

## **AUDIT AND ASSURANCE COMMITTEE**

Minutes of a Meeting of the Audit and Assurance Committee held on Thursday, 9 March 2023 at 10.30 am at Conference Room A/B Cumbria House, Botchergate, Carlisle.

### **PRESENT:**

Mrs HF Carrick (Chair)

Mr NH Marriner  
Mr GD Cook

Mr SB Collins  
Mrs EA Mallinson

### **Also in Attendance:-**

Mr R Anderson	-	Grant Thornton - Audit Manager
Ms A Clark	-	Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions)
Mrs J Currie	-	Professional Lead - Democratic Services
Ms H Kirk	-	Senior Risk Officer
Mr J Metcalfe	-	Chief Executive
Ms J Moore	-	Interim Director of Finance (Section 151 Officer)
Ms F Parker	-	Group Finance Manager - Corporate Accounting
Ms C Parkinson	-	Chief Legal Officer
Ms N Phipps	-	Assistant Director – Provider Services
Mr P Robinson	-	Assistant Director - Organisational Change
Ms S Simpson	-	Senior Manager
Ms C Whalley	-	Assistant Director – Adult Social Care

### **In attendance virtually**

Mr G Kelly	-	Engagement Lead - Grant Thornton
Mr R McGahon	-	Group Audit Manager
Mr F Morgan	-	Vice Chair Audit Committee

## **PART I – ITEMS CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC**

### **51 APOLOGIES FOR ABSENCE**

Apologies for absence were received from Mr J Bell and Mr F Morgan. Mr Morgan joined the meeting virtually.

### **52 MEMBERSHIP**

There were no changes in membership on this occasion.

### **53 DISCLOSURES OF INTEREST**

Mrs E Mallinson declared a non pecuniary interest in Agenda Item No 7 – Deep Dive Analysis – LGR Transition Plan as her husband was the Chair of the Henry Lonsdale Trust.

### **54 EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED,** that the press and public be excluded during consideration of Agenda Item No 14 (C) – 2021/22 Auditor’s Annual Report including Value for Money by virtue of Paragraph 1 of Part I of Schedule 12A of the Local Government Act 1972, as these reports contain exempt information relating to an individual, and Paragraph 3 - information relating to the financial of business affairs of any particular person (including the authority holding that information).

### **55 MINUTES**

**RESOLVED,** that the minutes of the previous meeting held on 6 December 2022 be agreed as a true and accurate record.

### **56 SENIOR INFORMATION RISK OWNER (SIRO) AND INFORMATION GOVERNANCE ANNUAL REPORT**

Members considered a report from the Assistant Director – Organisational Change which provided them with an update relating to the responsibilities of the Cumbria County Council Senior Information Risk Owner (SIRO) and outlined activity and performance related to information governance for the period 1 April 2022 to 31 December 2022.

The report provided assurances that information risks had been effectively managed and where improvements had been implemented.

The County Council continued to be committed to effective information governance, with robust arrangements in place to ensure the council complied with legislation and adopted best practice. Governance arrangements were closely monitored to ensure systems, policies and procedures were fit for purpose, accommodated new working procedures and that all staff and elected members understood the importance of information governance and security so that good practice was everyone’s business and embedded as part of the Council’s culture.

The Assistant Director informed members that ICT security and cyber risks continued to present an increasing global, national and local challenge to all organisations and the Council was no different. Arrangements to manage these risks were outlined in this report.

Throughout the year, data protection and information governance had remained high profile with the SIRO Group meeting weekly to manage risks and drive performance improvements wherever possible.

The SIRO Annual Report outlined these areas of performance in detail, showing trends against previous years and provided assurance of arrangements in place for the transfer of County Council information assets to the two new Unitary Councils at vesting Day on 1 April 2023.

The Assistant Director drew members' attention to the data breach management and reporting and gave assurance that all concerns relating to potential data breaches were promptly investigated. During the period 1 April 2022 to 31 December 2022 there were 164 potential data breaches recorded and investigated. Members noted that the number of breaches had been reduced since the previous year.

One of the members referred to the loss of corporate memory and how the County Council would deal with this given that the Council would be disaggregating on 1 April.

The Assistant Director informed members there were 3 elements to corporate memory, hard records, electronic records and human knowledge. He was leading the ICT workstream for LGR and this had been considered by colleagues. All files and records would still exist for both organisations as part of the Day 1 readiness, with full migration taking place at a later date. The greatest risk to the corporate memory was officer memory and the best way to ensure this was passed on was via a thorough handover between staff. It was difficult to capture this type of corporate memory but staff were working hard to try to minimise the gaps.

Members then asked questions about Freedom of Information requests and subject access data, and the Assistant Director assured members this would still be available post vesting day.

Members asked about the risk of cyber attacks both for the County Council and for the two new unitary councils going forward. The Assistant Director said the risk of a cyber attack was very real, but he reassured members that the County Council now had a dedicated team in place that constantly monitored this.

The Assistant Director took the opportunity to say a sincere thank you and express his appreciation for all the work, commitment and council wide cultural improvements the County Council had made as a result of elected members, officers and partners working together to protect data, information and ICT security and strive for best practice for the benefit and protection of the community.

The Chair took the opportunity to formally acknowledge the investment made by the Council in information risk and governance and was delighted to note that the number of data breaches had been reduced, especially given the pressure all staff

have been under during the past 18 months, whilst dealing with local government reorganisation.

**RESOLVED,** that members

- (1) note the content of the 2022 SIRO Annual Report attached as Appendix 1 of the report;
- (2) acknowledge as part of the County Council SIRO responsibilities, the SIRO, Deputy SIRO Officers, Data Protection Officer and wider ICT and Information Security professionals have invested significant time to ensure the County Council systems processes and governance arrangements are in place to transition the data and information assets that are required for the business operations of Cumberland and Westmorland & Furness Unitary Councils securely and safety from the County Council and place on record their thanks..

## **57 DEEP DIVE RISK ANALYSIS - LGR TRANSITION PLAN**

Members received a joint presentation from the Assistant Director – Adult Social Care, Assistant Director – Provider Services and the Senior Manager - Children's Commissioning on Adult Social Care, which covered the following:-

- Adult Social Care – Ending Well
- Service Planning and Promoting Independence Programme
- CQC Adult Social Care Assurance Framework
- Adult Social Care Disaggregation
- Proposed Transitional Disaggregated Structures
- Senior Structures for Adult Social Care
- LGR Risks
- Adults Contracts, and options
- Frameworks and Contracts to Host
- Assurance and Next Steps

The Chair reminded members that the subject had been chosen for a deep dive exercise due to the fact that adult social care was recognised as a high risk area.

Members asked a number of questions about warrant cards, DBS checks, partnership working going forward and the challenges to be faced with the integrated care system.

The officers reassured members that all current DBS checks would still be valid until they needed to be renewed.

In relation to partnership working and the issues being faced by the integrated care system the Assistant Director assured members that the new unitary councils would be continuing with the good relationships already brokered with partners, and the issues being faced in relation to the integrated care system was a national problem,

not just in Cumbria. However, officers were constantly looking for ways to improve this.

Members then received details on the number of contracts for adult social care, residential homes and day care that would be in place post vesting day, and the Chief Executive informed members that the County Council had already agreed financial uplifts from Day 1 of the new unitary authorities in order to help reduce risks and forge relationships going forward.

The Assistant Director – Adult Social Care informed members that a joint Adult Social Care and NHS Workforce Strategy had now been implemented.

The Chair thanked the officers for their informative presentation and felt this had helped to reassure the committee of the processes in place. She asked the Assistant Directors to pass on thanks to all the staff working in the Adult Social Care directorate.

## **58 QUARTER 3 CORPORATE RISK REPORT**

The Committee had before them a report which provided members with a progress update on the Corporate Risk Register for the third quarter to 31 December 2022 and projected quarter 4 position. This was the final Corporate Risk Report for Cumbria County Council prior to the commencement of the two Unitary Councils, Cumberland and Westmorland & Furness, on vesting day, 1 April 2023.

All corporate risks at the end of Quarter 3 had been reviewed by the Risk Owners Group, Directorate Management Teams, Corporate Management Team and considered at Cabinet Briefing. The Quarter 3 risks and direction of travel outlined in this report should provide assurance that the Council's current Risk Management arrangements were robust, responsive and effective.

The Senior Risk Officer took members through the report and reminded them of the uncertainty and complexity of a number of threats and issues some of which were the result of National and International issues and trends and including:-

- Ongoing challenges of demand and capacity across Adult Social Care and the Care Sector as well as Children's Services, due to increasing demand and an inability to match this with workforce capacity.
- COVID and flu – COVID-19 continued to have a direct and disruptive effect on staff shortages and a direct impact on Council Services.
- The 'Cost of Living Crisis' is driving national and local government agendas in an attempt to help mitigate the impact of this crisis within communities.
- Inflationary pressures – the Council continues to face significant financial pressures relating to high levels of inflation.
- Local Government Reorganisation (LGR) preparations continue to accelerate providing additional competing priorities.

- An increasing number of strikes across public and private sector organisations

At the end of Quarter 3 fourteen corporate risks remained on the County Council's risk register, of which 8 were high risks and 6 medium risks. No risks had been removed or added during Q3, and no risks had been reworded.

The Senior Risk Officer notified members that one risk had reduced in score which was the risk that the Council's revenue & capital budget was insufficient to fund current services. This had reduced from 20 to 12.

The report also considered the projected status of all Corporate Risks by the end of Quarter 4. It was anticipated that on 31 March 2023 (Q4) the level of risk exposure from most of the current corporate risks would remain consistent with the risk score illustrated in this report for the Quarter 3 period.

There was one exception to this which was the risk related to the impact of LGR on the sustained provision of Council Services and on the good and effective closure of the County Council.

Due to the number of measures and controls that had been implemented, both within and beyond the LGR Programme, to ensure Council Services were not unduly impacted during the implementation phase of the LGR Programme, the anticipated consequences had not materialised. It was therefore likely that the Quarter 4 position for this risk would see a reduction in the risk likelihood taking the score from 16 to that of 8, as such the target score at end of Q3 had been reduced to a score of 8.

In readiness for the new councils the Senior Risk Officer informed members that Strategic Risk Workshops have now taken place within the two shadow Authorities to consider all current Corporate Level Risks across all seven sovereign authorities for their ongoing relevance and to identify any new risks that may impact the newly formed Councils over the first 1-2 years.

Finally, in preparation for Day 1 and the early period of service delivery for each new Council, Business Continuity Boards and Service Continuity Teams were being established to monitor any trends or increase in demand for support during the early phases of the new Councils.

One of the members was surprised to note that covid had still been assessed as high risk, especially as there were no longer any restrictions in place for this.

The Senior Risk Officer explained that the risk was more about whether the Council was prepared and ready should any other pandemics happen. The officer had been discussing horizon scanning with new authorities to ensure they had intelligence on a number of possible risks.

The Chair hoped that the new councils would learn from the risk assessment best practice within the County Council, which had proved to be successful for many years. It would be important to have this embedded from vesting day.

She paid tribute to all the teams that played a part in making sure that effective mitigations were in place to manage potential risks.

**RESOLVED**, that members

- (1) note the updates on Corporate Risks for Quarter 3 2022/23 and agree that this report provides sufficient assurance that the current Risk Management arrangements are both robust and effective;
- (2) received a further presentation in relation to the critical area of Adult Social Care, this time to provide assurances around the effective closure of County Council Services at 31 March and the preparations for service continuity within the new Councils from 1 April 2023.

## **59 2021/22 ACCOUNTS - FINAL SIGN OFF**

The Chair confirmed this item should be taken in the agenda immediately before the reports from Grant Thornton (Agenda Item 14)

## **60 DRAFT INTERNAL AUDIT ANNUAL REPORT 2022/23**

The Group Audit Manager presented a report which provided a summary of the outcomes of the work of Internal Audit for 2022/23 and included the draft Head of Internal Audit's opinion on the effectiveness of the Council's arrangements for governance, risk management and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).

This report provided an update on the work of internal audit up to 24 February 2023 and included a summary of the outcomes of audit reviews completed in the period. This included work carried forward from the 2021/22 audit plan.

The annual opinion of the Head of Internal Audit was based on the work undertaken by internal audit during 2022/23, 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.

Internal Audit was responsible for providing independent assurance to the Council's senior management and to the Audit and Assurance Committee on the systems of governance, risk management and internal control.

The internal audit plan for 2022/23 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 PSIAS.

The Group Audit Manager took members through the annual opinion of the Head of Internal Audit on the Council's arrangements for governance, risk management and Internal control.

The Group Audit Manager was satisfied that sufficient audit work had been undertaken, supported by consideration of other sources of assurance, to allow an opinion to be made on the adequacy and effectiveness of the Council's risk management, governance and internal control for 2022/23.

One issue of independence had been considered in 2022/23. As reported in previous years the Group Audit Manager was a friend, and ex-colleague, of the Senior Manager – Pensions and Financial Services, which created a perceived threat of independence, and this had been mitigated by putting in place safeguards, including the Group Audit Manager having no audit involvement with areas such as pensions and treasury management, with any audit work in these areas managed by one of the Audit Managers. This safeguard meant the remaining perceived threat to independence and objectivity was low.

Based on consideration of the evidence, it was the opinion of the Group Audit Manager that he could provide reasonable assurance over the adequacy and effectiveness of the systems for governance, risk management and internal control operated by the Council in 2022/23. This opinion was based on 24 reviews, completed or at draft stage (compared with 25 reviews for 2021/22). This represents 78% of audit reviews that would have been given a scored assessment in 2022/23. The Group Audit Manager was satisfied that there had been sufficient coverage across the directorates, and consideration of other sources of information, to allow me to provide an opinion without any limitation of scope.

The Chair thanked the Group Audit Manager and his team for all the work they had carried out and recognised the value of this work.

**RESOLVED,** that members

- (1) note the progress in delivering the 2022/23 audit plan and the outcomes of completed audits set out at Appendix 1 of the report;
- (2) note 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 2023;
- (3) note the Head of Internal Audit's declaration of conformance with the mandatory PSIAS, except for the five yearly EQA not being undertaken in November 2022 due to local government reorganisation;



- (4) note the Head of Internal Audit's declaration of safeguards put in place to protect Internal Audit's independence as required by the PSIAS;
- (5) note the results of the Quality Assurance and Improvement Programme.

## **61 ACCOUNTS PREPARATION 2022/23**

Members considered a report from the Interim Director of Finance (Section 151 Officer) which summarised the overall approach and progress to date on the preparations for the Council's and Cumbria Local Government Pension Scheme Statement of Accounts 2022/23 and the Council's Value for Money conclusion.

As the Council would cease to exist from 1 April 2023, the preparation of the statutory accounts for 2022/23 would be undertaken by Finance staff within the new Westmorland & Furness unitary authority. However, a flexible approach would be adopted so that staff transferring to the new Cumberland unitary authority and the Cumbria Fire & Rescue Service would also be heavily involved in the closure process during April to minimise any loss of County Council corporate knowledge.

The Accounts and Audit (Amendment) Regulations 2022 was an amendment to the Accounts and Audit Regulations 2015. This amendment changed the date for the publication of the audited accounts to 30 September for financial years beginning in 2022 to 2027 i.e. 2022/23 through to 2027/28. It was, however, silent on any corresponding change to the date for publication of the unaudited accounts, which therefore reverted to 31 May as per the Accounts and Audit Regulations 2015.

On 16 February, the Department for Levelling Up, Housing and Communities (DLUHC) issued a short consultation (closed 2nd March) in respect of the publication date for the 2022/23 unaudited financial statements and was keen to hear views on whether the date should remain at 31 May or not. The outcome of this consultation was still awaited.

Until the publication date was clarified the plan for 2022/23 assumed it would be 31 May and would therefore follow a similar timetable to 2019/20. The deadline for a first complete draft of the Statement of Accounts would be 19 May, and the unaudited accounts would be authorised for issue by the Director of Finance prior to publication on 31 May.

No formal meeting had yet been held with Grant Thornton to begin planning for the 2022/23 audit but some preparations had been made in the form of information requests for the interim audit which would inform the 2022/23 audit plan.

In producing the 2021/22 financial statements, the Fund included an estimate of the impact of the McCloud case on the present value of past service liabilities on both a valuation basis and an IAS19 basis. The Fund would include a similar estimate in production of the 2022/23 accounts. However, details of the resolution to McCloud were expected to be finalised during 2023/24. Depending upon the timing of this

announcement, officers may need to reconsider the impact of the resolution and potentially adjust the accounting entries.

Members noted there was a potential risk that the additional workload arising as a result of Local Government Reorganisation in Cumbria impacted on the 2022/23 closure of accounts work, and that significant work was being undertaken to mitigate this risk as far as possible.

The Chair thanked the Finance Team for all the work they had done on the accounts preparation for 2022/23 and valued the fact that the Chair and Vice Chair of Audit and Assurance had been involved in this process previously.

**RESOLVED,** that members

- (1) note the high level timetable for the closedown of the Council's and the Cumbria Local Government Pension Scheme 2022/23 accounts including potential risks;
- (2) note the Value For Money (VFM) approach to determine the VFM conclusion as part of the final accounts process.

## **62 ANNUAL GOVERNANCE STATEMENT 2022/23**

The Audit and Assurance Committee considered a report from the Interim Monitoring Officer which presented the draft Annual Governance Statement 2022/23.

The Council was required to review its corporate governance arrangements annually and normally the review would be completed after the end of the relevant year to ensure that it reflected circumstances up to the end of the year.

However, as the County Council would be dissolved on 1 April 2023 a review had been completed prior to the year end to enable the Audit and Assurance Committee to review and comment on the statement prior to 1 April 2023.

The statement would be published alongside the Annual Accounts for 2022/23 in the usual way. Westmorland and Furness Council would be responsible for approval and publication of both the Annual Governance Statement and the Annual Accounts. As the statement would be published after the Council had been dissolved this had been reflected in the draft statement.

The governance review reflected the significant impact that local government reorganisation and the transfer of the fire and rescue functions to the new Cumbria Commissioner Fire and Rescue Authority had had on the operation of the Council in 2022/23. A key focus of the current year had been preparing for the economic, effective, efficient and timely transfer to the new authorities of all functions, property rights and liabilities and working with the new authorities to ensure that they had taken all practicable steps to assume full functions on 1 April 2023 and to prepare suitable budgets and plans.

The review also reflected the findings of His Majesty's Inspectorate of Constabulary and Fire and Rescue Services (HMICFRS) independent assessment and report on the effectiveness and efficiency of the Cumbria Fire & Rescue Service which was published on 20 January 2023.

It was noted that whilst the service received one rating of Inadequate for Efficiency and two Cause for Concern were identified, the inspection took place during a period of significant uncertainty for CFRS and the service was confident that these issues would be addressed.

The review also reflected the findings of the Ofsted and CQC Joint Local Area SEND inspection report which was published on 1 February 2023 and Ofsted's Children's Services inspection report which was published on 15 November 2022. Both inspections found significant progress had been made in a number of areas, although further progress was still required in some areas. The new unitary authorities would continue to address the areas of weakness identified in these reports.

Although the Council would cease to exist on 1 April 2023 the importance of maintaining effective governance structures particularly in times of change, and in learning from governance failures that had been identified in statutory and non-statutory reviews and public interest reports into other authorities was recognised as critical. The knowledge gained from this review of governance in the County Council for the purposes of preparing this statement had been and would continue to be used to input into the development of the governance structures for the two new unitary authorities.

At its meeting on 18 November 2022 members approved the final annual governance statement for 2021/22 but as the publication of the statement was delayed while the accounts were finalised, delegated authority to the Interim Chief Legal Officer and Director of Finance in consultation with the Chair and Vice Chair was agreed to make any changes that may be needed so as to ensure the statement was up to date at time of publication.

Members noted that no changes had been made to the draft reviewed on 18 November 2022 other than a few minor typographical errors which were discussed at that meeting.

**RESOLVED,** that members

- (1) approve the draft Annual Governance Statement of Cumbria County Council for 2022/23.
- (2) note that the Annual Governance Statement for 2022/23 will be published at the same time as the Annual Accounts for 2022/23 and Westmorland and Furness Council will be responsible for approving and publishing both.

- (3) note that no changes have been recommended to the Annual Governance Statement for 2021/22 since the statement approved by the committee on 18 November 2022 and that this will be published alongside the Annual Accounts for 2021/22.

## **63 ANNUAL REPORT AND REVIEW OF AUDIT & ASSURANCE COMMITTEE EFFECTIVENESS 2022/23**

Members considered a report from the Interim Director of Finance (Section 151 Officer) which provided a review of the work of the Audit and Assurance Committee and assessed its effectiveness against the core functions of an audit committee as defined within the CIPFA Position Statement on Audit Committees in Local Authorities and Police 2022.

An analysis of how the Committee matched the core functions of an Audit Committee as set out in CIPFA Position Statement on Audit Committees in Local Authorities and Police 2022 was included in Appendix 1.

The Chartered Institute of Public Finance & Accountancy (CIPFA) issued its Position Statement: Audit Committees in Local Authorities and Police 2022 in April 2022, which replaced the 2018 position statement.

In January 2021 the Audit and Assurance Committee considered a report on the outcome of the Redmond Review on 'Local Audit and the Transparency of Local Authority Financial Reporting'. The recommendation here was that Councils should 'Consider appointing at least one independent non-elected member, suitably qualified, to the Audit Committee'.

CIPFA's 2018 Position Statement highlighted that audit committees should explore appointing one independent non-elected member. The Redmond Review recognised the challenge in 'attracting independent members with the relevant technical expertise' and that it may be more difficult in some geographical areas.

In the January 2021 report it was proposed that the Constitution Review Group consider the benefits and pitfalls of appointing an independent non-elected member, or members, to the Audit and Assurance Committee. The timing of any such review was still to be agreed. The expectation was that that MHCLG was to work with CIPFA, NAO and LGA to provide new guidance on the appointment of independent members to Audit Committees.

CIPFA's change from 'actively explore' in 2018 to 'should include' in 2022, and the move from one non-elected member to at least two, reflected the debate outlined in the Redmond Review. However, as CIPFA's revised Position Statement was only published in April 2022, and the pending local government reorganisation in Cumbria, it would be a matter for the two new unitary councils to consider how they would seek to meet the requirement to have at least two co-opted independent members on their Audit Committee.

The Group Audit Manager took members through the report including the membership, attendance, and output and the work of the Audit and Assurance Committee during 2022/23.

**RESOLVED,** that members note the annual report and confirm the assessment of conformance with the core functions of an audit committee per the 2022 CIPFA Guidance as set out at Appendix 1 of the report.

## **59. 2021/22 ACCOUNTS - FINAL SIGN OFF**

Members considered a report from the Interim Director of Finance (Section 151 Officer) which presented the unaudited accounts for the Council and the separate Cumbria Local Government Pension Scheme (Cumbria LGPS) 2021/22 accounts.

The draft, unaudited accounts were published on 15 July 2022 ahead of the statutory deadline of 31 July 2022, in accordance with the Accounts and Audit (Amendment) Regulations 2022.

The audit of the Council's 2021/22 Accounts was substantially complete ahead of the 30 November 2022 statutory deadline. A draft Audit Findings Report was presented to the Committee by Grant Thornton on 18 November.

The report highlighted two significant areas of the audit that were still to be concluded:

- Work on infrastructure assets and depreciation which could not be completed until January 2023 following the implementation of the statutory override and amendments to the Accounting Code of Practice by Government and CIPFA respectively in December 2022.
- Completion of testing of valuation of land and buildings including the review of assets not revalued in year.

Members agreed at that meeting to delegate authority to the Director of Finance, in consultation with the Chair and Vice Chair of the Committee, to approve the audited 2021/22 Statement of Accounts following completion of the audit. This was subject to there being no material changes to the Accounts arising.

However, a material adjustment to infrastructure depreciation was required as a result of the change in the Code so the Financial Statements were being re-presented to the Committee for their approval. Members had been briefed on the detail of this change in a separate session on 2 March.

Grant Thornton had now completed their audit work on the Council's 2021/22 Accounts and would present their updated Audit Findings Report to this meeting Agenda Item 14 (C) – Minute No 64 (C) refers.

The Chair invited Grant Thornton to present their findings.

The key messages of the Audit Findings Reports were that Grant Thornton intend to issue an unqualified audit opinion on both the Cumbria County Council and the Cumbria Local Government Pension Fund (LGPS) 2021/22 Accounts.

The Audit Findings Report for the Council concluded that, again the Council had achieved “a very high quality of financial reporting, with working papers being to a good standard”. Grant Thornton positively commented on the effective response time to their audit queries.

The Council’s draft Statement of Accounts required one amendment to the Core Statements in respect of the change to infrastructure accounting and some minor amendments to the disclosure notes to aid the reader’s understanding of the Accounts, these are detailed in the Audit Findings Report 2021/22.

There were two recommendations for action in the Council’s Audit Findings Report relating to assets that had a nil net book value and infrastructure assets. The recommendations were detailed in para 4.9 of the report together with management’s responses.

There were two further items identified during the audit where the Council had chosen not to make adjustment for in the primary statements on the grounds of materiality.

- During the audit of the Cumbria LGPS it was identified that the employer assets had been overstated by £12.648m. This impacted the Council’s Accounts as its share of the assets is estimated to be £3.9m. This represents 0.45% of the net pension liabilities of the Council.
- An isolated £0.200m typographical error by the Valuer on one property valuation was identified, this resulted in the Property, Plant and Equipment on the Balance Sheet being understated. This £0.200m understatement represents 0.02% of the net book value of £1,295.372m.

**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 (Agenda Item 15). In particular, to note:
  - I. The headline issues arising from the audit (Pages 3 and 4)
  - II. Summary of the Audit Findings (Pages 5 to 21)
  - III. Value for Money Arrangements (Pages 22 and 23)
- (3) Consider the matters set out by Grant Thornton in the Audit Findings Report – Cumbria Local Government Pension Scheme Audit 2021/22 (Agenda Item15). In particular, to note:

- I. The headlines (Page 3 of the report)
  - II. Summary of the Audit Findings (Page 4 of the report)
- (4) 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 Interim Director of Finance, as the Council's Section 151 (Local Government Act 1972) Officer to sign the letters of representation;
  - (5) approve the Cumbria County Council Accounts 2021/22 which incorporates the Cumbria Local Government Pension Scheme Accounts on behalf of the Council;
  - (6) authorise the Interim Director of Finance, as the Council's Section 151 (Local Government Act 1972) Officer, to sign the accounts on behalf of the Council;
  - (7) agree the completed Action Plan to the Audit Findings Report for the Council (Agenda item 64 (A) refers).

## **64 (GRANT THORNTON ITEMS)**

### **(A) 2021/22 Cumbria County Council Audit Findings Report**

Grant Thornton presented a report which summarised the key findings and other matters arising from the statutory audit of Cumbria County Council and the preparation of the group and Council's financial statements for the year ended 31 March 2022 for those charged with governance.

The report included information on the following:-

- Headlines
- Financial Statements, including significant risks, key findings, new issues and risks, key judgements and estimates, and other communication requirements.
- Other responsibilities under the code
- Value for Money arrangements, and
- Procedures and conclusion

**RESOLVED,** that the report be received and noted.

The Chair thanked the external auditors for the report.

**(B) 2021/22 Cumbria Local Government Pensions Scheme Audit Findings Report**

Grant Thornton presented the audit findings for Cumbria Local Government Pension Scheme.

The auditors said the Pension Scheme's financial statements gave a true and fair view of the financial position of the Pension Scheme and its income expenditure.

The statements had been properly prepared in accordance with the CIPFA/LASAAC code of practice.

**RESOLVED,** that the report be received and noted.

The Chair thanked the external auditors for the report.

**(C) 2021/22 Auditor's Annual Report including VFM**

Grant Thornton presented a review of the Auditor's Annual Report on Cumbria County Council.

The review covered the following:-

- Local Government Reorganisation
- Opinion of the financial statements
- Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources
- Financial Sustainability
- Governance
- Improving economy, efficiency and effectiveness, and
- Cumbria Local Government Pension Scheme

Minute No 59 refers.

The Auditor informed the members that an issue had arisen in relation to this report, which would need the meeting to move into Part II.

Minute No 66 refers.

The Chair thanked the auditors for the report.

**(D) Review of Local Government Reorganisation in Cumbria**

Mr Marriner left the meeting at this point.

Members considered a report from Grant Thornton.

In July 2021 the Secretary of State for Housing Communities and Local Government announced the decision to create two new unitary authorities in Cumbria.



Grant Thornton is the external auditor of all seven local authorities in Cumbria, along with the Police and Crime Commissioner for Cumbria and the Chief Constable for Cumbria. They had taken an over-arching review of LGR as part of the 2021/22 Value for Money (VfM) work in relation to the seven local authorities.

As part of the review they considered the following:-

- Financial Sustainability
- Governance
- Improving Economy, Efficiency and Effectiveness
- Conclusion

The conclusion of the review was that the move from seven to two councils provided the opportunity to realise financial benefits and improve service delivery and the financial sustainability of local government in Cumbria.

However, implementing LGR was complex, time consuming and provided some significant challenges, including a relatively short timescale for implementation, whilst delivering business as usual.

It would be important that the elected members of the new unitary authorities had appropriate time to fully engage with and scrutinise key decisions, and do not lose best practice arrangements that had been observed over recent years in the sovereign councils.

**RESOLVED,** that the report be received and noted.

The Chair thanked the external auditors for the report.

## **65 DATE & TIME OF NEXT MEETING**

As this was the final meeting of Cumbria County Council's Audit and Assurance Committee the Chair thanked the Finance Team and all other officers for their exemplary work for the committee and the Council, and also the external auditors.

Officers then thanked the Chair and members for their support over the years, and Mr Kelly from Grant Thornton asked that his thanks be recorded to the Chair, Vice Chair and members for their support over the years. He commented that the Audit and Assurance Committee was an exemplar of how governance should be considered by members and was a shining example of local government at its best.

**PART II - ITEMS NOT CONSIDERED IN THE PRESENCE OF THE PRESS AND PUBLIC**

**66 2021/22 AUDITORS ANNUAL REPORT AND VALUE FOR MONEY**

The Chair then asked that the meeting be moved into Part II to allow the auditors to brief members on an issue which had only recently arisen in relation to the 2021/22 Auditor's Annual Report including VFM.

The Chief Executive left the meeting at this point.

A discussion ensued about the Auditor's 2021/22 Annual Report including VFM, and one specific issue raised by Grant Thornton. Upon conclusion of the Part II discussions it was

**RESOLVED** that the meeting be adjourned pending further investigations.

The Chief Executive returned to the meeting at this point.

The meeting adjourned at 2.40 pm