BATH AND NORTH EAST SOMERSET COUNCIL

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Thursday, 23rd September, 2021, 4.00 pm

Councillors: Mark Elliott (Chair), Andrew Furse, Colin Blackburn, Lucy Hodge and

Brian Simmons

Independent Member: John Barker

Officers in attendance: Andy Rothery (Chief Finance Officer (S151)), Gary Adams (Head

of Financial Management) and Andy Cox (Head of Audit and Assurance (One West))

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the emergency evacuation procedure.

2 ELECTION OF VICE-CHAIR

A Vice-Chair was not needed for the meeting.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

4 DECLARATIONS OF INTEREST

There were none.

5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

7 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

8 MINUTES - 29TH APRIL 2021

On a motion from Councillor Brian Simmons, seconded by Councillor Colin Blackburn it was

RESOLVED to note the minutes of the last meeting as a true and correct record.

9 EXTERNAL AUDIT - UPDATE

Peter Barber (Grant Thornton) presented the report giving his opinion on VFM and the pension fund. He discussed the materiality figure, the focus on risk, the progress report including fees and charges, the valuation of land and building assets which was significant in BANES and the focus on investments. He explained that the timeline had been influenced by COVID meaning the audit would not be completed by the statutory deadline of end of September. It had been hoped to sign off the accounts in October and now it was planned for early December.

There had been more progress with the pension fund but that was also behind schedule. Peter Barber was confident this was nearer conclusion.

He added that this was a national issue and importantly there had been nothing material found from the work undertaken so far on the accounts.

The following issues were raised during questions:

- There will be no direct consequence of the late sign-off, the auditors are required to provide the Council with the reasons for the delay so it can publish a "Notice of Delay to Audited Accounts" statement on its website, confirming why the audit had not concluded by the 30th September deadline.
- BANES property was not like that of a private organisation as there was not the necessity to sell year on year.
- The new VFM Code was bigger and resulted in more work and there was a need to recruit which had been successful in part
- As regards the audit plan there was a timetable and certain things triggered delay. There was a timed budget with the allocation of jobs and the focus was on greatest risk
- Liam Royle, newly appointed as Audit lead, would be focussing on land and buildings
- In relation to the council, the focus was less on the issue about it being a 'going concern' and more about the ability to meet its financial responsibilities and the need to be risk aware

Peter Barber explained that VFM covered three areas – financial sustainability, governance and the 3 Es, economy, efficiency and effectiveness. The following points were raised:

- Each area within the plan had sub-criteria where the Council was, areas that needed improvement or refinement and significant areas of concern
- To deliver the certification for VFM the external auditors had to report on each item to the National Audit Office
- It was a requirement under the Code of Practice to comment and give details on each area
- If there was a delay with either signing-off or VFM, it would be completed as soon as possible and there was external review by the regulators
- It was important to know how the delay in signing-off the accounts fitted in with the national picture, a large number of Councils would be in the same position due to resourcing pressures being experienced by external audit firms.

- BANES Head of Financial Management confirmed that the delay could add extra pressure on BANES officers, given competing demands as we move into the Council's budget setting period.
- The Section 151 Officer explained that forward planning was vital and ultimately there were deadlines to meet, however officers could bring forward other work to cover the audit later
- It was acknowledged that the Cabinet member needed to be kept aware of the situation
- There was a risk of needing extra resources if it was delayed later
- It was noted that officers were under significant pressure
- A further status update from Grant Thornton to the Chair of the Audit Committee was requested by 31st October 2021 covering progress made in meeting the plan to complete the audit in time for the December Audit Committee meeting
- The extra fee charged for VFM was required as a result of more work required by the new code

The Chair explained that the Council had been asked by the Public Sector Audit Appointments (PSAA) whether they wished to opt in or out of the national arrangement for the procurement of external audit. The independent member explained that there were specific requirements for the Councils to procure external audit themselves if Councils moved away from using the PSAA national arrangements, but there was more flexibility with opportunities for new partners with smaller companies. There was also the Redman report (June 2020) which reviewed the arrangements for local authority audits and presented recommendations, including some smaller companies having been assessed and accredited. The independent member's view would be sought and the Section 151 Officer would discuss with other local authorities. He advised the timescale for this was 8-12 weeks.

RESOLVED

- 1) That the update report be noted;
- 2) to identify further related issues that may require resources or additional input for the external audit, to ensure it was completed on time and that the Cabinet member be kept informed of the criticality of resources for the audit and budget in the limited timeframe; and
- 3) that the Committee be kept informed of the situation as regards to opting in or out of the national arrangement for the procurement of external audit.

10 TREASURY MANAGEMENT OUTTURN REPORT 2020/21

The Head of Financial Management Gary Adams presented the report. He explained that the report had already been to Council and Cabinet in July and was being reported to this meeting as the July meeting of Corporate Audit had been cancelled.

The key points of the report were highlighted. The average rate of interest earned on investments was 0.41%, this was 0.43% above the benchmark rate. Interest rates continued to remain low and the Council's return was increased through the 3.7%

earned on its investment in the CCLA Property Fund. The majority of the investment portfolio is held in short term investments to provide liquidity. As regards borrowing, some short-term borrowing was taken at the start of the financial year to cover liquidity risks in light of concerns over the impact of Covid on cashflow prior to the notification of government grant support. There was no further need to borrow for the rest of the year and the level of borrowing at year end was £243.5m. The planned review and due diligence undertaken by the Council's Treasury Advisors into potential ESG (Environmental, Social & Corporate Governance) focussed investments had been completed and a member briefing session was held in August. Investment into two funds is planned for the 3rd Quarter of 2021/22. The Council was also working with its advisors reviewing options to make an early repayment of a LOBO (Lender Option, Borrower Option) loan and re-finance at a lower rate. After allowing for the early repayment premium, the restructuring is forecast to make savings of around £100k per annum and remove the LOBO's future refinancing risk. The final decision will be made by the s151 officer in line with the Treasury Management Strategy.

During discussion the following issues were raised:

- Benchmark rates were provided by the Council's Treasury Management advisors using short-term market rates.
- Reasons for differences in performance against benchmark are reported to the Committee and the actual benchmark rate used is kept under review.

RESOLVED that

- 1) The Treasury Management Report to 31st March 2021 be noted; and
- 2) the Treasury Management indicators to 31st March 2021 be noted.

11 INTERNAL AUDIT - UPDATE REPORT

The Head of Audit & Assurance Andy Cox presented the report. He confirmed that all 7 2020/21 audits that had been carried forward into 2021/22 had now been completed. In terms of this work he brought attention to the Property Service Charges audit review which had been assigned a Level 2 'limited' Assurance Level. The key area of concern reported was related to debt management and this was to be considered by a Workstream of the current Property Review. Internal Audit team members will be actively involved in the work stream meetings to help develop systems and the control framework to manage risks.

He explained in addition to the 36 planned audits in the 2021/22 Audit Plan, on which they were making good progress, there was significant work on grant certification, anti-fraud work and audit follow-ups. In terms of the follow-up of audits the work identified that recommendations had been largely implemented.

During discussion the following issues were raised:

 Adult Social Care Grant Funding Management - had been completed and given a good assurance level. It was highlighted that a member of the Internal Audit team had been seconded to help administer the grant allocations. The

- report was very positive and the only concern was where money had been allocated to the Council's own care homes and that there was evidence to support the level of funding allocated.
- Clean Air Zone The audit review had just commenced. Councillor Furse highlighted issues being reported related to residents being incorrectly notified of charges. The accuracy and robustness of the system was under scrutiny and the audit would be important to ensure pay as you go charges, penalty charge notices and exemptions were properly administered. Members agreed this was high profile in the media and important to the public and a good understanding of how it was being administered was vital.
- The Independent Committee Member asked a question about risk management and the recent issue of energy security. An update on the Council position was provided and it was confirmed that most energy usage was fixed contract price until March 2022 except for street lighting. Changes were coming and cost would be increasing significantly.
- There was a Corporate Risk Management Group to look at the robustness of risk management of the Council and there would be reports back to the Committee.

RESOLVED

- 1) That progress in the delivery of the 2021/22 Annual Audit Assurance Plan be noted; and
- 2) that for the Committee's annual report to Council, the Head of Audit & Assurance will liaise with the Chair before the report was submitted to Council.

Prepared by Democratic Services
Date Confirmed and Signed
Chair(person)
The meeting ended at 6.05 pm