

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Thursday, 19th May, 2022, 4.30 pm

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

Independent Member: John Barker

Officers in attendance: Jeff Wring (Service Director - Commercial and Governance), Andy Rothery (Chief Finance Officer (S151)) and Andy Cox (Head of Audit and Assurance (One West))

Guests in attendance: Peter Barber (Grant Thornton), Sophie Morgan-Bower (Grant Thornton), Ann Graham (Grant Thornton)

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer read out the emergency evacuation procedure as set out on the agenda.

2 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were no apologies.

3 DECLARATIONS OF INTEREST

There were no declarations of interest.

4 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The next meeting was scheduled for 28th July 2022. It was noted that this needed to be earlier in the month.

RESOLVED that the next meeting be on Thursday 14th July 2022 at 4.30pm.

In respect of the meeting scheduled for 1st December 2022, the external auditor explained it needed to be in November to meet the deadline.

RESOLVED that the meeting scheduled for 1st December 2022 take place earlier on 24th November 2022 at 4pm.

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

There were none.

6 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

7 MINUTES - 3RD FEBRUARY 2022

RESOLVED that the minutes of the meeting held on 3rd February 2022 were confirmed and signed as a correct record.

8 EXTERNAL AUDIT - ANNUAL REPORT

Peter Barber (Grant Thornton) presented the report. He explained that Ann Graham joined him at the meeting as she had worked on the report. This had been the first year of the new Value For Money (VFM) approach. This year there was more detail on the financial detail, governance, economy, efficiency and effectiveness. He outlined key recommendations which looked at how effective the arrangements were. He highlighted that they needed to report in a timely manner. Sophie Morgan-Bower (Grant Thornton) also present, she was the audit manager for BANES. He expected to bring the report this year by December.

He stated 2021 had been a strange year with Covid and BANES had a massive £42 million budget gap from forecast loss of income. However, things had improved with the financial recovery plan. The Council had returned a surplus and had some key reserves for the future. The reason for the success was a quick response to the pandemic identification of revenue savings and additional government grant. The return to normality was increasingly important.

An issue for BANES was financial resilience and the direct school budget (DSG) was a problem. BANES had good levels of savings but it would be harder to find more. Careful budget management was necessary and prioritisation would be a challenge.. Vacancies were being held as an interim measure and there would need to be workforce plan decisions as to what posts need to be recruited into.

Ann Graham outlined that the Council had handled Covid 19 well dealing with it flexibly. She made the following points:

- The new corporate strategy in February 2020 was revisited later in the year, with a reliance on emergency decision-making and the Council response had been effective
- Improvement recommendations are risk governance, improving the way risk is reported making it more visible. There was an opportunity to raise the profile and get a view of the bigger picture
- As regards whistleblowing, which happens, there were opportunities to refine the process so Councillors get a good perspective
- With complaints and feedback, residents said there was too much documentation to wade through
- For Treasury Management there was a need to improve clarity of reporting with a best practice update on an annual basis.
- For performance management there was a new framework coming with KPIs linking this together with objectives
- Contract management, there needed to be key themes across the public sector with managers managing contract appropriately from big to small
- With economy, efficiency and effectiveness the External Auditor had interviewed key senior people in the authority and it was evident that it was a continuing journey

- It was noted that financial reporting from period end to publication has improved with reports aligned to the quarterly reporting cycle and published 4-5 weeks from the period end.

During questions the following issues arose:

- Vacancy management (Cllr Furse) – money was saved over a long period but the ability to deliver and efficiency was damaged
- Capital management – using cash flow for our projects rather than borrowing
- DSG deficit from SEND placements. The Section 151 Officer Andy Rothery explained this related to SEND provision where the Council carries a deficit forward as it is a passed-through fund administered by the Council. There was a loss in the balance sheet but it was in a ring-fenced account, not a call on the general fund. There would be a DfE programme to discuss a recovery plan with local authorities. Demand was outstripping supply
- In light of next year's elections (Cllr Blackburn) the register of interests needed to be up-to-date. The Monitoring Officer should have a mechanism to remind councillors as a matter of routine (The Section 151 Officer would take this issue to the Monitoring Officer)
- Declaration of interests had changed (Cllr Simmons) from every 4 years to annually
- The external auditor would follow these recommendations up as the Council may already have trackers
- The Service Director – Commercial and Governance (Jeff Wring) explained that there was a record of the recommendations with an implicit responsibility for good governance. It was recognised that there had been inconsistencies and it would be looked at in the Annual Governance Review
- Positive feedback reported back to Cabinet has improved (Cllr Hodge) but the lack of trends in Treasury Management reporting was frustrating
- Feedback on whistleblowing and benchmarking narrative to compare with other authorities
- Unit costs – always difficult to be consistent (Peter Barber External Auditor) but they were becoming more efficient
- The new VFM format was good (Cllr Hodge).

RESOLVED to note the Annual Report, VFM Report and recommendations arising.

9 EXTERNAL AUDIT PLAN

Peter Barber (Grant Thornton) presented the report which set out the audit plans for the Council and Avon Pension Fund. He outlined the headlines – ADL and ACL produce group accounts with a deadline of the end of November and it was hoped to be reported to the November Committee. The biggest risks were an increase in fees and charges with a large share in this area. The Council had a large number of investment properties and a very large liability the pension fund. They would be looking at governance, economy, efficiency and effectiveness and the recommendations.

During questions the following areas arose:

- Was the external auditor focussing on other areas of risk, other than the commercial estate (Cllr Furse). It was confirmed that the external auditor looked across the board at all the competencies
- As regards asset valuation (John Barker), there was a caveat if values were uncertain and infrastructure was in place to ensure valuations were appropriate
- Was there an impact on BANES with high property values due to being a heritage city (John Barker)? An enormous amount of time was spent on land and assets due to the complexity in the Council. Over half of local authority audits were not yet signed off.

In respect of the Avon Pension Fund there was 59 million materiality as it was a massive fund. The audit would be prioritised so completed by July/August and being submitted to the September meeting.

During questions the following matters arose:

- The Section 151 Officer Andy Rothery explained the employer contributions were 17% with an added 5% into the fund. The figures were performing well. There was a valuation every 3 years. As at 31/3/22 it was well over 90% but there was risk around inflation (Service Director – Commercial and Governance Jeff Wring)
- What happened if the fund reached 100% funded (Cllr Elliott)? Decisions would be made by the Cabinet Member and through the Committee process.

On a motion from Councillor Andy Furse, seconded by Councillor Brian Simmons it was

RESOLVED that the audit plans for the Council and Avon Pension Fund be endorsed.

10 INFORMING THE AUDIT RISK ASSESSMENT

Peter Barber (Grant Thornton) presented the report which was submitted annually.

During discussion the following comments were made:

- The pension fund column which referred to the year 2021-2022 was not impacted by compliance with ESG and COP 26 (John Barker). It would not impact until later years
- Whether there were any levelling-up bids for new resources (John Barker).

RESOLVED to note the Council response to informing the audit risk assessment questions.

11 AUDIT & ASSURANCE ANNUAL REPORT 2021/22

The Head of Audit and Assurance (Andy Cox) presented the report and outlined the headlines that 29 out of 36 audits were largely complete. Of the remaining 7, 4 would be undertaken in 2022-23 and following re-assessment of the risks there was

no further work with the other 3. He referred to the headlines for the financial year 2021-22; the assurance ratings for the core planned audits in 2021-22 providing the Committee with a summary of two audits – IT patch management and IT asset management, where a Level 2 Assurance Level had been awarded; and summarised investigations, whistleblowing, counter fraud and corruption and unplanned work.

The Service Director – Commercial and Governance (Jeff Wring) explained he had to give his formal opinion on the Council's Internal Control Framework. Due to Covid 19 there was a different working environment with employees primarily working from home. This impacted on evidence as some issues were not as visible as in the workplace and changed the risk picture. There were advantages such as saving time, with no travel and in some ways employees were more productive. His opinion was that the Council's internal control framework and systems to manage risk are reasonable.

The following issues were discussed during questions:

- Increased use of Cashless systems since Covid 19 (Cllr Furse) changing the risk environment. This has required different approaches to fraud detection being adopted
An example of this was the Roman Baths but we had experienced this before Covid19 linked to the collection of Car parking income (Head of Audit and Assurance)
- In reference to the 2 IT audits highlighted as 'weak' was this highlighting something going wrong in IT (Cllr Elliott). The findings of the 2 Audits were linked to changes in the IT infrastructure of the Council with the move to remote working, e.g Patch Management - bandwidth at people's homes had impacted on patch updates. Regarding IT asset management there were issues with the Asset Management Policy and the current insurance held by the Council did not cover cyber losses and this was to be subject to review and then consideration by the IT steering group
- Was there a need to reconcile the External Auditor's 'informing risk assessments' with assurances in the patch management audit. The External Auditor explained that they were not IT experts and in respect of patch management, they would not assess this specific IT risk. The Service Director Commercial and Governance (Jeff Wring) explained that patch management IT controls were not of direct consideration in relation to those areas subject to External Auditor inquiries under auditing standards. The Council's annual governance review would consider IT as an area of interest.

RESOLVED to note the internal audit annual report 2021/22 and formal opinion on the internal control framework.

12 INTERNAL AUDIT PLAN - 2022/2023

The Head of Audit and Assurance (Andy Cox) presented the report asking the Committee to approve the Internal Audit Plan for 2022/23 and Internal Audit Charter 2022.

The Internal Audit function is a component in the Council’s governance framework, a statutory requirement and linked with the responsibilities of the Section 151 Officer.

In addition to the Core Audit reviews there was other work such as audit grant certification and fraud prevention / detection.

The Committee was consulted on the Plan in February and Members highlighted IT security, workforce and IT equipment risks requiring audit attention.

The experience of the Covid 19 pandemic over the last two years has highlighted the need to have an element of flexibility in the audit plan. There would be a half-year review and statutory officers would be consulted if changes were required.

In respect of the Internal Audit Charter, the need to adopt a Charter is a requirement of the Chief Audit Executive as per the Public Sector Internal Audit Standards. The significant change this year is the Head of Audit & Assurance being recorded as the Chief Audit Executive. This was required to avoid a conflict of interest based on the responsibilities being taken on by the Service Director One West linked to of the retirement of the lead officer managing the Avon Pension Fund.

On a motion from Councillor Andy Furse, seconded by Councillor Brian Simmons it was

RESOLVED

- 1) To approve the Internal Audit Plan for 2022/23; and
- 2) To approve Internal Audit Charter 2022.

The meeting ended at 6.40 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services