. A Member questioned whether the accounts had been received from Cumbria County Holdings Limited, to which the Director – Grant Thornton advised that the accounts and statement had been received, however the Auditor’s response was still awaited.

RESOLVED that;

1. The Chair of the Audit and Assurance Committee and Assistant Director – Finance consider the provision of a private Member briefing on the Accounts.
The Audit Findings report for Cumbria Local Government Pension Scheme from Grant Thornton was received. It highlighted the significant findings arising from the audit for the benefit of the Audit and Assurance Committee, as required by the International Standard on Auditing (UK and Ireland) 260, the Local Audit and Accountability Act 2014 and the National Audit Office Code of Practice. The contents of the report had been discussed with management. It reported on the key issues affecting the results of the Fund and the preparation of the Fund’s financial statements for the year ended 31 March 2016.

The Engagement Manager - Grant Thornton guided members through the report. She highlighted that one unadjusted adjustment had been identified, they were a very good set of accounts and there had been good liaison and compliance with Council officers. She drew members attention to the findings against significant risks and that in other communication requirements (required by auditing standards) a standard letter of representation had been requested from the fund which was included elsewhere in the Agenda for Members’ consideration.

The Assistant Director – Finance explained that investments were not traded but were a valuation undertaken by the Valuers. Discussion took place on the importance of using up to date figures however it was raised by the Chair that figures fluctuated on a daily basis. It was confirmed by the Engagement Manager – Grant Thornton that the information being used was that ‘best known’ at the time of the audit. Members were reminded by the Engagement Lead – Grant Thornton that the misstatements were trivial issues and were included in the report to give the Committee a greater level of assurance. A number of Members felt that the figures could be misinterpreted if considered in isolation, but were clear when taken in context of the whole report. The Action Plan was considered and Members’ attention was drawn to two minor issues.

The Chair thanked the Engagement Manager and Officers of the Council who had contributed to the work of the audit findings.

**FORTHCOMING MEETINGS**

The Chair thanked Members, Auditors and the external Auditor teams and stated that the Committee was very proud of both sets of accounts. The Director – Grant Thornton was thanked for all her work and she commented that it had been a privilege to be associated with the Audit and Assurance Committee and it had been pleasing to see the progress made over the past five years.

The next meeting of the Committee would be held on 6 December 2016 at the Courts, Carlisle at 10.30am

The meeting ended at 11.45 am