

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Thursday, 30th July, 2020, 4.30 pm

**Councillors:** Mark Elliott (Chair), Andrew Furse, Colin Blackburn, Bharat Pankhania and Brian Simmons

**Independent Member:** John Barker

**Officers in attendance:** Andy Rothery, Jeff Wring, Andy Cox, Gary Adams

**Guests in attendance:** Sophie Morgan-Bower, Peter Barber

**38 WELCOME & INTRODUCTIONS**

The Chair welcomed everyone to the meeting by explaining that this meeting is being held under The Local Authorities and Police and Crime Panels (Coronavirus)(Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020. The Council has agreed a protocol to cover virtual meetings and this meeting would operate in line with that protocol. The meeting has the same status and validity as a meeting held in the Guildhall.

**39 ELECTION OF VICE-CHAIR**

There was none required.

**40 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Councillor Lucy Hodge had sent her apologies for this meeting. Councillor Bharat Pankhania was her substitute for this meeting.

**41 DECLARATIONS OF INTEREST**

There were none.

**42 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

**43 ITEMS FROM THE PUBLIC - TO RECEIVE DEPUTATIONS, STATEMENTS, PETITIONS OR QUESTIONS**

There were no items from the public.

**44 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

There were no items from Councillors, Co-opted and Added Members.

**45 MINUTES - 6TH FEBRUARY 2020**

On a motion from Councillor Andy Furse, seconded by the Chair (Councillor Mark Elliott) , it was **RESOLVED** to note the minutes of the last meeting as a true and correct record.

#### **46 COVID-19 FINANCIAL RECOVERY - VERBAL UPDATE BY S151 OFFICER**

The Chair invited Andy Rothery (Section 151 Officer) to introduce the report.

Andy Rothery gave a presentation (attached as Appendix 1 to these minutes) where he highlighted the following points:

- Covid-19 Financial Impact
- National Funding Position
- Financial Risk Identification
- Increased Governance
- How we are tackling in-year pressures
- Financial Planning Implications

The Chair thanked Andy Rothery on his presentation.

A Member of the Committee asked about grant fraud and on any fraudulent activity in audit (and how that would be mitigated), whether the £20.7m of cost savings would be deliverable and whether £10.3m of reserves could be used now (and how we compare with other Unitary Authorities).

Andy Rothery replied that one of the first steps from the Council was to be mindful of fraudulent claims and ensuring to put in place good control measures through the application process by identifying valid and operating businesses. This was done via identification checks for that business owner to make sure that they were the correct claimants.

Andy Cox (Head of Audit & Assurance) added that the Council did get involved very early on in the payment processing by liaising with the relevant officers in giving advice about the internal control framework and on a number of tools that were available, such as Cabinet Office Spotlight Tool, Bank Account Verification Tool (available through National Fraud Initiative). The audit, which would start soon, would look at the processes that have been used, and at the records management. Andy Cox also said that a post payment review had started, which initially was focused on the discretionary grants, and data matching has been done in liaison with other WECA Authorities.

Sophie Morgan-Bower (Grant Thornton External Audit) said that cost saving of £20.7m would be looked at as part of value for money work. In the report (later on the agenda) it was included within value for money arrangements review of the Council, and a review of the medium-term financial plan. The external audit reviewed the actions taken to identify savings and how these have been challenged and would consider the plans to identify further savings. It was worth noting that a number of these grants may not have been paid out and may not fall within the scope of the audit, at that point, But the 2020/21 savings would definitely be considered as part of the value for money work that was ongoing. The audit deadline has been extended to the end of November, so that work was ongoing now.

The Chair asked about difficulties with Leisure Services (as per presentation), in particular the current situation and likely implications.

Andy Rothery responded that Leisure Services were contracted services reliant on their income from memberships: the financial impact falls into the category of supplier relief if the provider requests support from the Council and this was a part of an ongoing discussion. The loss of income for externally contracted Leisure providers has been excluded from the income reimbursement scheme, Council operated leisure centres where there is income loss from membership bookings was included. There was a regular dialogue with our leisure providers to ensure that they can keep operating successfully.

The Chair also asked about Council reserves strategy of £10m which was agreed by the Cabinet, and asked how would support money coming from the Government be used when it comes in.

Andy Rothery responded that the Cabinet has agreed to use any amount of reserves needed to help mitigate the difficult financial position. That has been done in a balanced way to ensure that reserves were still retained. The first thing to be mindful of was to fully understand the long term impact on the Council's finances and how that financial transition and change was managed. That is where financial reserves can be very useful; for helping transition annual budgets and funding change, and to enable the Council to become more resilient. The announcement from governments about the income scheme would allow flexibility to revisit some of those plans and reconsider alongside the financial mitigations that have been put forward.

John Barker asked about the potential implication in the recovery risk assumptions, and particularly if there was a second wave of Covid-19 with the impact it would have on social care delivery.

Andy Rothery replied that the risk of social care delivery has been assessed and it was factored into the cost projections within the Council's recovery plan.

John Barker also asked what sort of dialogue about the continuing financial position and the projections of the Council's budget had been held, and on the implications around the pension fund cash flow.

Andy Rothery responded that he was conscious of the cash flow impact of the in year income and, through its treasury management activities, the Council were doing regular cash flow forecasting.

It was **RESOLVED** to note the presentation.

## **47 TREASURY MANAGEMENT OUTTURN 2019/20**

The Chair invited Gary Adams to introduce the report.

Gary Adams took the Committee through the report by highlighting the key headlines: summary of returns and borrowings, strategic and tactical decisions, future strategic and tactical issues, PWLB borrowing rate increase, and budget implications.

A Member of the Committee commented that there was a £2.4m underspend, and overall capital borrowing was around £400m, yet the actual borrowing was only just over £200m and asked where the figure of £323m comes from.

Gary Adams replied that £232m was total borrowing, and the £323m figure was Council's capital financing requirement. That was the official balance sheet review figure showing how much borrowing need was estimated based on a historical capital spend. There was a gap between what was actually borrowed, and what the borrowing need was. The main reason for that was that the Council has used its internal cash to delay the borrowing to reduce the need to borrow which created an underspend.

A Member of the Committee commented that local property return did not like giving a 3.9% return and asked how that would affect future figures.

Gary Adams responded that there would be a reduction on Council's short term cash due to the Bank of England base rates. Some mitigation measures with higher cash balances were put in place in the first quarter. The good thing about CCLA property fund was that they did not heavily invested in retail market where there was strong rental income. The interest on that fund would reduce slightly due to inevitable situation, but that would not be significant reduction.

It was **RESOLVED** to note the report

## **48 EXTERNAL AUDIT UPDATE & PLANS**

The Chair invited Peter Barber (Grant Thornton Engagement Lead) to introduce the report.

Peter Barber took the Committee through the report by highlighting the following in each Appendix of the report:

Appendix 1 Council –

1. Introduction & headlines
2. Key matters impacting our audit
3. Group audit scope and risk assessment
4. Significant risks identified
5. Other risks identified
6. Other matters
7. Materiality
8. Value for Money arrangements
9. Audit logistics & team
10. Audit fees
11. Independence & non-audit services

Peter Barber confirmed that the figures in this appendix were pre Covid19 figures. Peter Barber also said that the Government has extended the audit deadline by month, which has welcomed by Grant Thornton, and that he was confident that the audit process would be delivered on time.

Appendix 2 Avon Pension Fund –

- 1.Introduction & headline
- 2.Key matters impacting our audit
- 3.Significant risks identified
- 4.Other matters
- 5.Materiality
- 7.Audit logistics & team
- 8.Audit fees
- 9.Independence & non-audit services

#### Appendix 3 Council (update)

1. Introduction and headlines
2. Significant risks identified (Covid-19 pandemic)

#### Appendix 4 Avon Pension Fund (update)

1. Introduction and headlines
2. Significant risks identified (Covid-19 pandemic)

A Member of the Committee asked if the change of some investments in the Avon Pension Fund ('green' investments) would have an impact on the Avon Pension Fund.

Peter Barber responded that this would be a decision for the pension fund. It was not for audit to comment on where the fund was invested; the audit would be looking at the figure of year end.

#### Appendix 5 - In-depth insight into the impact of Covid-19 on financial reporting in the local government sector

1. Introduction
2. Executive summary
3. Operational challenges and the related financial reporting/regulatory impact
4. Government support schemes – considering the accounting implications
5. Significant financial reporting issues to consider
6. Other sector issues and practicalities to consider
7. Impact on audit work/external scrutiny process
8. Engagement with experts
9. Further resources and guidance

Sophie Morgan-Bower commented that both audits were progressing well at this point in time, with good responses from the finance team and also to the Avon Pension Fund finance team. The accounts were received on a timely basis, even before the revised deadline. Sophie Morgan-Bower outlined the challenges in terms of both audits, in particular remote working due to Covid-19 pandemic. However, she was optimistic that despite these challenges both audits would be completed before the newly set deadline.

A Member of the Committee asked how people who have concerns or objections on Council's accounts would be able to put those forward, and also ask any questions (if they may have).

Andy Rothery commented that people can put their requests forward to inspect any documents related to accounts. Also, any issues that people may have, such as concerns or objections to account can be accommodated by the Council in compliance with the social distancing requirements.

It was **RESOLVED** to note the report.

#### **49 INTERNAL AUDIT ANNUAL REPORT 2019/20**

The Chair invited Andy Cox to introduce the report.

Andy Cox first informed the Committee that all the audits that were intended to be completed have now been finalised or are awaiting management comment to enable the report to be turned from draft to final version. Andy Cox took the Committee through the report, as printed.

Councillor Andy Furse, previous Chair of the Committee, asked to be put on record that an informal update had been provided in April 2020.

Following the introduction to the report the Chair asked about the Performance dashboard (recorded in the report) and how the position of the indicators compared with previous years.

Andy Cox responded that usually the speed dial would be in the green-amber segments for each performance indicator on the dashboard. There were two which recorded 'Red' and the reasons and current position was explained to the Committee.

A Member of the Committee asked whether the issue of non-implementation of recommendations was something for consideration as part of the governance review and whether it should feature in the Annual Governance Statement to put a little bit more pressure where there were unresolved deliveries of agreed recommendations.

Andy Cox replied that it wasn't significant enough to include in the Statement and where necessary non-implementation of recommendations was reported to the relevant Directors and if deemed necessary it could be escalated to Andy Rothery S151 Officer and the Council's Statutory Officers.

It was **RESOLVED** to note the report.

#### **50 INTERNAL AUDIT ANNUAL PLAN 2020/21**

The Chair invited Andy Cox to introduce the report.

Andy Cox reminded the Committee that the Public Sector Internal Audit Standards require Internal Audit to prepare a risk-based plan. Andy Cox took the Committee through the report.

The Chair asked who would prioritise, and how would the decision be made, on which areas would be dropped from the planned audit due to the need to carry out unplanned work.

Andy Cox replied that the Audit Plan was prepared using a risk scoring methodology and that resulted in the creation of a long list of audits in risk order. Those audits included in the 20/21 Plan were decided based on resources available, i.e. a line was drawn on the list based on the resources available. Anything above that line (high risk) would be audited, i.e. included in the Plan presented to Committee for approval. If necessary, the lower risk items would be replaced by unplanned work.

A Member of the Committee asked if there were any areas where the Council could have a partnership, or initiative with North Somerset, and any other surrounding areas that may have a particular category of investigation arising from COVID-19, or anything connected with COVID-19.

Andy Cox responded that some work has been done, but not directly related to planned work. The Council has worked with Bristol City Council on data matching Covid19 business grants, B&NES discretionary grant data was compared to data from other WECA Councils (including Bristol CC Small Business Grants), and this identified a market trader receiving both a Small Business grant, and a discretionary grant.

The Chair asked if there was any work at looking at the practice and procedure around the allocation of provider relief.

Andy Cox replied that his team was involved in verifying the accuracy of the calculations made (passenger services) in terms of how much supply relief was to be paid based on Recovery Board deciding relief should be based on 50% of normal payments.

The Chair acknowledged that the review of the charter had been carried out, and that Andy Cox had made very minor changes to the charter, as per page 121 of the papers.

It was **RESOLVED** to:

- Approve the Audit & Assurance (Internal Audit) Plan 2020/21
- Approve the Internal Audit Charter (minor amendments to version presented to July 2019 Committee meeting).

## **51 ANNUAL REPORT OF AUDIT COMMITTEE 2019/20**

The Chair invited Jeff Wring (Service Director - One West) to introduce the report.

Jeff Wring reminded the Committee that the Corporate Audit Committee has specific delegated powers given to it from Full Council and as such is required to report back annually to Council under its Terms of Reference.

Jeff Wring took the Committee through the report.

Sophie Morgan-Bower proposed minor amendment on page 132 (section C - external audit around the completion of the housing benefit claim). The last line says, 'the claimant signed off on the 9th January 2020 prior to the deadline', which was not correct. There were two extensions due to technical issues with the claim. The claim was actually about six weeks after the deadline.

The Committee also noted that John Barker was not mentioned as a Member of the Committee on page 134 of the agenda.

It was **RESOLVED** to agree that:

1. The Annual Report can be delegated to the Chair of the Committee to endorse and agree before issue to full Council at its September or November 2020 meeting.
2. The current terms of reference of the Committee are appropriate and no changes are proposed.
3. The officers amend the report as per comments made at the meeting.

The meeting ended at 6.15 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**