



Audit Committee

Date: Tuesday 23 July 2024

Time: 1.00 pm

Location: Bainbridge Room, Copeland Centre, Catherine Street, Whitehaven, CA28 7SJ

Present: Cllr L Patrick (Chair), Cllr D Moore (Vice-Chair), Cllr J Ghayouba and Cllr G Troughton

In Attendance Chief Executive
Chief Legal Officer (Monitoring Officer),
Chief Finance Officer (Section 151 Officer)
Director of Resources
Director or Adult Social Care & Housing
Assistant Director of Operations
Assistant Director of Service Provision
Acting Head of Internal Audit and Risk Management
Service Manager – ICT Operations
Information Security Manager
Acting Risk Manager
Senior Manager – Finance
Democratic Services Manager

AUC.14/24 Apologies for Absence

Apologies for absence were submitted on behalf of Councillor Mallinson, Councillor Wernham and Ms Wilkinson, Independent Member.

AUC.15/24 Declarations of Interest

There were no declarations of interest submitted.

AUC.16/24 Exclusion of Press and Public

RESOLVED – It was agreed that items in Part A be dealt with in the public, there were no items to be dealt with in Part B when the public and the press are excluded.

AUC.17/24 Public Participation

There was no public participation to be considered at this meeting.

AUC.18/24 Agenda

RESOLVED – That the Annual Senior Information Risk Owner (SIRO) report be moved from agenda item 15 to agenda item 12.

AUC.19/24 Minutes of Previous Meeting

The minutes of the Audit Committee on 28 May 2024 were submitted.

In considering the minutes Members raised the following changes they would like made to the minutes for accuracy:

AUC.6/24 – “During the course of discussion the issues regarding the former County Council’s Job Evaluation Scheme were emphasised and it was suggested that Cumberland Council adopt their own Scheme in the future”, change from ‘the future’ to ‘as soon as possible’.

AUC.8/24 – “A question was asked about the outcome of the consultation and members were informed this was heavily dependent on legislation which was currently being drafted.”, change ‘legislation’ to ‘ a government update’.

AUC.10/24b – change “Public Health Manager” to “Public Health Manager – Alcohol and Drugs”.

RESOLVED - That the minutes of the meeting of the Audit Committee held on 28 May 2024 be agreed with the changes below incorporated:

AUC.6/24 – change from ‘the future’ to ‘as soon as possible’

AUC.8/24 – change ‘legislation’ to ‘ a government update’

AUC.10/24b – change “Public Health Manager” to “Public Health Manager – Alcohol and Drugs”.

AUC.20/24 Update on ICT Risk

The Service Manager – ICT Operations gave a presentation regarding Information Technology and Cyber Security Risks.

The Service Manager – ICT Operations set out the general cyber risks which included phishing attacks, sophisticated targeted financial scams, hackers and aggrieved members of the public and employees. He also set out the challenges that were specific to the Council and the engagement and partnership working that the Council had with other HMG agencies.

The Service Manager – ICT Operations detailed the key achievements of 2024 and the ongoing and planned activity for 2024/25.

The Information Security Manager gave an overview of the successful Cyber Security event which had been held in Carlisle in partnership with Cumbria Fire and Rescue and Westmorland and Furness Council. Representatives from the National Cyber Security Centre gave a presentation on cyber threats and representatives from Redcar and Cleveland Borough Council also attended to discuss how they dealt with a cyber-attack.

A Member noted that the risk score for cyber security arrangements was set at 25 with a target of 15, the Member asked if the target could be reached through mitigation or if the target needed to be reconsidered.

The Service Manager – ICT Operations responded that the target was ambitious given that the national risk rating for cyber security was 25, however, it was hoped that the risk could be reduced to 20.

In discussing the risks the Committee raised the recent CrowdStrike issues and any lessons learned from the incident. The Service Manager – ICT Operations clarified that although the issues were not the result of a cyber-attack there were lessons to be learned as it affected many of the Council's third party supply chains. Should a cyber event occur the Council would need a robust business continuity plan across all departments which enabled off line working to ensure services continued to be provided.

The Committee raised concerns regarding the merging of four council 'front doors' and the number of 'front doors' still open which increased the chance of a cyber-attack. The Service Manager – ICT Operations agreed that one front door on the internet would reduce the risk of cyber-attacks and further information would be provided to the Committee at the next meeting.

RESOLVED – That the Audit Committee thanked the Service Manager – ICT Operations and the Information Security Manager for their presentation and assurance given, in the interim, for risks relating to cyber security in Cumberland Council.

AUC.21/24 Adult Social Care Demand Risk Management Deep Dive

The Assistant Director of Operations provided a detailed presentation on the risk management deep dive on adult social care demand.

The Assistant Director of Operations set out the risk that with increasing demand outstripping operational capacity and despite significant effort, targeted resources and finances being diverted to those people with greatest need and at highest risk, the Health and Social Care System was unable to keep all Adult Social Care customers sufficiently safe and supported and this was in relation to operational assessment and Occupational Therapy (OT) staff as well as the provision of care and support.

The Assistant Director of Operations gave an overview of the factors for increasing demand which included super-aging population, more complex needs in residing in community settings, delays, reduced focus on prevention and workforce challenges. The presentation detailed how the Council was working to mitigate:

- the increasing and unsustainable number of individuals requiring health care and support
- the increasing demand for review and assessment activity and lack of capacity for effective, integrated delivery
- increasing demand for people with complex needs
- increasing demand for lower-level needs
- increasing demand as a result of NHS pressures
- lack of or uncertainty around future funding
- sustainability of the care market
- lack of national awareness and government support

The Committee acknowledged the excellent work that was being undertaken and questioned how the change in Government may impact the service.

The Director of Adult Social Care and Housing explained that the Adult Social Care Reform proposals had been set out ten years ago and the market and profile had changed significantly since then. The County Council Network had submitted a letter to Government recommending that the reform was postponed until 2025 to enable more detailed costing and funding to be prepared.

It was noted that the provisional outturn for adult social care had improved since quarter 1 and the Director of Adult Social Care and Housing acknowledged the work that his teams had undertaken to achieve this.

A discussion took place with regard to the use of overseas recruitment and capacity to increase numbers, Members were advised that the Council worked closely with Skills for Care to understand the workforce challenges in adult social care. Skills for Care had advised that overseas recruitment was not a long term solution, more work was needed to develop a workforce strategy which attracted younger people to roles. The Council needed to challenge the perception of care work, make the roles attractive and create a career structure to retain younger people.

The Chief Executive reminded the Committee that the workforce planning was a strategic issue which needed to be considered alongside the unemployment rate, the need for growth in Cumbria to accommodate the vacancies in major employers and the ageing population.

The Chair thanked officers for their detailed presentation and informative responses to questions.

RESOLVED – That the Audit Committee:

- i) noted the Risk Management Deep Dive in Adult Social Care Demand;
- b) supported creative actions to provide Adult Social Care and attract the workforce required;
- c) noted the mitigations that were place to deal with increasing demand
- d) would monitor the position moving forward.

AUC.22/24 Financial Sustainability Risk Management Deep Dive

The Chief Finance Officer & S151 Officer provided a detailed presentation on the risk management deep dive on financial sustainability.

The Chief Finance Officer & S151 Officer explained what financial sustainability was; the principal of good financial management; causes of risk that could impact the Council's ability to deliver a financially sustainable authority; how the financial resilience was assessed and what mitigations were in place including clear governance routes, using performance information effectively, having clear savings plans and managing the reserves.

The Chief Finance Officer & S151 Officer informed the Committee of two applications which had been submitted for 2023/24 and 2024/25 to the Ministry of Housing, Communities and Local Government (MHCLG) for Exceptional Financial Support (EFS). The applications had criteria for each, the 2023/24 required an external assurance review which had been carried out in October / November 2023, the actions plans from the review were received in May 2024.

The 2024/25 application required the establishment of an Independent Panel to track the process and the savings achieved from the transformation programme; the completion of the back log of accounts and a further external assurance review which CIPFA were in the process of arranging.

The Chief Finance Officer & S151 Officer reported that it was the intention that the 2023/24 action plan would be submitted to Council in September along with the appointment of the Independent Panel and its Terms of Reference. The Committee felt that they had a role in monitoring the outcome of the action plan and requested that the report be submitted to the next Audit Committee meeting.

The meeting discussed the role of the Audit Committee and the Business and Resources Overview and Scrutiny Committee and requested that an informal briefing be arranged to provide clarity on the separation of the two committees and on the new governance requirements/framework that was being introduced.

In response to a question the Chief Finance Officer & S151 Officer confirmed that there was a capacity issue in the finance team to deliver the transformation programme whilst continuing with day to day operations, this was an issue across the Council.

The Director of Resources added that should officers identify areas that required more capacity to deal with transformation there was a process in place to recruit for additional support.

The Chief Executive highlighted that the role of local government was still emerging from the new Government, however, devolution looked to be key. There needed to be more discussion around devolution and the implications. The Senior Leadership Team would discuss capacity issues; however, this would impact the budget in other places. The Council had inherited a financial position which Cumberland Council had improved on and would continue to improve on through a clear operating model.

The Chair thanked the Chief Finance Officer & S151 Officer for detailed presentation and thanked her and her team for their ongoing work to achieve financial sustainability.

RESOLVED – That the Audit Committee:

- i) noted the content of the Risk Management Deep Dive on Financial Sustainability presentation;
- ii) noted the mitigation put in place to maintain the financial sustainability of Cumberland Council;
- iii) requested that the CIPFA Assurance review report, associated action plan, and the governance arrangements for the Independent Panel be added to the next meeting of the Committee
- iv) requested that an informal briefing on the roles of Audit Committee, and Business and Resources Overview and Scrutiny Committee along with an overview of the financial implications of the capitalisation directions required and associated impacts on the Council budget be fully explained to members of these committees.
- v) support the need for additional capacity within the finance team to meet the financial reporting requirements of the Council.

AUC.23/24 Risk Management Progress Report

The Acting Risk Manager presented the Risk Management Progress report June 2024/25 which provided an overview of the risk management work undertaken by Internal Audit and Risk Management since the previous update to the committee on 28th May 2024.

The Acting Risk Manager drew the Committee's attention to the amended risks scores for Adult Safeguarding and Hosted Services along with the key controls which had been embedded to manage risk exposures further for a number of risks and the newly identified activities.

The Acting Risk Manager reported that the Senior Leadership Team had agreed to implement the Ideagen Risk Management System to enable online recording, monitoring, and reporting of risk registers. The new process would entail allocated managers / risk leads accessing and updating risk registers online. The risk owner would be clearer and would enable Risk Managers and other risk owners to review and report more efficiently.

The Acting Risk Manager asked the Committee to consider the layout of future reports and they agreed that the order of the register should tie in with the index with the highest risks first.

When discussing the layout of the report, Members asked for more clarity with regard to the use of the arrows to indicate the direction of travel and who the risk owner was. A Member sought assurances that there was a contingency in place to deal with risks which were allocated to posts which had become vacant.

The Acting Risk Manager assured the Committee that the posts had been appointed to and the risks were being managed, an update on the risks had been sought but was not available at the time of the publication of the report. He added that, moving forward, the risk owner would be much clearer following the installation of the Ideagen Risk Management System.

In response to a question the Acting Risk Manager confirmed that the ICT disaggregation risks would be included in the next strategic risk register.

RESOLVED – That the Audit Committee noted the Risk Management Progress report, noted the two significant amendments to the risk rating for Adult Safeguarding and Hosted Services, and welcomed strategic risk management training for Members.

AUC.24/24 Annual Risk Management Framework

The Acting Risk Manager presented the Risk Management Framework Annual Review 2024/25 which gave an overview of the amendments to the Risk Register Framework.

The Acting Risk Manager highlighted the main changes from the annual review which were detailed in section 2.3 of the report.

The Director of Resources informed the Committee that the Member Risk Champion was the relevant Portfolio Holder, regular meetings were held with the Portfolio Holder along with any Portfolio Holders who had significant risks within their Portfolio Holder.

RESOLVED – That the Audit Committee noted the Annual Risk Management Framework.

AUC.25/24 External Audit Progress Update Report

The Engagement Senior Manager (Grant Thornton) submitted the Cumberland Council Audit Progress Report and Sector Update.

The Engagement Senior Manager gave an overview of progress as of July 2024 which included an update on the impact of legacy audits, consultation on the 'backstop' arrangements, implications of the 'backstop' for Allerdale 2022-23, Carlisle 2022-23 and Copeland legacy accounts.

The Engagement Senior Manager reported that the deadline for the publication of audited local authority accounts for 2023-24 was 30 September 2024, however, it was expected to be extended to 31 May 2025 per the 'backstop' consultation. Grant Thornton was targeting sign off of the 2023-24 Cumberland accounts in Spring 2025.

The Engagement Senior Manager detailed the Value for Money arrangements review assuring the Committee that Grant Thornton would keep its risk assessment under review and where appropriate, update the risk assessment to reflect emerging risks or findings and report back to the Committee. He added that Grant Thornton aimed to keep the VFM reporting as timely as possible and the target for issuing the 2023-24 Auditor's Annual Report on the Council's VFM arrangements was September 2024.

The Senior Manager – Finance explained that it was the team's priority to clear the accounts backlog to meet the requirements of the financial support application and to move forward with the Cumberland accounts. Officers were waiting for external information to be provided, however, the Council took the opportunity to undertake other audit work whilst waiting to ensure there was no further delay to the finalisation of the accounts.

Members discussed the property valuation procurement and the Senior Manager – Finance assured Members that a robust procurement exercise had been carried out to ensure that the valuers had the capacity to undertake the valuation of over 800 properties at the level needed to meet the financial requirements. The procurement process was on track and the appointment of a valuer was expected at the start of September.

The Engagement Senior Manager stated that there were several factors to enable Grant Thornton to audit the Council's accounts including the completion of legacy accounts, pension information, and property valuation.

The Committee asked for an update on the closure of Copeland accounts; the Senior Manager – Finance explained that the Copeland accounts had been slightly delayed due to the election, the 19/20 accounts were nearly completed and the 20/21 figures had been produced in a fresh template, there was an interim officer working on the accounts.

RESOLVED – That the Audit Committee:

- i) Noted the External Audit Progress Update report;
- ii) Requested a further report be submitted to the next Audit Committee meeting regarding the completion of the Cumberland Council accounts and the capacity / resources required to complete them.

The meeting adjourned at 15:28 and reconvened at 15:36

AUC.26/24 Annual Senior Information Risk Owner (SIRO) Report

The Director of Resources submitted a report which provided an update relating to the responsibilities of Cumberland Council's Senior Information Risk Owner (SIRO) and outlined activity and performance related to information governance for the period 1 April 2023 to 31 March 2024.

The Committee discussed the types of breaches that were reported and received assurances from the Director of Resources that each matter was considered on its own merits and there were mechanisms in place to deal with reports. During the discussion the Monitoring Officer clarified the difference between unlawful and illegal. Referring to the lack of near miss reporting, the Director of Resources explained that there was on going training and encouragement for staff to report near misses.

The Committee noted the high number of Freedom of Information (FOI) requests, questioning if this was average and what could be done to reduce the figures. The Director of Resources clarified that often FOI requests were received as organisations and members of the public did not know they could ask the Council for the information or that the information was available on the website.

RESOLVED - that the Audit Committee noted the SIRO Annual report for the period 1 April 2023 to 31 March 2024.

AUC.27/24 Standing Orders

It was moved, seconded and

RESOLVED that Council Procedure Rule 8, in relation to the duration of meetings be suspended in order that the meeting could continue over the time limit of 3 hours.

AUC.28/24 Annual Self-Assessment of Conformance Against PSIAS

The Acting Head of Internal Audit and Risk Management submitted details of Internal Audit's Quality Assurance Improvement Programme and Self-assessment of compliance with the Public Sector Internal Audit Standards.

The Acting Head of Internal Audit and Risk Management informed the Committee that the Standards reflected the mandatory elements of the Institute of Internal Auditor's International Professional Practices Framework (IPPF), which defined the principles and standards required of Internal Auditors. The standards were intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector.

RESOLVED – That the Audit Committee considered the Annual Self-Assessment of Conformance Against PSIAS report and :

- i) Noted the Quality Assurance Improvement Programme at Appendix 1 of the report
- ii) Noted the Self-Assessment of conformance against the PSIAS at Appendix 2 of the report.

AUC.29/24 Internal Audit Progress Report 2023/24

The Acting Head of Internal Audit and Risk Management provided an overview of the work carried out by Internal Audit on the 2023/24 Internal Audit plan since the previous Audit Committee on 25th March 2024.

The Acting Head of Internal Audit and Risk Management reported that work on the Audit of the Transformation Programme was ongoing and would not be concluded in time to be considered as part of the 2023/24 Annual head of Internal Audit Opinion, it was proposed that the audit be carried forward to 2024/25.

The annual head of internal opinion would be presented at the 17th September 2024 Audit Committee meeting. To provide members with a timely update, based on audit findings to date the opinion was likely to provide partial assurances, reflecting the complexities the Council had faced in its first year, while also recognising the significant steps taken to improve the governance, risk management and internal control framework.

The Audit Committee considered each of the final reviews in turn commenting on the following:

CQC Readiness (Reasonable Assurance Opinion)

The Audit Committee were pleased to note that staff welfare had been included in the audit.

Special Educational Needs and Disabilities Transport (Reasonable Assurance Opinion)

The Committee received some clarity regarding the Parental Travel Bursary arrangements and noted the rural geography that was covered by Cumberland Council. The Committee also noted that the Cumberland Home to School Transport review was being undertaken.

Financial Services Governance(reasonable Assurance Opinion)

The Committee thanked the Chief Finance Officer and her team for their ongoing hard work under difficult circumstances.

Treasury Management (Reasonable Assurance Opinion)

Members agreed that there should be a clear process in terms of reporting including Executive, Scrutiny and Council.

Culture (Partial Assurance)

The Acting Head of Internal Audit and Risk Management reported that Culture was an important factor in the achievement of strategic objectives, the audit had been one of the first proactive culture audits undertaken by a local authority.

The Local Government reorganisation had resulted in four different cultures coming together and, given the increased risk exposure, it was only prudent that Culture should be included as a topic within the Audit Plan to review the strategies in place to embed a fit-for-purpose culture at Cumberland Council and ensure suitable mechanisms were in place to measure successful delivery of these strategies. The Audit would be followed up later in the year.

The Chief Executive reiterated the importance of culture when trying to create a value based organisation. He acknowledged the outcome of the audit and noted that more work was required. He explained that the Council had to be transformative and proactive and there should be a performance matrix to monitor how the culture was being transformed into a value driven culture. He supported the audit, stating it had been a proactive step.

Members noted the low response rate to the pulse survey and reminded Directors that it was important that they were visible in completing the survey to encourage others. Members debated how improvement in culture could be measured and questioned whether equality and diversity information was being captured during the recruitment process and how that information was being used.

The Chief Executive informed the Committee that the Council was in the process of moving to one payroll system, this would allow equality and diversity data to be gathered better in the future. He added that a pulse survey had recently been completed and the data was being processed.

The Committee asked that the results from the pulse survey and the Culture Audit Report be shared with the Chair of the Business and Resources Overview and Scrutiny Committee to support the work of the Task and Finish Group on workforce capacity and retention.

Members supported clear boundaries between Members and Officers and the difficulties presented in working closely together.

RESOLVED – That the Audit Committee:

- (i) Noted the progress against the Audit Plan for 2023/24;
- (ii) Received the final audit assignments at Appendix 2-7 of the report;
- (iii) Approved the amendment to the 2023/24 Internal Audit plan outlined in paragraph 3.1 of the report
- (iv) Requested that the results of from the pulse survey and the Culture Audit Report be shared with the Chair of the Business and Resources Overview and Scrutiny Committee to support the work of the Task and Finish Group on workforce capacity and retention.

AUC.30/24 Internal Audit Progress Report 2024/25

The Acting Head of Internal Audit and Risk Management provided an overview of the work carried out by Internal Audit on the 2024/25 Internal Audit plan since the previous Audit Committee on 25th March 2024.

The Acting Head of Internal Audit reported that twenty seven actions had been followed up in the current period:

- 11 recommendations had been completed and closed.
- 2 recommendations had been closed as superseded.
- 3 recommendations had been reported as completed, but evidence to demonstrate this had not been provided to date.
- 7 recommendations had not been completed and have been given revised completion dates for future follow-up.
- 4 recommendations remained open as no response to audit follow-ups had been received (further action being undertaken by Internal Audit)

The Acting Head of Internal Audit provided an update on counter Fraud; Effectiveness review; and amendments to the Audit Plan.

The Audit Committee noted the final audit review of Netherton Infants (Reasonable Assurance)

RESOLVED – That the Audit Committee:

- (i) Noted the progress against the Audit Plan for 2024/25;
- (ii) Received the final audit assignment at Appendix 2 of the report
- (iii) Noted progress made on outstanding actions outlined in Appendix 3 of the report;
- (iv) Approved the amendments to the 2023/24 Internal Audit plan specified in paragraph 2.19 and Appendix 1 of the report.

AUC.31/24 Date and Time of Next Meeting

It was noted that the next meeting of the Audit Committee was scheduled for Tuesday 17 September 2024 at 1.00pm at Allerdale House, Workington.

The meeting finished at 5.05 pm