

## **AUDIT AND ASSURANCE COMMITTEE**

Minutes of a Meeting of the Audit and Assurance Committee held on Friday, 18 November 2022 at 10.30 am at County Hall, Kendal

### **PRESENT:**

Mrs HF Carrick (Chair)

Mr GD Cook  
Mr SB Collins

Mrs EA Mallinson  
Mr FI Morgan (Vice-Chair)

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

Ms P Duke	-	Director of Finance (Section 151 Officer)
Ms C Parkinson	-	Chief Legal Officer
Ms A Clark	-	Senior Manager - Pensions and Financial Services (Deputy S151 Officer – Pensions)
Ms F Parker	-	Group Finance Manager - Corporate Accounting
Ms L Morgan	-	Senior Lawyer - Legal and Democratic Services
Mr D Hamilton	-	Democratic Services Officer

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

#### **29 APOLOGIES FOR ABSENCE**

Apologies were received from Mr N Marriner.

#### **30 MEMBERSHIP**

There were no changes of membership on this occasion.

#### **31 DISCLOSURES OF INTEREST**

There were no disclosures of interest made on this occasion.

#### **32 EXCLUSION OF PRESS AND PUBLIC**

**RESOLVED** that, there were no items on the agenda which required the exclusion of press and public.

#### **33 MINUTES**

**RESOLVED** that, the minutes of the previous meeting of the Audit and Assurance Committee held on 8 September 2022 be agreed as an accurate and complete record.

### **34 ANNUAL GOVERNANCE STATEMENT**

Members considered a report from the Interim Chief Legal Officer (Monitoring Officer) which presented the final draft of the Annual Governance Statement for 2021/22.

The Interim Chief Legal Officer reminded members that the draft Annual Governance Statement was published on 8 June 2022 after being confirmed by the Audit and Assurance Committee.

It was explained that the Annual Governance Statement was expected to be up to date at the time of final publication so should account for significant events that affect the assessment of the Council's governance arrangements that have occurred since April 2022 when first drafted. Members heard that since publication of the statement, preparation for the implementation of local government reorganisation on 1 April 2023 had continued at pace.

The Home Secretary had given the go-ahead for Cumbria's Police and Crime Commissioner to take on governance responsibility for Cumbria Fire and Rescue Service from 1 April 2023 and the Council was working with the Office of Cumbria's Police and Crime Commissioner to prepare for this transfer.

The Interim Chief Legal Officer brought members attention to the key challenges facing the Council in developing and sustaining the social care sector. A conversation took place regarding recruitment and retention in the social care sector as well as the financial challenges which had continued to be a major focus of the Council.

The Interim Chief Legal Officer then provided an overview of the report from the Cumbria Safeguarding Partnership into the death of Leiland James Corkhill in January 2021, which was published in July. Members heard that the Council had worked to implement recommended actions for the Council arising out of that report. A typo was highlighted in this area of the report and it was agreed this would be rectified before publication.

A discussion took place regarding an additional recommendation which would be to delegate authority to Monitoring Officer and Director of Finance (s151 Officer) in consultation with the Chair and Vice-Chair of the Committee to make any changes which might be needed to be made so as to ensure the Annual Governance Statement was up to date at time of publication.

In response to a query from a Committee member the Chair stated that she would be willing to consider calling a special meeting to consider this item as well as the final account position if significant changes were required. The Chair then commented on the Annual Governance Statement in general by stating that despite

significant challenges and pressures the governance system remained sufficiently strong and robust.

**RESOLVED** that,

- 1) Members approve the final Annual Governance Statement of Cumbria County Council for 2021/22 before its publication on the Council's website.
- 2) Members note that the Leader of the Council and the Chief Executive will sign the Annual Governance Statement prior to publication.
- 3) Members delegate authority to Interim Chief Legal Officer (Monitoring Officer) and Director of Finance (s151 Officer) in consultation with the Chair and Vice-Chair to make any changes that might be needed so as to ensure the Annual Governance Statement is up to date at time of publication.

### **35 ACCOUNTS OVERVIEW 2021/22**

Members considered a report from the Director of Finance (s151 Officer) which provided a general overview of the County Council, Local Government Pension Scheme (LGPS) and Port of Workington accounts.

The Director of Finance (s151 Officer) explained that the Unaudited Accounts for the County Council and the Cumbria Local Government Pension Scheme (Cumbria LGPS) were published on 15<sup>th</sup> July 2022 in line with the Accounts and Audit (Amendment) Regulations 2022 and provided an overview of the presentation and briefing session that members had received on 11<sup>th</sup> November 2022 where discussion took place regarding the process by which the Accounts had been prepared and audited and the approach to providing assurance in relation to completeness and thoroughness of the accounts. Members also considered the approach of the auditor in undertaking their audit of the Accounts and the progress of the audit and their findings as a part of their training.

Members heard that Grant Thornton had now substantially completed their audit work and would present their Audit Findings Report for 2021/22 later in the meeting. Members heard that the key messages of the Audit Findings Reports at this stage 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. However, Grant Thornton would not be able to issue the audit report until the statutory override and amendments to the Code of Practice in

relation to infrastructure assets were implemented by Government and CIPFA respectively. This was expected in late December 2022. Due to this the County Council and Cumbria LGPS Accounts were not in a position for the Committee to approve today and so the Director of Finance (s151 Officer) suggested an amendment to the recommendations laid out in the report.

The Director of Finance (s151 Officer) asked that the Committee consider delegating approval of the Letters of Representation and the Cumbria County Council Accounts 2021/22 to the Director of Finance (s151 Officer) in consultation with the Chair and Vice-Chair of the Committee. Members heard that the approval of the Port of Workington Harbour Accounts 2021/22 on behalf of the Council could take place. As a result of the delay in approval of the Accounts, the Action Plan to the Audit Findings Report would similarly need to be rescheduled and brought to a future meeting.

**RESOLVED** that,

- 1) Members note the contents of the report.
- 2) Member consider the matters set out by Grant Thornton in the Audit Findings Report in relation to Cumbria County Council (Agenda Item 8a). In particular, to note:
  - I. The headline issues arising from the audit (Page 3)
  - II. Summary of the Audit Findings (Page 4 to 20)
- 3) Members consider the matters set out by Grant Thornton in the Audit Findings Report – Cumbria Local Government Pension Scheme Audit 2021/22 (Agenda Item 8b). In particular, to note:
  - I. The headlines (Page 3)
  - II. Summary of the Audit Findings (Page 4)
- 4) Members agree to delegate authority to approve the Letters of Representation on behalf of the Council to the Director of Finance, as the Council's 151 (Local Government Act 1972) in consultation with the Chair and Vice-Chair of the Committee in respect of the two sets of accounts to enable Grant Thornton to issue audit opinions on the accounts and authorise the Director of Finance, as the Council's Section 151 (Local Government Act 1972) Officer to sign the letters.
- 5) Members approve the Cumbria County Council Accounts 2021/22 as presented which incorporate the Cumbria Local Government Pension Scheme Accounts. As the External Audit is not fully complete members agreed to delegate authority to the Director of Finance, as the Council's 151 (Local Government Act 1972) Officer to agree any further changes to the accounts resulting from the audit process in consultation with the Chair and Vice-Chair on behalf of the Council as long as those changes

are neither significant nor material. Should the remaining work by the external auditor result in any significant or material changes then a special meeting of the committee will be convened to consider the amended accounts.

- 6) Members approve the Port of Workington Harbour Accounts 2021/22 on behalf of the Council.
- 7) Authorise the Director of Finance, as the Council's Section 151 (Local Government Act 1972) Officer to sign the accounts on behalf of the Council upon completion of the Audit.

### **36 LETTER OF REPRESENTATION - CUMBRIA COUNTY COUNCIL**

The resolution relating to this item is recorded at Minute 35.

### **37 LETTER OF REPRESENTATION - CUMBRIA LOCAL GOVT. PENSIONS SCHEME**

The resolution relating to this item is recorded at Minute 35.

#### **a Audited Statement of Accounts 2021/22**

Members considered a report from the Director of Finance (s151 Officer) which provided a detailed overview of the Council's response to the External Audit Findings Report. The Senior Manager Accountancy (Deputy s151 Officer) highlighted the key messages of the Audit Findings Report explaining that Grant Thornton intended to issue an unqualified audit opinion on both the Cumbria County Council and the Cumbria Local Government Pension Fund (Cumbria LGPS) 2020/21 Accounts.

Further discussion and the resolution relating to this item are recorded at Minute 35.

#### **b Port of Workington Statement of Accounts 2021/22**

Members considered the Statement of Accounts which summarised the Harbour Authority transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022. Members were reminded that the Harbour Authority is required to prepare an annual Statement of Accounts to meet the requirements of the Harbours Act 1964 (Section 42) and in accordance with the requirements of the Companies Act 2006.

Further discussion and the resolution relating to this item are recorded at Minute 35

### **38 (GRANT THORNTON ITEMS)**

#### **a External Audit Findings Report - Cumbria County Council 2021/22**

Members considered the External Audit Findings Report for Cumbria County Council for the year ended 31 March 2021. The Engagement Lead and Senior Audit Manager from Grant Thornton provided a detailed account of the contents of the External Audit Findings Report.

Members heard that the audit work was completed during the period of June to November 2022 and identified one audit adjustment which would have increased the Council's net defined pension liability by £3.9million. It was reported that the Council had not adjusted its financial statement on the grounds of materiality.

The Senior Audit Manager explained that work was substantially complete and subject to outstanding matters there was nothing that would require modification of the audit opinion. Members heard that the most significant of these outstanding matters was the work on infrastructure assets and depreciation which could not be completed until January 2023. It was explained that this was a sector wide issue related to the accounting of infrastructure assets.

The anticipated audit report opinion would be unmodified although it would not be possible for this to be issued until the statutory override and amendments to the Code in relation to infrastructure assets were implemented, this was expected in late December.

Members heard that Value For Money (VFM) work had not yet been completed and this meant that Grant Thornton were not in a position to issue the Auditor's Annual Report. The Senior Audit Manager explained that this would be expected by March 2023 in line with the National Audit Office's revised deadline.

#### **b External Audit Findings Report - Cumbria Local Government Pensions Scheme 2021/22**

Members considered the External Audit Findings Report for Cumbria Local Government Pensions Scheme 2021/22.

Members heard that the audit work was substantially complete and there were no matters of which the auditors were aware that would require modification of the audit opinion or material changes to the financial statements, subject subsequent events, receipt of management representation letter and the review of the final financial statements.

It was anticipated that the audit report opinion would be unmodified. The audit report would not be issued until the audit of the Cumbria County Council accounts had been completed. It was explained that this was because the Pension Scheme

financial statement needed to be published alongside the Council's financial statement and as previously covered there was a sector wide issue related to the accounting of infrastructure assets which meant it could not be completed until January 2023.

**c External Audit Findings Report - Port of Workington Harbour Authority Engagement Letter and Report**

Members noted the contents of the Workington Harbour Authority Terms of Engagement between Cumbria County Council and Grant Thornton.

**39 FORWARD PLAN - AUDIT AND ASSURANCE COMMITTEE**

It was **AGREED** that the Council's Audit Action Plan be added to the agenda for the meeting on 9 March 2023.

**40 DATE & TIME OF NEXT MEETING**

The next meeting of the Audit and Assurance Committee is due to take place on 6 December 2022.

The meeting ended at 12:00 noon

Signed .....

Dated .....