

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Wednesday, 5th July, 2023, 4.00 pm

**Councillors:** David Biddleston (Chair), Malcolm Treby and Sam Ross

**Independent Member:** John Barker

**Officers in attendance:** Gary Adams (Head of Financial Management), Andy Cox (Head of Audit and Assurance), Andy Rothery, (Chief Finance Officer (Section 151)), Jeff Wring (Director One West)

**Guests in attendance:** Beth Bowers and Jon Roberts, Grant Thornton

**1 ELECTION OF VICE-CHAIR**

No Vice-Chair was elected for the meeting.

**2 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer drew attention to the Emergency Evacuation Procedure.

**3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies for absence were received from Cllr Lucy Hodge and Cllr George Leach.

**4 DECLARATIONS OF INTEREST**

There were no declarations of interest.

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

There was no urgent business.

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

There were no items from the public.

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

There were no items from Councillors or the Independent Member.

**8 MINUTES - 15TH MARCH 2023**

The Committee noted that John Barker was the only member who was present at the previous meeting and it was agreed that approval of the minutes be deferred until the next meeting.

## 9 BANES COUNCIL EXTERNAL AUDIT PLAN

Jon Roberts and Beth Bowers (Grant Thornton) introduced the report and drew attention to the following:

1. As a general introduction, external audits in local authorities do not follow the Companies Act, there was a broader scope as public money was involved.
2. Risk assessment standards had been refreshed this year - ISA 315 (Identifying and assessing the risks of material misstatement) and ISA 240 (the auditor's responsibilities relating to fraud in an audit of financial statement).
3. The risk assessment regarding arrangements to secure value for money would take place in July 2023. The External Auditors would report the results should any risks of significant weakness be identified.
4. The framework for the audit was set by National Audit Office.
5. The audit identified a variety of levels of risk with the highest level being a significant risk.
6. Significant risks identified:
  - a. Income from the roman baths and investment estate.
  - b. Management override of controls.
  - c. Valuation of land and buildings.
  - d. Valuation of investment properties.
  - e. Valuation of the pension fund net liability.
7. The Council had amended its group structure, with Aequus Group Holdings Limited being introduced as parent company of Aequus Developments Limited and Aequus Construction Limited. The Council was required to prepare group financial statements that consolidated the financial information of the 3 group subsidiary companies.
8. Materiality was set at £7.5m (PY £7.1m) for the group and £7.4m (PY £7.0m) for the Council, which equated to approximately 1.9% of the prior year gross operating costs for the year. External Auditors were obliged to report uncorrected omissions or misstatements other than those which were 'clearly trivial' to those charged with governance. Clearly trivial had been set at £0.37m (PY£0.35m).
9. A training session would be offered to Members of the Committee on the technical details.

In response to questions from members, it was confirmed that:

1. The external audit plan was a response to financial statements and the value for money was a separate audit.
2. The audit of IT systems was a key part of the audit. As well as security and data protection, the audit would look at the structure of the systems to make sure data was complete and accurate.
3. In terms of timescales, the audit had started and was due to be completed by November.
4. The delays which had an impact on the previous year's audit were caused by issues that were outside of the Council's control e.g., how structures such as roads could be valued and Covid-19. It was not anticipated that there would be similar issues this year.
5. The slippage on the value for money work would be clawed back.
6. In relation to fees and current issues affecting the audit market, Sir Tony Redmond had led an independent review into the effectiveness of external

audits and transparency of financial reporting in local authorities which recommended a number of changes. There was a frailty in the audit market as there were not enough companies to undertake all of the available work. Retention of staff was a challenge and fees were increasing to allow investment in people.

In considering the recommendation set out in the report, it was moved by Cllr Malcolm Treby, seconded by Cllr Sam Ross and:

**RESOLVED** that the 2022/23 External Audit Plan for the Council (as set out in Appendix 1 of the report) be endorsed.

## **10 EXTERNAL INDEPENDENT VALIDATION - ASSESSMENT OF THE INTERNAL AUDIT SERVICE CONFORMANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS & CODE OF ETHICS**

Andy Cox, Head of Audit and Assurance introduced the report and gave a presentation highlighting the following:

1. Internal Audit definition: independent assurance following a systematic disciplined approach.
2. Statutory Requirements: Local Government Finance Act 1972 (Section 151 Officer) and Accounts and Audit Regulations 2015.
3. The role and responsibility of the internal audit was to provide independent assurance.
4. International Professional Practices Framework (IPPF) – core principles and code of ethics. International standards for the professional practice of internal audit.
5. The Public Sector Internal Audit Standards (PSIAS) required an external assessment to be conducted at least once every five years by a qualified, independent assessor.
6. External Review of Audit West Self-Assessment was carried out in January 2023. The overall opinion was that the service “generally conforms” which was the top level of rating.
7. 4 areas were identified for further attention:
  - a. Benefit in a more formal capture of any identified improvement in a single Quality Assurance Implementation Plan (QAIP) to promote clear tracking.
  - b. Value in targeting specific areas of the standards of a 4-year period.
  - c. In addition to the PSIAS/ Code of Ethics, the self-assessment exercise should also consider compliance with relevant CIPFA Local Government Application Notes.
  - d. The development of Assurance Maps for clients.
8. As a result of the recommendations a QAIP had been compiled and would include assurance mapping as an action.
9. It was likely that revised Global Internal Audit Standards would be adopted by the end of the 2023/24 Financial Year and so an action to assess against standards would be delayed until the new standards were in place.

In response to Member questioning, it was confirmed that:

1. The implementation of recommendations would be monitored through the Quality Assurance Implementation Plan.
2. There would be an annual update.

In considering the recommendations set out in the report it was moved by Cllr Sam Ross, seconded by Cllr Malcolm Treby and:

**RESOLVED** that the conclusion of the external assessment be noted.

## **11 AUDIT & ASSURANCE ANNUAL REPORT 2022/23**

Andy Cox, Head of Audit and Assurance introduced the report and drew attention to the following:

1. The Terms of Reference of the Corporate Audit Committee included the approval of the Internal Audit Plan which was currently brought to members at the beginning of the financial year.
2. Internal Audit planned work during 2022/23 included:
  - a. 34 audit reviews
  - b. Follow up reviews
  - c. Annual governance review
  - d. Counter fraud work
  - e. Grant certification work
  - f. Financial assessments
3. Of the 34 reviews:
  - a. 24 were complete
  - b. 15 final and 3 draft 'assurance' audit reports had been issued
  - c. 6 'briefing' reports had been prepared
  - d. 3 reviews were ongoing
  - e. 7 reviews were remaining of which 5 were agreed to be carried forward into the 2023/24 Audit Plan
4. There were 5 levels of assurance - all but 5 of the audits completed had an overall audit opinion of satisfactory to excellent (between 'Level 3' and 'Level 5')
5. There were 5 areas with "limited assurance"
  - a. Section 106 use of funding within timescales – as reported to November meeting
  - b. Community Equipment Store asset management – as reported to November meeting
  - c. Avon Pension Fund Systems Access Controls – now implemented and green RAG rating
  - d. Payroll – processing of timesheet generated pay – actions had been agreed for implementation.
  - e. Payroll – "Travel perk" system – this system for booking travel/accommodation for staff had been incorrectly used to book accommodation for homeless people. The spend was not improper but should have not been included as part of the Travel Perk system and had resulted in the cost of staff travel/accommodation appearing higher than it was. Actions had been identified for implementation.
6. Follow up reviews:
  - a. 14 follow up reviews
  - b. 9 reviews - significant progress had been made in implementing recommendations
  - c. 5 reviews - partial implementation of the recommendations but further enquiries in May / June 2023 identified further progress in implementing recommendations

7. Annual Governance Review: there were 2 issues in 22/23:
  - a. Financial Challenge – e.g., inflationary pressures
  - b. Children’s Services – pressures e.g., SEND.
8. Counter Fraud work - Work was carried out to update the Council’s Counter Fraud Strategy and associated policies.
9. Grant Certification - Assurance work had been carried out for 25 grant funded projects/activities to provide assurance that the Council had complied with grant expenditure terms and conditions.
10. The Chief Audit Executive was required to give an opinion on the internal control framework and the opinion provided did not raise any significant concerns.

Members raised the following comments/questions:

1. It would be useful to know what an internal audit felt like for those being audited.
2. Concern that those affected by the processing of timesheet generated pay were likely to be those in lower paid jobs and would be expected to pay back money for overpayments caused by a system failure.
3. Request that Members be given the opportunity to scrutinise the Travel Perk figures for this year and previous years in more detail as it was not clear how much money was spent on staff travel/accommodation and how much on accommodation for homeless people. It was agreed that this would be followed up after the meeting.

It was moved by Cllr Sam Ross, seconded by Cllr Malcolm Treby and:

**RESOLVED** that the Internal Audit Annual Report 2022/23 and formal opinion on the internal control framework be noted.

## 12 2022-23 TREASURY MANAGEMENT OUTTURN REPORT

Gary Adams, Head of Financial Management introduced the report and drew attention to the following:

1. A treasury management training session had been held for Members and recorded so that any members unable to attend could watch the session.
2. The treasury management outturn report would also be submitted to Cabinet and full Council.
3. Summary on Returns:
  - a. The reduction in investment balances over the year included the unwinding of government support grants the Council received during the pandemic, distribution of the energy rebate grant prepayment and capital project spend made in advance of borrowing.
  - b. Gross interest earned on investments totalled £1.38m. Investments were at 2.09% which was slightly below the benchmark of 2.30%. This was mainly due to existing short-term loans being locked in at a lower rate prior to the Bank of England base rate rises.
4. Borrowing:
  - a. The Council’s external borrowing as at 31 March 2023 totalled £210.25m.
  - b. Due to the levels of cash balances held by the Council, no new borrowing had been taken out during the year.

5. Appendix 5 detailed the Council's Treasury Management Advisor's (Arlingclose) Economic & Market Review which listed factors such as the impact of the war in Ukraine, Bank of England interest rate increasing.
6. Appendix 8 was an extract from the Treasury Management Risk Register identifying the top 5 risks.

In response to Members questions, it was confirmed that:

1. The impact of Brexit was difficult to quantify but mainly related to trade, freedom and availability of goods.
2. In relation to Lender Option Borrower Option (LOBO) loans, the earliest date on which the lender could require payment was at 6 monthly intervals for the £20m of LOBO's. The Council would consider repaying these loans if the Lenders exercised their options to alter the interest rate, which had remained at 4.5% for the last 20 years. The next option date is in October and early engagement was taking place with the lenders.
3. In relation to Interest & Capital Financing Costs, Members noted the year end position of £2.8m under budget and would like more information to understand the term "virement" at a future meeting.
4. Officers regularly checked the banks/markets and used flexibility in strategies where necessary and so were as proactive as possible in treasury management.

In considering the recommendation set out in the report, it was moved by Cllr Malcolm Treby, seconded by Cllr Sam Ross and:

**RESOLVED** that

1. The Treasury Management Report to 31 March 2023, prepared in accordance with the CIPFA Treasury Code of Practice, be noted.
2. The Treasury Management Indicators to 31 March 2023 be noted.

### **13 CORPORATE AUDIT COMMITTEE ANNUAL REPORT 2022/23**

Andy Cox introduced the Corporate Audit Committee Annual Report and confirmed that the report was presented to the previous Chair who confirmed that it accurately recorded the work of the Committee for the 2022/23 Financial Year.

Jon Roberts asked for two minor amendments to the terms of reference:

1. Function 3 "To ~~approve~~ note the External Auditors' Audit Plan and to monitor its delivery and effectiveness during the year."
2. Function 8 "To consider the ~~annual Audit & Inspection Letter~~ Auditor's Annual Report from the External Auditor and to monitor progress on accepted recommendations.

In response to questions, it was confirmed:

1. A documented workplan for the Committee would be compiled by Democratic Services.
2. The link to the information in relation to the Aequus structure and business plan (Council 25 March 2022) would be circulated to Members.

In terms of dates/times for future meetings, it was noted that a Member had requested a later start time due to work commitments. Following a discussion, it was agreed that 4pm was the best compromise to balance daytime and evening

commitments. It could be a possibility to hold some meetings in Keynsham Community Space if this would assist Member availability. It was also noted that there was not much flexibility in terms of rearranging the dates of meetings due to auditing deadlines.

It was moved by Cllr Sam Ross, seconded by Cllr Malcolm Treby and:

**RESOLVED**

1. that the Annual Report (Appendix 1 of the report) be agreed subject to the amendments to the terms of reference:
  - a. Function 3 “To ~~approve~~ note the External Auditors' Audit Plan and to monitor its delivery and effectiveness during the year.”
  - b. Function 8 “To consider the ~~annual Audit & Inspection Letter~~ Auditor’s Annual Report from the External Auditor and to monitor progress on accepted recommendations.
2. that the Chair of the Committee present it to the next meeting of Council

The meeting ended at 6.30 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**