AUDIT AND ASSURANCE COMMITTEE

Minutes of a Meeting of the Audit and Assurance Committee held on Monday, 25 September 2017 at Cumbria House, Carlisle at 10.30am

PRESENT:

Mrs HF Carrick (Chair)

Mrs PA Bell  Mr KR Hamilton
Mr SB Collins  Mr NH Marriner
Mr LN Fisher  Mr DE Southward (Vice-Chair)

Also in Attendance:-

Mrs J Crellin - Assistant Director - Finance
Mrs J Currie - Senior Democratic Services Officer
Mr P George - Senior Finance Manager - Children's Services (Item 10)
Mr G Kelly - Associate Director - Grant Thornton
Ms A Madden - Senior HR Manager – Operations
Ms F Parker - Group Finance Manager - Corporate Accounting (Item 10)
Mrs N Parker - Group Audit Manager
Ms A Pieri - Audit Manager - Public Sector Assurance, Grant Thornton
Mr P Robinson - Assistant Director - Transformation
Dr D Roberts - Corporate Director - Resources and Transformation

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

18 APOLOGIES FOR ABSENCE

There were no apologies for absence on this occasion.

19 MEMBERSHIP

There were no changes of membership for this meeting.

20 DISCLOSURES OF INTEREST

There were no disclosures of interest made for this meeting.

21 MINUTES

RESOLVED that, the minutes of the previous meeting held on 12 September 2017 be agreed as a true and accurate record.
RESOLVED that, the press and public be not excluded from the meeting during consideration of any item of business on the agenda.

23 2017/18 QUARTER 1 CORPORATE RISK REGISTER

The Audit and Assurance Committee considered a report from the Corporate Director – Resources and Transformation which provided members with an update on progress with the 2017/18 Quarter 1 corporate risks for the period 1 April 2017 to 30 June 2017.

A high level summary of the corporate risks position was presented as Appendix 1 to the report, which included all risk scores and risk profile as of end June 2017; and showed the direction of travel compared with the previous quarter (31 March 2017) as well as the direction of travel compared with the same period 12 months ago (30 June 2016).

Members were also provided with a detailed register of all individual corporate risks. For each corporate risk, information was included about the causal factors for the risk; activity undertaken during the previous quarter to manage the risk; and a forward look at the mitigating actions planned to further manage or tolerate the risk.

The Assistant Director – Transformation specifically highlighted the following for members:-

- Internal Audit of Risk Management – an internal audit review of risk management had been agreed as part of the 2016/17 Internal Audit Plan. This audit commenced during Quarter 1. The outcomes of the audit may identify further improvements to help the corporate risk management function to better support managers and employees in ensuring effective Risk Management was in place
- Review of Performance & Risk Management Framework - additionally, a review of the Performance and Risk Management Framework had commenced with the aim of improving the integration of Risk Management within general Performance Management as well as clarifying the responsibilities and accountabilities of managers for assuring compliance to Performance and Risk Management arrangements.
- Risk Management Reporting - a review of the Council’s own documentation used for reporting risk had led to the introduction of new look risk management reports which were presented to members in Appendices 1 and 2. These were aimed at streamlining the previous reports, removing duplication and providing a more comprehensive picture of the status and effectiveness of risk management arrangements for each Corporate Risk.
- Cyber Incident - during May 2017 the Council was impacted by the WannaCry ransomware cyber-attack through our network connection to the NHS. The Council’s response to the incident was well managed and the County Council learned a number of lessons from this event that
would further strengthen Cyber security measures. As a result, further policies, procedures and business continuity arrangements were being improved.

The Assistant Director then took members through the summary of changes of Corporate Risks compared with the previous quarter. No risks had been removed and one further risk had been added – Cyber Threat.

Members asked about progress with the Apprenticeship Levy and the Corporate Director – Resources and Transformation offered members a written briefing on this. This was AGREED.

One of the members asked if officers were confident that plans were in place to deal with the emerging risk of non delivery of statutory services. The Assistant Director – Transformation confirmed this to be the case.

Members asked for details of the work taking place with the BME communities in relation to the radicalisation of young people. The Assistant Director AGREED to investigate and provide members with a written briefing.

The Chair asked how realistic the targets were, and what actions were being undertaken to reduce these. If in reality the risks would never be reduced she wondered whether a review was needed given the financial constraints the County Council was working under. The Assistant Director AGREED to look at this to see if the approach to risk management could be strengthened going forward.

Members were aware that the Children’s Services Directorate was currently awaiting an Ofsted inspection, and wondered whether this would have any effect on the core services provided for children and young people.

The Assistant Director said the key element was to make sure the delivery of services remained affordable and deliverable and this was the same for all directorates, not just children’s services.

Members commented that the risks for Children’s Services would be wholly linked to evidence and it was crucial that the County Council and its partners had the evidence to show.

RESOLVED that,

(1) the report be noted;
(2) Members were assured that the current risks management arrangements are robust and effective

24 RISK DEEP DIVE MANAGEMENT OF ATTENDANCE UPDATE

Members considered a report from the Corporate Director – Resources and Transformation, which provided an update of the management of attendance by the Council, following reports considered by Audit and Assurance Committee in March 2016.
In the context of absence management, the role of the Audit and Assurance Committee was to provide independent assurance to members on the adequacy of the risk management framework and the internal control environment.

High sickness absence levels impact on capacity and the available resources required to deliver council services and to meet the priorities of the community. Audit and Assurance Committee at its meeting in March 2016 received an update on action taken to manage absence. At that committee, it was agreed that a further update would be provided to members of the Audit & Assurance Committee in September 2017.

The issue of high workforce absence had been of concern to elected members of the Council for some years and a Task and Finish Review of the issue was undertaken by Scrutiny in 2012. The Review made a number of recommendations to improve management of absence, most of which were accepted by Cabinet and had been implemented. Further actions had since been identified and implemented to support the improvement in performance.

The Deep Dive identified trends in absence performance and external factors. Data was analysed on a corporate, directorate and service level to understand the reasons, duration and frequency of absence. Updates were provided to CMT and DMTs at a detailed level highlighting key themes and issues for each service area. The Deep Dive analysis created an evidence base to inform a detailed action plan to address the risks posed by absence. Scrutiny Management Board, with a focus on performance, had also received a detailed update relating to absence management and fed back that the actions being taken had positively impacted on performance.

Members were provided with the detailed action plan as Appendix A of the report. The plan had been fully implemented with actions falling under three key themes:

- prevention,
- intervention and
- resolution.

The report detailed progress on the action plan and the positive impact that had been realised so far. Increased corporate prioritisation of the absence agenda had been seen since November 2016 including:

- A priority for Chief Executive, Corporate Management Team and Extended Leadership team
- A rigorous corporate focus, with relentless attention to detail
- Assistant Director – Transformation chairs a weekly meeting to drive the action plan
- A ‘whole team’ approach by People Management staff at all levels
- Monthly updates to CMT and DMT
- Detailed action plan to drive improvement
- Increased governance and scrutiny of performance at all levels
- Refreshed policies and procedures to drive improvement whilst ensuring a person centre approach to managing absence
• Increased employee communications, CMT 3 key messages and Chief Executive’s blog
• Engagement and support of Trade Unions
• Greater visibility of the Employee Wellbeing Service (Occupational Health) and Lead Clinician Dr Abbas
• Assistant Director case resolution clinics and ‘panel’ approach based on success from other councils.

Within the action plan, specific focused resources had been prioritised for services where absence performance was of greatest concern. The services receiving dedicated support had changed since March 2017 and reflected performance improvements made by Fire & Rescue Service and the Children’s Services (Directorate) as well as areas where performance was deteriorating.

In addition to the targeted service support, a high priority case approach had also been implemented by the People Management Service to manage significant long-term cases and high frequency short-term absences.

The Deep Dive identified external factors that had an impact on absence. Factors including restructuring and reshaping activity; preparation for inspections; and environmental and seasonal events could all result in absence, with the biggest influence being reshaping activity.

A key output of the ‘Absence Management Deep Dive’ was to create a step change in the way in which sickness absence was currently being monitored, analysed and managed, creating tangible service specific actions championed by members of the Corporate Management Team to generate attendance improvements.

The Assistant Director detailed for members absence performance for 1 April 2017 to 31 July 2017 where significant improvements had been made, with a 16% improvement (13.21 working days lost in March 2017 reduced to 11.15 working days lost at the end of June 2017.

Positive workforce communications had been issued celebrating the improved performance and recognising this improvement in a positive shift of messaging to attendance as opposed to absence. The performance reflected 90% attendance month on month of the workforce since April 2017 and as such supported positive messaging recognising that the vast majority of employees had good attendance records.

It was recognised that sickness absence levels continued to contribute to the capacity and financial challenges of the Council. Some service areas required minimum staffing levels to safely operate, resulting in the need for additional shift cover costs, or in cases of longer-term absence, temporary or agency staff which could have higher unit costs than the substantive post holder.

The key output of the ‘Deep Dive’ reported in March 2017 was to create a step change in the way in which sickness absence was currently being monitored, analysed and managed, creating service specific actions championed by members of the Corporate Management Team and the Extended Leadership Team of Assistant Directors to generate attendance improvements.
Management capacity, skill and resource remained the single biggest asset in managing absence and improving attendance. Mandatory absence management training for managers was delivered in March and April, with further sessions scheduled for September, October and November.

Members supported the need for mandatory absence management training and were encouraged to note that further sessions were planned to take place.

Members were concerned to note that the directorates which had the highest absence figures last time had not improved. The Assistant Director explained that many of these were due to long term sickness absences.

Members wondered if sickness absence was exacerbated by the impact on service delivery of pressures on budgets and the consequence of this on workload pressures. The Assistant Director felt it was inevitable that during times of austerity. The council was continually looking for ways to reshape services to counteract these pressures, whilst still maintaining services.

RESOLVED that,

(1) members note progression of the Corporate Action Plan in place to minimise and mitigate the risks associated with absence management;

(2) members are assured that absence management activity is being applied across all areas of the Council, with resources targeted to services where performance exceeds target or is deteriorating;

(3) members note the impact that improved absence management procedures have had on absence performance and wider capacity and wellbeing of the workforce.

Mr K Hamilton and Mr N Marriner left the meeting at this point.

25  INTERNAL AUDIT PROGRESS REPORT TO 31 JULY 2017

The Group Audit Manager presented a report which provided a summary of the work of Internal Audit in the four months to 31 July 2017. Audit work completed to draft report stage by 31 May 2017 had previously been reported within the 2016/17 annual internal audit report.

The internal audit plan for 2017/18 was prepared using a risk-based approach and following consultation with senior management to ensure that internal audit coverage was focused on the areas of highest risk to the council. The plan had been prepared to allow the production of the annual internal audit opinion as required by the Public Sector Internal Audit Standards (PSIAS).
The detail below showed the number of internal audit reviews completed, in progress and still to be started for both the 2016/17 and 2017/18 audit plans.

<table>
<thead>
<tr>
<th>Audit plan year</th>
<th>Audit Status</th>
<th>Number of reviews</th>
</tr>
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<tbody>
<tr>
<td>2016/17</td>
<td>Audits completed</td>
<td>5</td>
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<tr>
<td></td>
<td>Audits in progress</td>
<td>9</td>
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<tr>
<td></td>
<td>Audits not yet started</td>
<td>3</td>
</tr>
<tr>
<td>2017/18</td>
<td>Audits completed</td>
<td>0</td>
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<tr>
<td></td>
<td>Audits in progress</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>Audits not yet started</td>
<td>15</td>
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</tbody>
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The Group Audit Manager informed members that an amendment to the approved audit plan had been discussed and agreed with management. The planned audit of Duty Management Systems in Cumbria Fire and Rescue had been replaced with an audit of Fire Safety Inspection Programme.

This amendment had been agreed by the Chief Fire Officer and reported to Corporate Management Team. The removal of Duty Management Systems was agreed on the basis there was an external inspection taking place this year and management were aware of areas for improvement in the system meaning an audit may not represent the best use of resources this year.

Fire Safety Inspections was identified as an appropriate area for internal audit review given the tragic fire at Grenfell Tower in June 2017 and the Chief Fire Officer’s request to be assured that the arrangements in Cumbria were appropriate and effective to mitigate risk. The Chair noted that ordinarily she would expect amendments to the audit plan to come to the committee for approval, but she was aware that this may have occurred during the time the Council had no administration in place.

Audits completed at 31st July comprised five audits; four risk based and one school audit. Of these, two (Capital Receipts and Accounts Receivable) resulted in Reasonable Assurance. Two audits received Partial assurance (St Bridget’s Primary School, Parton and ICT Projects), and one audit (Periodic Payments to External Providers) resulted in Limited Assurance.

In line with the outcomes of internal audits during 2016/17, finalised reports in the first quarter of 2017/18 continued to identify gaps in the arrangements for risk management and performance management. Audit & Assurance Committee had received a detailed management response to the issues identified in the annual report and internal audit would continue to report on these matters through quarterly progress reports.

Members were concerned to note that the judgement for the Children and Families Services Audit on Periodic Payments to External Providers was only limited assurance, and asked how they could be assured that appropriate actions were undertaken to resolved this.
The Group Audit Manager explained that all audits with Partial or Limited assurance were revisited after a 6 month period and the outcome of this would be reported back to the Audit and Assurance Committee. Any audits with a judgement of limited assurance were forwarded to the Chief Executive who had raised the importance of implementing agreed actions at CMT to ensure that all actions were followed through.

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

26 ANNUAL GOVERNANCE STATEMENT 2016/17 AND ACTION PLAN 2017/18

The Corporate Director – Resources and Transformation presented a report which detailed the final draft Annual Governance Statement, as Appendix 1 of the report, following review by the Council’s external auditor, Grant Thornton. Significant governance issues were highlighted in the Annual Governance Statement and actions to tackle these were set out in a draft Action Plan appended to the Annual Governance Statement.

The Corporate Director stated that the final Annual Governance Statement must be published with the Statement of Accounts by no later than 30 September 2017.

Custom and practice at Cumbria County Council was that the draft Annual Governance Statement and Action plan was ordinarily presented to the Audit and Assurance Committee prior to publication (in draft form) in June. However, due to there being no meeting of the Committee in June 2017, the draft Annual Governance Statement and Action Plan were published this year without input from the Committee. This report was therefore the first occasion that the Committee had had the opportunity to consider the Annual Governance Statement and Action Plan.

The Council’s governance arrangements include oversight of the effectiveness of its arrangements by the officer led Corporate Governance Group, Corporate Management Team and the Audit and Assurance Committee. Annually a detailed review is carried out of the Council’s arrangements drawing on a range of information.

The review of corporate governance 2016/17 had identified two significant governance issues, which related to Children’s Services and the Amey Litigation. The Action Plan for 2017/18 (in parts A and B) attached to the Annual Governance Statement for 2016/17 set out the proposed work to be undertaken to manage these issues.

Members asked whether the issue before them was one of quality or process. The Corporate Director said it was about the process and governance of Scrutiny, and ensuring proper scrutiny arrangements were in place. In terms of the effectiveness of Scrutiny this was dependent upon the individual work programmes of the boards.
RESOLVED that

(1) members approve the final Annual Governance Statement of Cumbria County Council for 2016/17;

(2) members RECOMMEND the final Annual Governance Statement of Cumbria County Council for 2016/17 is signed by the Leader of the Council and the Chief Executive prior to publication.

The Committee then broke for lunch at 12pm and resumed at 12.30pm.

27 ACCOUNTS 2016/17 OVERVIEW

The Assistant Director – Finance (Section 151 Officer) presented this report and explained to members that the Unaudited Accounts for the Council and the separate Cumbria Local Government Pension Scheme (Cumbria LGPS) 2016/17 were published on 30th June 2017, having been authorised by the Assistant Director – Finance (Section 151 Officer) in line with the Accounts and Audit Regulations 2015.

A robust training session had been held on 6 September 2017 where members received a presentation from the Finance Team and the auditor which set out:-

- the process by which the accounts had been prepared and audited, assurance the committee had in relation to completeness and thoroughness of the accounts
- the approach the auditor had taken in relation value for money assessment
- the audit findings thus far to that point
- the headlines of the Accounts – presented the key financial statements, key figures, facts and answered lots of Questions – for example, from accounting for defined benefit schemes of pensions through to Business Rate information provided by the District Councils and what asset classes the pension fund holds.

Grant Thornton had now completed their audit work and their Audit Findings Reports would be presented at agenda item numbers 11 and 12 to this meeting.

The key messages of the Audit Findings Reports were that Grant Thornton intended to issue an unqualified audit opinion on both the County Council and the Cumbria LGPS sets of 2016/17 Accounts. There were no recommendations in the Audit Findings Reports in relation to the financial statements.

Grant Thornton also intended to issue an “except for” Value for Money conclusion for Cumbria County Council in respect of securing economy, efficiency and effectiveness in the use of resources. The “except for” conclusion was in relation to the ongoing impact of the “inadequate” Children’s Services Ofsted inspection published in May 2015 and the outcome of the contractual dispute and the Council’s “lessons learned” review. With the exception of the matters reported above the Auditors were satisfied that in all significant respect the Council put in proper
arrangements to secure economy, efficiency and effectiveness in its use of resources.

The Assistant Director explained that the Audit and Assurance Committee was required to approve the audited set of accounts for the Council and Port of Workington at this meeting in accordance with the Accounts and Audit Regulations 2015, and the Council’s Constitution.

The Committee was also asked to consider the Letters of Representation, which provided Grant Thornton with assurance on the financial statements and governance arrangements upon which they would base their audit opinion.

The Assistant Director then took members through the recommendations contained within the report, and highlighted the following for members:-

- The unaudited accounts contained four misstatements in the primary statements, two of which were material and had been adjusted in the final audited accounts and two which were non material and had not been adjusted. There was no overall impact on the reported net financial position. In addition there were only a few minor changes required to disclosure notes.
- The audit also identified two further non material issues where management had chosen not to adjust the financial statements, and the reasons for the non-adjustment were set out on the covering report and have, therefore reported as unadjusted misstatements.

Members were delighted to note that the auditors had made no recommendations in relation to the Accounts and thanked the Assistant Director – Finance (S151 Officer) and her team for the outstanding work which had been done in relation to this, reflecting the improvement in performance over recent years.

The Audit Committee asked if it would be possible to differentiate in the accounts between local authority school and academies. The Assistant Director referred the committee to the notes to the Accounts which set out the number of schools in the County which were academies and those which were not.

RESOLVED that, members:

1. note the contents of this report;
2. note the matters set out by Grant Thornton in the Audit Findings Report in relation to Cumbria County Council. In particular:-
   (i) The Key issues arising from the audit
   (ii) Audit Findings
3. note the matters set out by Grant Thornton in the Audit Findings Report – Cumbria Local Government Pension Scheme Audit 2016/17. In particular:-
   (i) The Key Audit and Financial Reporting Issues
   (ii) Audit Findings
(4) approve management’s decision not to adjust for the items raised in the unadjusted misstatements section of the CCC Audit Findings Report;

(5) agree the Letters of Representation on behalf of the Council in respect of the two sets of accounts to enable Grant Thornton to issue audit opinions on the accounts and authorise the Assistant Director – Finance, as the Council’s Section 151 (Local Government Act 1972) Officer to sign the letters;

(6) approve the Cumbria County Council Accounts 2016/17 which incorporates the Cumbria Local Government Pension Scheme Accounts on behalf of the Council;

(7) approve the Port of Workington Harbour Accounts 2016/17 on behalf of the Council;

(8) authorise the Assistant Director – Finance, as the Council’s Section 151 (Local Government Act 1972) Officer to sign the three sets of accounts on behalf of the Council;

(9) agree the completed Action Plan to the Audit Findings Report for the Council.

(A) Cumbria County Council Letter of Representation

Members received the 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 2017 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 (check these) Code of Practice on local Authority Accounting.

Discussion for this item took place at Agenda Item No. 10 – (Minute No. 27 refers)

(B) CLGPS Letter of Representation

The Audit and Assurance Committee received the letter of representation for Cumbria Local Government Pension Scheme (Cumbria LGPS) – Financial Statements for the year 2016/17.

This representation letter was provided in connection with their audit of the financial statements of Cumbria LGPS ("the Fund") for the year ended 31 March 2017 for the purpose of Grant Thornton expressing an opinion as to whether the financial statements show a true and fair view of the financial transactions of the Fund during the year ended 31 March 2017, and of the amount and disposition at that date of its assets and liabilities other than liabilities to pay pensions and benefits after the end of the Fund year, in accordance with applicable law and the CIPFA/LASAAC Code
of Practice on Local Authority Accounting in the United Kingdom 2015/16 ('the Code').

Discussion on this item took place at Agenda Item No. 10 – (Minute No 27 refers)

(C) Cumbria County Council Audited Accounts Financial Report 2016/17

Discussion for this item took place as part of Agenda Item No. 10 (Minute No. 27 refers)

(D) Port of Workington Statement of Accounts 2016/17

Discussion for this item took place as part of Agenda Item No. 10 (Minute No. 27 refers)

28 AUDIT FINDINGS REPORT FOR CUMBRIA COUNTY COUNCIL 2016/17

Members considered a report from Grant Thornton which highlighted the key findings arising from their audit that were significant to the responsibility of those charged with governance, which for Cumbria County Council was the Audit and Assurance Committee.

As auditor Grant Thornton was responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which was directed towards forming and expressing an opinion on the financial statements that had 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 Associate Director from Grant Thornton guided members through the report in detail, and highlighted that two misstatements were identified to primary statements that management had amended in the final set of financial statements. The two adjusted misstatements, which were classification only in nature, and need to be considered in relation to the Council’s value of Property, Plant and Equipment (PPE) of £1.062 billion were:

- Reclassification of £14.729 million Port of Workington assets was adjusted within Property, Plant and Equipment (PPE) to reclassify from infrastructure to land and buildings (£11.527m) and surplus assets £3.202m. The assets had been classified as infrastructure since 2009/10. The reclassification has no impact upon the net financial position, or to the total of the PPE balance; and
- A prior period adjustment was identified to the 31st March 2016 Balance Sheet to move £15 million classified as Cash and Cash Equivalent (90 days or less notice) into Short Term Investments (more than 90 days notice) for a 100 days notice bank account which was incorrectly classified. The 31st March 2017 classification is correct.
Two misstatements had also been identified, which had remained unadjusted by management:

- the PPE balance for buildings and the Revaluation Reserve on one school were both overstated by £0.9 million on a school valued at £12.040m. This was due to an error in a manual calculation by the Valuer in the valuation. There were quality assurance processes in place in both Property and Finance departments. In Property a random sample of valuations are checked during the year and in Finance both the percentage and value change since the previous valuations are calculated to identify any outliers. In this case neither the actual nor the percentage increase were outside of the expected range. There were no other errors in the sample selected by the Auditor; and
- the Capital Grants and Contributions Unapplied Account (CGUA) includes £1.638m of revenue contributions to capital projects which should be designated as an earmarked reserve. The items within this balance were not capital grants or capital external contribution, they were earmarked elements of revenue contributions.

The Audit Manager took members through the key messages arising from the audit of the Council's financial statements which were:

- the Council had again achieved a high quality standard of financial reporting for 2016/17 in terms of compliance with the CIPFA Code of Practice; and
- working papers were produced to a high standard, with an effective response time to audit queries, and there were no recommendations within the report relating to the financial statements with one recommendation relating to value for money

The Chair thanked the Associate Director, the Audit Manager and officers of the Council who had contributed to the work of the audit findings.

29 AUDIT FINDINGS REPORT FOR THE CUMBRIA LOCAL PENSIONS SCHEME 2016/17

Grant Thornton presented a report which highlighted the key issues affecting the results of Cumbria Local Government Pension Scheme ("the Scheme") and the preparation of the Scheme’s financial statements for the year ended 31 March 2017.

It was also used to report the audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260, and the Local Audit and Accountability Act 2014 ("the Act"). Under the National Audit Office (NAO) Code of Audit Practice ("the Code"), they are required to report whether, in their opinion, the Scheme's financial statements give a true and fair view of the financial position of the Scheme.

The Associate Director outlined the key audit and financial reporting issues to members, and explained that although their audit was substantially complete procedures were still being finalised in the following areas:
• completion of the final specialist partner review
• reviewing the final version of the financial statements;
• obtaining and reviewing the management letter of representation; and
• updating their post balance sheet events review, to the date of signing
  the opinion.

No adjustments had been identified that would impact upon primary statements and
any adjustments identified were within memorandum disclosure notes only, all of
which management had amended in the final set of financial statements.

Adjustments noted within memorandum disclosure notes were as follows:-

• note 10h fair value hierarchy had £10.413 million categorised as level 2
  investments, when the correct category was level 1. The comparator for
  2015/16 of £8.813 million was also amended; and
• pension officers identified at the start of the audit two errors within the mix
  of note 10i for the reconciliation of fair value measurements within level 3.
  This included a transposition error and £3.72 million classified in the
  wrong heading.

The Audit Manager highlighted other key messages arising from the audit of the
Scheme's financial statements. These were:-

• the Pension Scheme officers have produced good quality financial
  statements for 2016/17, in terms of both compliance with the CIPFA
  Code of Practice and supporting working papers;
• the Pension Scheme officers responded to audit queries timely including
  those relating to the technical review questions;
• the cyclical specialist technical review of the financial statements raised
  minor issues which management amended; and
• there were no recommendations made as part of the audit report.

The Associate Director reported that Grant Thornton anticipated providing a
unqualified audit opinion in respect of the financial statements and anticipated an
unqualified opinion on the Annual Report.

The Chair thanked the Associate Director, the Audit Manager and officers of the
Council who had contributed to the work of the audit findings.

30 FORWARD PLAN - AUDIT AND ASSURANCE COMMITTEE

The Forward Plan was noted with the following amendments:-

5 January 2018

1. Remove Update on Amey Action Plan, as this would be included as part of
   the Annual Governance Statement Action Plan Progress Update
2. Add Treasury Management Strategy
20 March 2018

Add Internal Audit External Quality Assessment

31 DATE & TIME OF NEXT MEETING

The next meeting of the Audit and Assurance Committee will be held on 5 January 2017 at Cumbria House, Botchergate, Carlisle at 10.30am.

The meeting ended at 1.45 pm