

Corporate Audit Committee

Date: Wednesday, 25th September, 2024

Time: 5.30 pm

**Venue: Community Space, Keynsham - Market Walk,
Keynsham**

Agenda

To: All Members of the Corporate Audit Committee

Councillors: David Biddleston (Chair), George Leach, Malcolm Treby, Sam Ross (Vice-Chair)
and Toby Simon

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

The agenda is set out overleaf.



Enfys Hughes

Democratic Services

Lewis House, Manvers Street, Bath, BA1 1JG

Telephone: 01225 39 4435

Web-site - <http://www.bathnes.gov.uk>

E-mail: Democratic_Services@bathnes.gov.uk

NOTES:

1. **Inspection of Papers:** Papers are available for inspection as follows:

Council's website: <https://democracy.bathnes.gov.uk/ieDocHome.aspx?bcr=1>

Paper copies are available for inspection at the Guildhall - Bath.

2. **Details of decisions taken at this meeting** can be found in the minutes which will be circulated with the agenda for the next meeting. In the meantime, details can be obtained by contacting as above.

3. **Recording at Meetings:-**

The Openness of Local Government Bodies Regulations 2014 now allows filming and recording by anyone attending a meeting. This is not within the Council's control. Some of our meetings are webcast. At the start of the meeting, the Chair will confirm if all or part of the meeting is to be filmed. If you would prefer not to be filmed for the webcast, please make yourself known to the camera operators. We request that those filming/recording meetings avoid filming public seating areas, children, vulnerable people etc; however, the Council cannot guarantee this will happen.

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Advance notice is required not less than two full working days before the meeting. This means that for meetings held on Thursdays notice must be received in Democratic Services by 5.00pm the previous Monday.

Further details of the scheme can be found at:

<https://democracy.bathnes.gov.uk/ecCatDisplay.aspx?sch=doc&cat=12942>

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Corporate Audit Committee-Wednesday, 25th September, 2024

at 5.30 pm in the Community Space, Keynsham - Market Walk, Keynsham

A G E N D A

1. EMERGENCY EVACUATION PROCEDURE

The Chair will draw attention to the emergency evacuation procedure as set out under Note 7.

2. APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

3. DECLARATIONS OF INTEREST

At this point in the meeting declarations of interest are received from Members in any of the agenda items under consideration at the meeting. Members are asked to indicate:

- (a) The agenda item number in which they have an interest to declare.
- (b) The nature of their interest.
- (c) Whether their interest is **a disclosable pecuniary interest** or an **other interest**,
(as defined in Part 4.4 Appendix B of the Code of Conduct and Rules for Registration of Interests)

Any Member who needs to clarify any matters relating to the declaration of interests is recommended to seek advice from the Council's Monitoring Officer or a member of his staff before the meeting to expedite dealing with the item during the meeting.

4. TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

The Chair will announce any items of urgent business.

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

6. ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

To deal with any petitions, statements or questions from Councillors and, where appropriate, co-opted and added Members.

7. MINUTES - 1ST MAY 2024 (Pages 7 - 12)

8. REVIEW OF EFFECTIVENESS 2024 (Pages 13 - 34)

9. ANNUAL REPORT - APRIL 2023 - MAY 2024 (Pages 35 - 60)

10. EXTERNAL AUDIT - UPDATE (Pages 61 - 126)

11. TREASURY MANAGEMENT PERFORMANCE REPORT TO 31ST MARCH 2024 (Pages 127 - 150)

12. INTERNAL AUDIT - UPDATE REPORT (PLANNED WORK 2024/25) (Pages 151 - 160)
13. RISK MANAGEMENT - UPDATE REPORT - CORPORATE RISK (Pages 161 - 172)
14. DRAFT WORKPLAN 2024 - 2025 (Pages 173 - 178)

The Committee Administrator for this meeting is Enfys Hughes who can be contacted on 01225 394410.

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Wednesday, 1st May, 2024, 4.00 pm

Councillors: David Biddleston (Chair), George Leach, Malcolm Treby, Sam Ross and Toby Simon

Independent Member: John Barker

Officers in attendance: Enfys Hughes (Democratic Services Officer), Jeff Wring (Director of One West & Avon Pension Fund), Andy Rothery (Chief Finance Officer (S151)), Gary Adams (Head of Financial Management) and Andy Cox (Head of Audit and Assurance (One West))

Guests in attendance: Beth Bowers (Grant Thornton (External Auditors)), George Amos and David A Johnson

1 APPOINT A VICE-CHAIR

RESOLVED that Councillor Sam Ross be Vice-Chair of the Corporate Audit Committee.

2 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer drew attention to the emergency evacuation procedure as set out on the agenda.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Lucy Hodge, Councillor Toby Simon was her substitute.

4 DECLARATIONS OF INTEREST

Councillor Toby Simon declared that he was a member of the Pensions Committee. There were no other declarations of interest.

5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were no items.

7 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were no items.

8 MINUTES - WEDNESDAY 7TH FEBRUARY 2024

RESOLVED that the minutes of the meeting held on 7th February 2024 be confirmed as a correct record and signed by the Chair.

9 EXTERNAL AUDIT PLAN - B&NES COUNCIL AND AVON PENSION FUND

Colleagues from Grant Thornton were at the meeting to present the External Audit Plan. Beth Bowers introduced David Johnson who was the Audit Manager for the Council and George Amos who was the Audit Manager for the Pension Fund.

David Johnson gave an overview of the plan for the Council briefly highlighting the ongoing auditing delays for local authorities. He went on to outline the significant risk areas and stated that they had determined materiality for the Council at £7.7m for the Council and £7.8m for the group. They liaised with Aequis to form their opinion. In respect of significant weaknesses they would have a planning meeting and there would be a progress report to the next meeting. It was envisaged that the sign off would be at the September or November Committee. He highlighted the increase in fees due to the new PSAA (Public Sector Audit Appointments) contract and IFRS 16 leases which resulted in a large amount of work and preparation. He referred to the escalation policy which included steps to ensure that there were no delays with sign-off in the future so that the audit was delivered in the time frame.

Beth Bowers reminded members of her previous disclosure of a close family member being part of the Pension Fund.

The following questions were answered:

- Noting the increase in fees, over the last 15 years the costs of audits had not increased in line with inflation and the PSAA contract would redress the balance and support Grant Thornton in catching up with the backlog;
- page 23 the management override of controls, this was a mandated risk (Councillor Toby Simon);
- there would be a meeting with the Chair of the Corporate Audit Committee in September after the main audit work was under way in June – July;
- the terms rebuttable and non-rebuttable were explained and it was noted that there were different forms of revenue in the public sector and revenue was not the main driver (Councillor David Biddleston);
- Grant Thornton delved into the details and explained examples of high-risk items. With the Roman Baths the risk and materiality were analysed and only high-risk items were reported on (Councillor Toby Simon);
- significant risks were often similar year-on-year (Councillor David Biddleston);
- reference was made to IT audit and regard to the Horizon Post Office scandal. There was a Grant Thornton team of IT experts who did detailed work on systems on a risk-based frequency, plus testing year-year but if there was a new Council system then further work would be done as it could be seen as a significant risk (John Barker);
- a glossary of terms might be useful for new members, however, it was difficult to know what some people didn't know (Councillor David Biddleston);
- with changes to the structure or functionality it would be useful to have more networking between members (John Barker);

- the suggestion was made that all members be invited to the Chair's briefing before a Committee (Councillor Malcolm Treby) and this would be trialled.

George Amos presented the audit plan for the Pension Fund and stated that materiality was £62.9m. The revenue and expenditure risks were rebutted and there was work on the journals and level 3 investments. In the IT audit there was work on Altair which was specific to the Pension Fund. Other systems were common to both the Council and the Pension Fund. Both audits were running at the same time and were envisaged to be considered at the September Committee.

The following questions were answered:

- Altair was a Pensions specific system supplied by Heyward;
- there was a focus on work where materiality was mis-stated and the External Auditors had been made aware of the financial value near the materiality threshold (Councillor Toby Simon).

On a motion from Councillor Malcolm Treby, seconded by Councillor Toby Simon it was

RESOLVED

- 1) That the 2023/23 External Audit Plan for the Council (Appendix 1) and External Audit Plan for the Avon Pension Fund (Appendix 2) be endorsed; and
- 2) that all members of the Committee be invited to the virtual Chair's briefing before a Committee.

10 ANNUAL GOVERNANCE STATEMENT 2023/2024 & LOCAL CODE OF CORPORATE GOVERNANCE

The Head of Audit and Assurance One West (Finance) presented the report which enabled the Committee to fulfil its responsibilities associated with the Council's Annual Governance Statement 2023/24 and sought endorsement of the revised Local Code of Corporate Governance which would be an attachment to the Annual Report to Council.

During questions the following matters arose:

- The process to decide on whether an issue was deemed 'significant' for inclusion in the Statement was explained - Senior Officers used their professional judgement in consultation with the Monitoring Officer, Section 151 Officer and members of Executive Leadership Team. (Councillor Malcolm Treby);
- in determining the necessary interventions it was confirmed that the correct Risk Management Strategy was referred to in the report (John Barker);
- the DSG (Direct Schools Grant) and the related safety valve agreement was included in the statement and was subject to scrutiny (Councillor Toby Simon).

On a motion from Councillor Sam Ross, seconded by Councillor Malcolm Treby it was

RESOLVED

- 1) That the report on the process to produce the Annual Governance Statement 2023/24 be noted; and
- 2) the Council's Local Code of Corporate Governance (2024) for adoption by the Council, be endorsed.

11 ANNUAL REPORT OF THE CHIEF AUDIT EXECUTIVE 2023/24

The Head of Audit and Assurance presented the report which was a requirement under the Public Sector Internal Audit Standards to provide an annual audit opinion. Updates on delivery of the 2023/24 Internal Audit Plan had been received by the Committee in November 2023 and February 2024. There had been 26 planned audit reviews carried out plus 2 unplanned reviews - cash handling at two Community Resource Centres and a review of Public Health Service Budget Management. Other work that informs the 'opinion' is the 'follow-up' of previous audit recommendations. During the year, 23 Audit Reports were 'followed-up' and it was identified all the recommendations for 13 reports had been implemented. Focussing specifically on 4 Audit Reports assigned a Level 2 rating ('Limited Assurance'), it was reported management were implementing the recommendations, but capacity issues had resulted in delays.

In respect of IT audit reviews recorded in the report, there were two on cyber security and implementation of recommendations was linked to the Azure migration. Work was ongoing on the migration. It was highlighted that staff had just received a reminder to complete the Cyber Security E-learning course.

The following issues were raised during questions:

- The reference in the report to North Somerset Council should in fact be Bath and North East Somerset Council;
- audit of maintained schools – it was explained that there were 7 schools and these schools were required to complete the Schools Financial Value Standards annual return as required by the Department of Education (Councillor Toby Simon);
- continuing issue of Internal Audit Team capacity and resourcing - it was reported that adverts were about to go out to recruit an Auditor and Senior Auditor. (Councillor Malcolm Treby).

On a motion from Councillor Sam Ross, seconded by Councillor George Leach it was

RESOLVED

- 1) To support the conclusion that the Council's system of internal control was effective; and

- 2) to confirm that the opinion of the Chief Audit Executive, based on his assessment of effectiveness, could be relied upon as a key source of evidence in the Annual Governance Statement 2023/24.

12 INTERNAL AUDIT PLAN - 2024/2025

The Head of Audit and Assurance presented the report and stated that the Committee had been consulted at the last meeting on areas to be included in the Plan and the response highlighted Climate and Ecological Emergency Response – Performance and funding to the Third Sector. These areas have been included in the Plan for approval. He highlighted the long list of audit reviews being the core activity of the team and that the Plan also recorded other areas of work including – fraud prevention and detection, corporate governance annual review, and independent certification of grant funding including WECA grants.

In response to comments on monitoring Climate Emergency it was highlighted that members could attend the Climate Emergency and Sustainability Policy Development and Scrutiny Panel if they wished. The Director of One West explained that it was important to separate internal audit and risk management, issues were considered by this Committee and some by the scrutiny panel. Officers worked hand in hand with scrutiny.

Management of the Heritage Collection/Exhibits was noted as below the line of available capacity and this was questioned (Toby Simon). The Head of Audit and Assurance explained that he was aware of the service seeking accreditation for their management of collections and so if accreditation was achieved this would provide external assurance about systems and processes.

On a motion from Councillor Toby Simon, seconded by Councillor Sam Ross it was

RESOLVED to approve the Internal Audit Plan 2024/25 (Appendix 1).

13 RISK MANAGEMENT - UPDATE REPORT - FRAUD RISK

The Director One West presented the report and explained that moving forward the Committee would be looking at the Corporate Risk Register every other meeting. He introduced one of the Senior Auditors who gave a powerpoint presentation on fraud risk. The presentation would be circulated to members of the Committee.

After the presentation following questions, the issues below were raised:

- The increase in data matches for the prevention and detection of fraud, could be a result of improved data matching and possibly an increase in fraudulent activity;
- The investigation of any potential fraudulent activity would be co-ordinated by the internal audit team and assisted by officers from other services;
- It's likely that the cost of living crisis and the pandemic had led to an increase in fraud activity.

RESOLVED to note the report/presentation and the Council's approach to managing Fraud Risk.

14 **AUDIT COMMITTEE - DRAFT WORKPLAN**

The Director One West presented the workplan for the next 4 meetings.

RESOLVED

- 1) To note the workplan; and
- 2) to note that the September 25th meeting would be in the Community Space in Keynsham, with a later start time of 5.30pm.

The meeting ended at 6.05 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

Bath & North East Somerset Council			
MEETING:	Corporate Audit Committee		
MEETING DATE:	25 th September 2024	AGENDA ITEM NUMBER	
TITLE:	Corporate Audit Committee – Review of Effectiveness 2024		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1 – CIPFA Position Statement 2022			
Appendix 2 – Completed self-assessment of good practice			
Appendix 3 – B&NES 2024 Action Plan			
Appendix 4 - Revised Terms of Reference 2024			

1 THE ISSUE

- 1.1 This report updates the Corporate Audit Committee on best practice requirements as set out in the CIPFA Position Statement 2022 to carry out a self-assessment and evaluation of the effectiveness of the Audit Committee.
- 1.2 The assessment process and the results need to be considered by the Committee and an action plan agreed to implement any improvements required based on the assessment completed.
- 1.3 The action plan resulting from the assessment process will include the need for the Chair of the Committee to report on the self-assessment exercise to Council.

2 RECOMMENDATION(S)

2.1 The Corporate Audit Committee is asked to:

- Note the process followed to carry out the self-assessment and evaluation of the effectiveness of the Audit Committee.
- Comment on the findings, conclusions and recommended actions of the self-assessment.

3 THE REPORT

Background / Issues for Consideration

- 3.1 As part of best practice and to support good governance the Audit Committee should carry out a self-assessment review of its effectiveness on a periodic basis.
- 3.2 An audit committee's effectiveness should be judged by the contribution it makes to and the beneficial impact it has on the authority's business. Since it is primarily an advisory body, it can be more difficult to identify how the audit committee has made a difference. Evidence of effectiveness will usually be characterised as 'influence', 'persuasion' and 'support'.

Figure 1: The influential audit committee



- 3.3 The CIPFA Position Statement Audit Committees in Local Authorities and Police 2022 sets out the purpose, model, core functions and membership of the audit committee, and it represents CIPFA's view on audit committee practice and principles that local government bodies in the UK should adopt (see Appendix 1).
- 3.4 During June 2024 the Head of Audit & Assurance met the Chair and Deputy Chair of the Corporate Audit Committee to consider a completed self-assessment (see Appendix 2) and draft action plan (see Appendix 3).

- 3.5 The draft action plan refers specifically to making minor amendments to the Committee's Terms of Reference (ToR). A revised version to fully comply with best practice is attached (See Appendix 4). The proposed amendments are highlighted in red text. The Head of Audit and Assurance has been advised that if the Committee request amendments to the ToR then it can be taken to Council in November, when the Constitution Working Group will be requesting Council approval to other parts of the Constitution based on its work.
- 3.6 It is proposed that the Committee's Annual Report to Council in November records that a review of the effectiveness of the Committee has been carried out in compliance with CIPFA guidance and that actions have been taken or are planned for implementation.

4 STATUTORY CONSIDERATIONS

- 4.1 There are no specific statutory considerations related to this report.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 There are no direct resource implications relevant to this report.

6 RISK MANAGEMENT

- 6.1 An ineffective Committee would mean that the organisation would not be provided with the required high-level independent assurance that the Council's governance, risk and control framework was robust and effective.

7 EQUALITIES

- 7.1 An equalities impact assessment has been considered using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

- 8.1 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

- 9.1 No other options to consider related to this report.

10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

Contact person	Andy Cox, Head of Audit & Assurance (01225 477316)
Background papers	
Please contact the report author if you need to access this report in an alternative format	



CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022

Scope

This position statement includes all principal local authorities in the UK, corporate joint committees in Wales, the audit committees for PCCs and chief constables in England and Wales, PCCFRAs and the audit committees of fire and rescue authorities in England and Wales.

The statement sets out the purpose, model, core functions and membership of the audit committee. Where specific legislation exists (the Local Government & Elections (Wales) Act 2021 and the Cities and Local Government Devolution Act 2016), it should supplement the requirements of that legislation.

Status of the position statement

The statement represents CIPFA's view on the audit committee practice and principles that local government bodies in the UK should adopt. It has been prepared in consultation with sector representatives.

CIPFA expects that all local government bodies should make their best efforts to adopt the principles, aiming for effective audit committee arrangements. This will enable those bodies to meet their statutory responsibilities for governance and internal control arrangements, financial management, financial reporting and internal audit.

The 2022 edition of the position statement replaces the 2018 edition.

The Department for Levelling Up, Housing and Communities and the Home Office support this guidance.

CIPFA's Position Statement 2022: Audit committees in local authorities and police

Purpose of the audit committee

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that those arrangements are effective.

In a local authority the full council is the body charged with governance. The audit committee may be delegated some governance responsibilities but will be accountable to full council. In policing, the police and crime commissioner (PCC) and chief constable are both corporations sole, and thus are the individuals charged with governance.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

Independent and effective model

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with governance.

The committee should:

- be directly accountable to the authority's governing body or the PCC and chief constable
- in local authorities, be independent of both the executive and the scrutiny functions
- in police bodies, be independent of the executive or operational responsibilities of the PCC or chief constable
- have rights of access to and constructive engagement with other committees/functions, for example scrutiny and service committees, corporate risk management boards and other strategic groups
- have rights to request reports and seek assurances from relevant officers
- be of an appropriate size to operate as a cadre of experienced, trained committee members. Large committees should be avoided.

The audit committees of the PCC and chief constable should follow the requirements set out in the Home Office Financial Management Code of Practice and be made up of co-opted independent members.

The audit committees of local authorities should include co-opted independent members in accordance with the appropriate legislation.

Where there is no legislative direction to include co-opted independent members, CIPFA recommends that each authority audit committee should include at least two co-opted independent members to provide appropriate technical expertise.

Core functions

The core functions of the audit committee are to provide oversight of a range of core governance and accountability arrangements, responses to the recommendations of assurance providers and helping to ensure robust arrangements are maintained.

The specific responsibilities include:

Maintenance of governance, risk and control arrangements

- Support a comprehensive understanding of governance across the organisation and among all those charged with governance, fulfilling the principles of good governance.
- Consider the effectiveness of the authority's risk management arrangements. It should understand the risk profile of the organisation and seek assurances that active arrangements are in place on risk-related issues, for both the body and its collaborative arrangements.
- Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption.

Financial and governance reporting

- Be satisfied that the authority's accountability statements, including the annual governance statement, properly reflect the risk environment, and any actions required to improve it, and demonstrate how governance supports the achievement of the authority's objectives.
- Support the maintenance of effective arrangements for financial reporting and review the statutory statements of account and any reports that accompany them.

Establishing appropriate and effective arrangements for audit and assurance

- Consider the arrangements in place to secure adequate assurance across the body's full range of operations and collaborations with other entities.
- In relation to the authority's internal audit functions:
 - oversee its independence, objectivity, performance and conformance to professional standards
 - support effective arrangements for internal audit
 - promote the effective use of internal audit within the assurance framework.

- Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control, and monitor management action in response to the issues raised by external audit.
- Contribute to the operation of efficient and effective external audit arrangements, supporting the independence of auditors and promoting audit quality.
- Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability.

Audit committee membership

To provide the level of expertise and understanding required of the committee, and to have an appropriate level of influence within the authority, the members of the committee will need to be of high calibre. When selecting elected representatives to be on the committee or when co-opting independent members, aptitude should be considered alongside relevant knowledge, skills and experience.

Characteristics of audit committee membership:

- A membership that is trained to fulfil their role so that members are objective, have an inquiring and independent approach, and are knowledgeable.
- A membership that promotes good governance principles, identifying ways that better governance arrangement can help achieve the organisation's objectives.
- A strong, independently minded chair, displaying a depth of knowledge, skills, and interest. There are many personal skills needed to be an effective chair, but key to these are:
 - promoting apolitical open discussion
 - managing meetings to cover all business and encouraging a candid approach from all participants
 - maintaining the focus of the committee on matters of greatest priority.
- Willingness to operate in an apolitical manner.
- Unbiased attitudes – treating auditors, the executive and management fairly.
- The ability to challenge the executive and senior managers when required.
- Knowledge, expertise and interest in the work of the committee.

While expertise in the areas within the remit of the committee is very helpful, the attitude of committee members and willingness to have appropriate training are of equal importance.

The appointment of co-opted independent members on the committee should consider the overall knowledge and expertise of the existing members.

Engagement and outputs

The audit committee should be established and supported to enable it to address the full range of responsibilities within its terms of reference and to generate planned outputs.

To discharge its responsibilities effectively, the committee should:

- meet regularly, at least four times a year, and have a clear policy on those items to be considered in private and those to be considered in public
- be able to meet privately and separately with the external auditor and with the head of internal audit
- include, as regular attendees, the chief finance officer(s), the chief executive, the head of internal audit and the appointed external auditor; other attendees may include the monitoring officer and the head of resources (where such a post exists). These officers should also be able to access the committee members, or the chair, as required
- have the right to call on any other officers or agencies of the authority as required; police audit committees should recognise the independence of the chief constable in relation to operational policing matters
- support transparency, reporting regularly on its work to those charged with governance
- report annually on how the committee has complied with the position statement, discharged its responsibilities, and include an assessment of its performance. The report should be available to the public.

Impact

As a non-executive body, the influence of the audit committee depends not only on the effective performance of its role, but also on its engagement with the leadership team and those charged with governance.

The committee should evaluate its impact and identify areas for improvement.

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Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5

Audit committee purpose and governance

- 1 Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?
- 2 Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?
- 3 Has the committee maintained its advisory role by not taking on any decision-making powers?
- 4 Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?
- 5 Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?
- 6 Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?
- 7 Does the governing body hold the audit committee to account for its performance at least annually?

* Where the committee does not fully comply with an element, three options are available to allow distinctions between aspects that require significant improvement and those only requiring minor changes.

Good practice questions		Does not comply	Partially complies and extent of improvement needed			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers		0	1	2	3	5
8	Does the committee publish an annual report in accordance with the 2022 guidance, including:					
	<ul style="list-style-type: none">compliance with the CIPFA Position Statement 2022					
	<ul style="list-style-type: none">results of the annual evaluation, development work undertaken and planned improvements					
	<ul style="list-style-type: none">how it has fulfilled its terms of reference and the key issues escalated in the year?					
Functions of the committee						
9	Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
	Governance arrangements					
	Risk management arrangements					
	Internal control arrangements, including:					
	<ul style="list-style-type: none">financial managementvalue for moneyethics and standardscounter fraud and corruption					
	Annual governance statement					
	Financial reporting					
	Assurance framework					
	Internal audit					
	External audit					
10	Over the last year, has adequate consideration been given to all core areas?					
11	Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					
12	Has the committee met privately with the external auditors and head of internal audit in the last year?					

Good practice questions	Does not comply					Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement	
Weighting of answers	0	1	2	3	5	

Membership and support

13 Has the committee been established in accordance with the 2022 guidance as follows?						
<ul style="list-style-type: none"> • Separation from executive 						
<ul style="list-style-type: none"> • A size that is not unwieldy and avoids use of substitutes 						
<ul style="list-style-type: none"> • Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation 						
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?						
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?						
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?						
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?						
18 Is adequate secretariat and administrative support provided to the committee?						
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?						

Effectiveness of the committee

20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?						
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?						
22 Are meetings effective with a good level of discussion and engagement from all the members?						
23 Has the committee maintained a non-political approach to discussions throughout?						

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
24 Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?					
25 Does the committee make recommendations for the improvement of governance, risk and control arrangements?					
26 Do audit committee recommendations have traction with those in leadership roles?					
27 Has the committee evaluated whether and how it is adding value to the organisation?					
28 Does the committee have an action plan to improve any areas of weakness?					
29 Has this assessment been undertaken collaboratively with the audit committee members?					
Subtotal score					
Total score					
Maximum possible score					200**

B&NES Council Corporate Audit Committee – Annual Review of Effectiveness – June 2024**High Level Action Plan**

Area of Improvement	CIPFA Self-Assessment Question Reference	Action(s) Required
<p>1) Terms of Reference –</p> <p>The Committee's TOR to be considered in relation to:</p> <ol style="list-style-type: none"> 1) CIPFA Guidance that Committee - Monitor the effectiveness of the system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption. 2) CIPFA Guidance that Committee - Consider the opinion, reports and recommendations of external audit and inspection agencies and their implications for governance, risk management or control,.... 3) CIPFA Guidance that Committee - Support effective relationships between all providers of assurance, audits and inspections, and the organisation, encouraging openness to challenge, review and accountability. 4) CIPFA Guidance that Committee -be able to meet privately and separately with the external auditor and with the head of internal audit 5) CIPFA Guidance that Committee - have the right to call on any other officers or agencies of the authority as required 	<p>CIPFA Area –</p> <p>Audit Committee Purpose & Governance</p> <p>Question(s)</p> <p>4</p>	<p>Summary –</p> <p>WORK IN PROGRESS</p> <ol style="list-style-type: none"> 1) Propose a revised TOR for consultation with Audit Committee Members – consult with Chair and Vice Chair of the Committee. 2) Submit revised TOR to 25th September 2024 meeting of Audit Committee within a report explaining the self-assessment review based on the CIPFA Position Statement 2022. 3) Revised TOR to be agreed by Full Council in November 2024. A Report to Full Council on the Constitution is due to be tabled at the November meeting based on the work of the Constitution Working Group. <p>Target Date for Completion – 1) August 2024, 2) 25th September 2024, 3) November 2024</p>
<p>2) Understanding of role and purpose of Audit Committee – Members and Senior Officers</p> <p>Could be included in the Annual Governance Review to obtain evidence that those charged with governance and in leadership roles have a good understanding.</p>	<p>Understanding of Role of Corporate Audit Committee</p> <p>Question(s)</p> <p>5</p>	<p>WORK IN PROGRESS</p> <ol style="list-style-type: none"> 1) Include as an Annual Governance Review question(s) to Council Officers. 2) Annual Report of the Committee to Full

B&NES Council Corporate Audit Committee – Annual Review of Effectiveness – June 2024**High Level Action Plan**

		<p>Council to provide an explanation of the TOR of the Audit Committee.</p> <p>Target Date for Completion – 1) Summer 2024, 2) November 2024</p>
<p>3) Annual Committee Report in Compliance with CIPFA Position Statement 2022 –</p> <p>Need to carry out a Review of Effectiveness to be able to conclude on each component of the CIPFA Position Statement and compile a Committee Annual Report for 2023/24.</p>	<p>Corporate Audit Committee Annual Report</p> <p>Question(s) 8</p>	<p>COMPLETED</p> <p>1 Carry out review of Effectiveness and compile a Committee Annual Report 2023/24.</p> <p>2 Consult with Chair & Vice Chair of the Committee,</p> <p>3 Report to Committee</p> <p>4 Report to Council.</p> <p>Target Date for Completion –</p> <p>1) Summer 2024</p> <p>2) June 2024</p> <p>3) September 2024</p> <p>4) November 2024</p>
<p>4) Risk Management Arrangements</p> <p>Need to report to the Committee on the Council's RM arrangements and specifically report on changes in Corporate Risks linked to the delivery of the Corporate Strategy.</p>	<p>Functions of the Committee</p> <p>Question(s) 9</p>	<p>COMPLETED</p> <p>Report to Audit Committee to provide a RM Update on RM Framework, Corporate Risk Register, RM Guidance for Decision Making</p> <p>Standard Item on the agenda</p>
<p>5) Wider Functions outside of Core Functions as set out in 2022 CIPFA Position Statement guidance.</p> <p>Treasury Management Strategy and Outturn is outside of core functions but was added as the historic CIPFA Treasury Management guidance recommended - Treasury Management Strategy and performance should receive independent scrutiny from Audit Committee. The need for TM Strategy scrutiny has proved</p>	<p>Functions of the Committee</p> <p>Question(s) 11</p>	<p>COMPLETED</p> <p>Proposal of S151 Officer to request that Council delegate to the Audit Committee approval of the TM Strategy. This aligns with the current responsibility</p>

B&NES Council Corporate Audit Committee – Annual Review of Effectiveness – June 2024**High Level Action Plan**

to be more important since Councils have taken wider investment choices and more risk. TM Strategy and performance is currently reported to Cabinet, Audit Committee and Council and this needs to be reviewed.		<p>for the Committee to approve the Accounts.</p> <p>1. Any changes of CAC role / responsibilities to be reported to Committee and Council through the Annual Report of the Committee.</p> <p>Target Date as per TOR section</p>
<p>6) Private Meeting of Committee with External Auditors and CAE</p> <p>Currently 'private' meetings of the Committee with External / Internal Audit are not held. Both Internal Audit and External Audit report to the Committee.</p> <p>Committee Members are easily able to contact the Chief Internal Audit Executive and the Engagement Manager of the External Auditors. The accessibility of Chief Internal Audit Executive and the Engagement Manager of the External Auditors and how to contact them could be made clear in communications to Audit Committee Members.</p> <p>The Director of One West provides Pre-Meeting Briefings to the Chair and Independent Co-opted Member, but this isn't a 'private' meeting with the Chief Internal Audit Executive and the Engagement Manager of the External Auditors.</p>	<p>Functions of the Committee</p> <p>Question(s) 12</p>	<p>COMPLETED</p> <p>1. The offer is made every year that the Chair of the Committee Members is able to contact the Chief Internal Audit Executive and the Engagement Manager of the External Auditors, and how to contact them if they have any queries related to their role as a Committee Member.</p>
<p>7) Co-opted Independent Membership</p> <p>CIPFA recommends that Local Authority Audit Committees include at least 2 co-opted independent members to provide technical expertise.</p> <p>B&NES Council Audit Committee has operated with one co-opted independent member, and this is currently viewed as sufficient to provide expert input.</p> <p>This is a paid position and there have not been any problems with attendance.</p>	<p>Membership & Support</p> <p>Question(s) 13</p>	<p>WORK IN PROGRESS</p> <p>Review existing independent member numbers and consider benefit of recruiting 2 new independent co-opted members</p>

B&NES Council Corporate Audit Committee – Annual Review of Effectiveness – June 2024**High Level Action Plan**

The independent member has been in post since 2006 and brings a wealth of experience.		Target Date for Completion – Autumn 2024
<p>8) Membership – selection of Members and evaluation of knowledge, skills and training needs of the Chair & Committee been carried out in last two years.</p> <p>The elections in May 2023 resulted in new members joining the Committee. Members were selected by the three political groups – Lib Dems / Labour / Greens. An evaluation of knowledge, skills and training needs is required.</p>	<p>Membership & Support</p> <p>Question(s) 14 / 15 / 16/ 17</p>	<p>WORK IN PROGRESS</p> <ol style="list-style-type: none"> 1. Members to complete a self evaluation exercise to map the knowledge, skills of Members based on the Committee's Terms of Reference. 2. Review existing briefings and training to assess options to improve understanding and competency of committee members. 3. Any presentations or other training material should be made available through a shared folder accessible to all CAC members. (Consult Jo Morrison on best resource for a shared folder – Teams / SharePoint or S:Drive). <p>Target Date for Completion –</p> <p>Autumn/Winter 2024</p>
<p>9) Positive Feedback from those relying on its work.</p> <p>The Corporate Audit Committee Annual Report was submitted to the Council meeting on 21st September 2023.</p>	<p>Effectiveness of the Committee</p> <p>Question(s) 20</p>	<p>COMPLETED</p> <p>This is carried out through the presentation of the report to full Council. Ensure the</p>

B&NES Council Corporate Audit Committee – Annual Review of Effectiveness – June 2024**High Level Action Plan**

At the meeting it was resolved to note the Annual Report and approve the Committee Terms of Reference (September 2023)		<p>recommendation to Council when presenting the Committee Annual Report for 2023/24 should request that Council confirm that they have been provided with assurance through the annual report that the Committee has fulfilled its responsibilities</p> <p>Target Date for Completion – November 2024</p>
<p>10) Committee evaluation of it adding value to the organisation.</p> <p>The annual report of the Committee to Council does not currently record that it has evaluated its operation and confirmed that it adds value.</p>	<p>Effectiveness of the Committee</p> <p>Question(s) 27</p>	<p>COMPLETED</p> <p>The process of annual review carries this out (not the annual report). The annual report of the Committee to Council should note that a process has been carried out and an Action Plan maintained.</p> <p>Target Date for Completion – November 2024</p>
<p>11) Committee Action Plan – improvement of areas of weakness</p>	<p>Effectiveness of the Committee</p> <p>Question(s) 28</p>	<p>COMPLETED</p> <p>The completion of the self-assessment process will generate an Action Plan.</p> <p>Target Date for Completion – September 2024</p>

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~~CORPORATE~~ AUDIT COMMITTEE**1 Committee Scope**

The ~~Corporate~~ Audit Committee is responsible for the Council's powers and duties relating to the annual accounts, audit plans, the Annual Governance Statement, risk management arrangements and the other key financial governance procedures.

2 Functions

1. To approve on behalf of the Council its Annual Accounts, as prepared in accordance with the statutory requirements and guidance.
2. To approve on behalf of the Council its Treasury Management Strategy in accordance with statutory requirements and guidance.
3. To review and note on behalf of the Council the audited accounts of Council owned companies, in accordance with Council company governance arrangements, statutory requirements and guidance.
4. To monitor the effectiveness of the Council's system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption. This includes periodically reviewing key financial governance rules / procedures including Financial Regulations, Contract Standing Orders, Anti-Fraud & Corruption Strategy and related policies.
5. To note the External Auditors' Audit Plan, monitor its delivery and effectiveness during the year, and support effective relationship with the external auditor and other review agencies.
6. To approve the Internal Audit Plan within the budget agreed by the Council and to monitor its delivery and effectiveness (including the implementation of audit recommendations).
7. To consider, prior to signature by the Leader of the Council and Chief Executive, the Annual Governance Statement (including the list of significant issues for action in the ensuing year), as prepared in accordance with the statutory requirements and guidance; and to monitor progress on the significant issues and actions identified in the Statement.
8. To review periodically the Council's risk management arrangements, make recommendations and monitor progress on improvements.
9. To consider the Auditor's Annual Report from the External Auditor and to monitor progress on accepted recommendations.
10. To monitor and promote good corporate governance within the Council and in its dealings with partner bodies and contractors, including review of the Council's Local Code of Corporate Governance and in any such other ways as the Committee may consider expedient (within the budget agreed by the Council).

11. To consider and make recommendations of any other matters relating to corporate governance which are properly referred to the Committee or which come to its attention, e.g. the procurement of External Audit Services, monitoring the governance of Council owned companies.
12. **To discharge its responsibilities, the Committee and individual members of the Committee can meet privately and separately with the external auditor and / or Chief Audit Executive and have the right to call on any other officer.**
13. To make an annual report to Council on the work [and findings] of the Committee, including (if necessary) any measures necessary to improve the effectiveness of the Committee.

In all of the above, the Committee will, as appropriate, wish to develop effective liaison with the following:

- a) the Standards Committee of the Council with regard to matters of ethical governance;
- b) the relevant Policy Development and Scrutiny Panel(s) - to complement but not to duplicate the exercise of their legitimate role in checking compliance with Council processes and policies and in reviewing policies and practice;
- c) relevant Cabinet Members, in particular the Leader and the Cabinet Member with responsibility for Resources, whose portfolios include executive functions related to the matters covered by these terms of reference
- d) the Council when developing the Council's Code of Corporate Governance

3 Composition

The size of the Panel will be determined by Council. Appointments will be made having regard to rules on political proportionality – as set out in the [proportionality table](#). There will also be [a minimum of](#) one independent non-voting co-opted member.

4 Quorum

One quarter of the membership or 3 Councillor/voting Members of the Committee whichever is greater.

5 Substitution

Substitute Members are permitted in line with [Council Procedure Rule 3.1.4](#).

Bath & North East Somerset Council			
MEETING:	Corporate Audit Committee		
MEETING DATE:	25 th September 2024	AGENDA ITEM NUMBER	
TITLE:	Corporate Audit Committee Annual Report – April 2023 – May 2024		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1 – Annual Report 2024			

1 THE ISSUE

- 1.1 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.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to agree the Annual Report covering the period April 2023 – May 2024 (Appendix 1) and request that the Chair of the Committee present it to the November meeting of Council.

3 THE REPORT

- 3.1 The Corporate Audit Committee is required to compile and present to Council an Annual Report. The Head of Audit & Assurance has written a report and is asking the Committee to agree the report and ask the Chair of the Committee to present it to Council.
- 3.2 At the 1st May 2024 meeting it was agreed that the revised Local Code of Corporate Governance as endorsed by the Committee should be an appendix to the Committee's Annual Report.

4 STATUTORY CONSIDERATIONS

- 4.1 There are no specific statutory considerations related to this report.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 There are no direct resource implications relevant to this report.

6 RISK MANAGEMENT

6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.

6.2 The Corporate Audit Committee has specific responsibility for ensuring the Council's Risk Management and Financial Governance framework is robust and effective.

7 EQUALITIES

7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

8.1 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

9.1 No other options to consider related to this report.

10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

Contact person	Andy Cox, Head of Audit & Assurance (01225 477316)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Appendix 1 – Corporate Audit Committee Annual Report

CORPORATE AUDIT COMMITTEE

ANNUAL REPORT TO COUNCIL – APRIL 2023 – MAY 2024

1. INTRODUCTION

The Corporate Audit Committee report annually to Council to provide assurance that it is carrying out its role and responsibilities as recorded in the Committee's Terms of Reference. This report covers the period April 2023 to May 2024.

2. REVIEW OF WORK CARRIED OUT UP TO AND INCLUDING MAY 2024

a. Financial Governance – Annual Accounts (Council & Pension Fund)

- i At the Committee meeting on the 1st November 2023 the Head of Financial Management gave a presentation on the draft Accounts for 2022/23 this was the first introduction to the council's Statement of Accounts to Councillors newly appointed as members of the Committee. The presentation concluded that the external audit of the accounts was still in progress and that the accounts and external audit findings would be presented to the next meeting on 22nd November.
- ii. At the meeting on the 22nd November 2023 the Grant Thornton Engagement Lead presented the Audit Findings Reports for Council and the Avon Pension Fund. Work on concluding the audit was continuing and it was stated that an unqualified opinion would be issued. It was resolved:
 - a) To note the issues contained within the Audit Findings Reports for the Council and Avon Pension Fund;
 - b) to approve the audited Statement of Accounts, including the Letters of Representation for both Bath & North East Somerset Council and the Avon Pension Fund for 2022/23, subject to, any amendments necessary upon quantification of the impacts of any issues arising from the ongoing work by the external auditors.
 - c) that the Chair of the Corporate Audit Committee and the Chief Finance Officer make arrangements to sign the Statement of Accounts for 2022/2023 as representing a "true and fair view" of the financial position as at 31st March 2023, following any amendments necessary upon quantification of the impact of any issues arising from ongoing work by the external auditors.
 - d) if there are any new and significant issues identified before the accounts are signed-off, if necessary, the Chair would email the Committee for information.

b. Financial Governance - Annual Accounts (Council Owned Companies)

- i. In line with the Committee's Terms of Reference at the 1st November 2023 meeting the final approved and signed Aequus Developments Ltd (ADL) and Aequus Construction Ltd (ACL) Accounts for 2022/23 were reviewed. The meeting was attended by the Managing Director – Aequus Group and he

Appendix 1 – Corporate Audit Committee Annual Report

presented the accounts and answered questions raised by Committee Members. It was resolved that the audited accounts of ADL and ACL had been reviewed in line with the Committee's Terms of Reference and the audited accounts of ADL, ACL & AGHL (Council wholly owned companies) be noted.

c. Financial Governance – Treasury Management

- i. The Treasury Management Outturn Report 2022/23 was presented to the 5th July 2023 meeting of the Committee which was before the report to Full Council on the 20th July 2023. The Committee noted:
 - a) The Treasury Management Report to 31st March 2023, prepared in accordance with the CIPFA Treasury Code of Practice.
 - b) The Treasury Management indicators to 31 March 2023.
- ii. A Treasury Management Performance Report to 30th September 2023 was presented to the meeting on the 1st November 2023. This report was presented to the Council meeting on the 30th November 2023.
- iii. Committee Members reviewed the Treasury Management Strategy Statement for 2024/25 on the 7th February 2024. This set out the treasury limits in force, treasury management indicators, current position, borrowing requirement, prospects for interest rates and the borrowing and investment strategies. It was resolved to recommend the proposed actions within the Treasury Management Strategy Statement to the 20th February Council meeting; and to note the Treasury Management Indicators (detailed in the Appendix 1 of the Statement).

d. External Audit

- i. On 22nd November 2023 the External Auditor presented their Annual Report covering two periods 2021/22 and 2022/23 (at the meeting of the Committee on 15th March 2023 the External Auditor had explained the issues being experienced by Grant Thornton and therefore the need to delay the Value for Money Report and produce a single report for a two year period). Based on the National Audit Office Code of Audit Practice a more detailed report had to be prepared on the Council's overall arrangements to secure economy, efficiency and effectiveness in its use of resources (Value For Money). Three areas (criteria) were subject to review – financial sustainability; governance; and improving economy, efficiency and effectiveness. In terms of financial stability a significant weakness in arrangements was identified in relation to the Dedicated Schools Grant and be able implement the agreed recovery plan. Two key recommendations were made:
 - 1) The Council needs to take action to address the shortfall in the DSG recovery plan.
 - 2) The Council needs to take action to address the shortfall in the DSG recovery plan.

Appendix 1 – Corporate Audit Committee Annual Report

In addition improvement recommendations or opportunities for improvement were reported including:

- a. Monitor and report on the amount of non-recurrent savings planned and delivered each year.
 - b. Ensure it takes advantage of the Transformation Programme to consider service redesign and identify savings for 2024/25 and beyond.
 - c. Strengthen the Medium Term Financial Strategy by including more detailed sensitivity and scenario analysis of the key financial risks and key demand pressures facing the Council.
 - d. Its Corporate Risk Register is regularly reviewed by members.
 - e. That member decisions are supported by risk assessments.
 - f. It considers and records within a risk register the risks in relating to the Aequus Group.
 - g. The Aequus Group business plan is reviewed by members annually.
 - h. Performance management arrangements are improved for the Aequus Group.
 - i. It works closely with West of England Combined Authority (WECA) to support (within its remit) the implementation of the required improvements to the governance of WECA (as set out in Grant Thornton's previous governance report on the Combined Authority).
 - j. Ensure that Cabinet receives quarterly performance reports on the Council's strategic objectives, as set out in the Corporate Strategy.
 - k. Define its key partnerships and establish a register of key partnerships.
 - l. The Council should consider reviewing its process for approval of contract waivers, to ensure appropriate independence. In order to ensure transparency and financial oversight the number and extent of waivers should be reported periodically to members at a public meeting, such as Corporate Audit Committee.
- ii. At the 1st May 2024 meeting the External Auditor also presented the External Audit Plans for the Council and the Avon Pension Fund.

The National Audit Office Code of Audit Practice records the responsibilities of the auditors and expectations of the audited body. The external auditor's responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by the Public Sector Audit Appointments (body appointing the Council's External Auditors).

The Audit Plan recorded the purpose, respective responsibilities and scope of the audit work. The external auditor as group auditor is required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to provide an opinion on the group financial statements (including Aequus Developments Ltd & Aequus Construction Ltd).

Appendix 1 – Corporate Audit Committee Annual Report

Other audit responsibilities recorded in the Plan:

- Verify consistency between financial statements and the Narrative Report and Annual Governance Statement (AGS).
- Verify AGS is in line with CIPFA requirements.
- Verify compliance with duties under legislation.
- Certification of completion of the audit.

e. Corporate Governance

- i. The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review.
- ii. The results of the governance review for 2022/23 were presented to the Committee on 1st November 2023. The Committee was advised of the inclusion of two 'significant issues':
 - 1) Inflationary Pressures – Staff, supplies and services costs
 - 2) Children Services – Service demand and cost increases
- iii. On 1st May 2024 the Committee received a report on the ongoing work to compile the 2023/24 Annual Governance Statement (AGS), and linked to that, a recommendation to endorse a revised Local Code of Corporate Governance for the Council. The Committee resolved to endorse the new Local Code and agreed for the Code to be included as an annex to this annual report (see Annex 1). To highlight the differences between the 2024 and 2018 versions of the Code, the 2024 version (Annex 1) records the changes made in red text. The main change is in the format of the Principles Section (Annex 1- Appendix A), which now records 'what the Council has in place' rather than just recording the 'Behaviour and actions that demonstrate good governance in practice'.

When the Council's Constitution was updated in 2021, the 2018 version of the Local Code was placed in the library of documents. The 2024 version of the Local Code will replace the 2018 version in the library.

The review of the Code carried out as part of the Annual Governance Review considered:

- a) the B&NES Council Corporate Strategy 2023-2027.
- b) the B&NES Council 'Our Values and Behaviours Framework' document.
- c) the B&NES Council 'Protocol on Councillor / Officer Relations'.
- d) the B&NES Corporate Audit Committee's Terms of Reference.
- e) Department Levelling Up, Housing & Communities Best Value guidance (draft version for consultation)

Appendix 1 – Corporate Audit Committee Annual Report

f. Internal Audit

- i. The Internal Audit Plan 2023/24 was approved by Committee on the 15th March 2023.
- ii. The Audit and Assurance Annual Report 2022/23 detailing work of the internal audit team and performance against the 2022/23 Internal Audit Plan was presented to the 5th July 2023 meeting. The report also included the formal opinion of the Chief Audit Executive on the Council's internal control framework. It concluded that 'Reasonable Assurance' could be provided over the council's systems of internal control to manage risk, helping to ensure Council priorities can be achieved. The pandemic, the conflict in Ukraine and the related increase in cost of goods and services placed the Council under further financial pressure but the council had responded effectively and proportionately to the challenge.
- iii. At the 1st November 2023 and 7th February 2024 meetings the Audit Committee received updates on completion of the 2023/24 Internal Audit Plan. Changes to the 2023/24 plan were approved. At the February meeting members were also consulted on Internal Audit Plan for 2024/25 and specifically asked for their input on any activity areas or themes that they would like considered for inclusion in the list of audit reviews to form the core work of the internal audit function.
- iv. An audit and assurance report entitled Annual Report of the Chief Audit Executive 2023/24 was presented to the 1st May Committee meeting. The annual report incorporated:
 - a) A 'reasonable assurance' annual opinion on the overall adequacy and effectiveness of the Council's governance, risk, and control framework.
 - b) A summary of the work that supported the annual opinion.
 - c) A statement on conformance with the Public Sector Internal Audit Standards.

g. Risk Management

- i. At its meeting on the 7th February 2024, the Director of One West presented an overview of the Risk Management Strategy and Framework. It was explained that active risk management is an integral component of the council's Local Code of Corporate Governance which is designed to help achieve the council's aspirations, priorities and outcomes. The role of the Cabinet Office to provide guidance on national threats and risk and the council's membership of the Avon & Somerset Local Resilience Forum was explained. In addition local arrangements such as the work of the council officer's Risk Management Steering Group were also described. The council's corporate risk register and its maintenance was explained and discussed. It was agreed that risk management update reports would be provided to the Committee.

Appendix 1 – Corporate Audit Committee Annual Report

- ii. On 1st May 2024 a report was presented to explain a forward plan to consider particular components of risk management. The first area to be covered was 'Fraud Risk'. The report on 'Fraud Risk' was supplemented by a presentation provided by a member of the Internal Audit Team. The presentation was entitled 'An introduction to fraud and the role of internal audit'.

3. CORPORATE AUDIT COMMITTEE WORK PLAN

A work plan is prepared and presented at each meeting, this plans out the work of the Committee and links it to its terms of reference. Committee Members have the opportunity to comment and refine the workplan at each meeting.

4. MEMBERSHIP AND SUPPORT

- i. Councillor David Biddleston has been Chair of the Committee since July 2023. The other Committee Members are:
 - Councillor Lucy Hodge
 - Councillor George Leach
 - Councillor Sam Ross (Vice Chair)
 - Councillor Malcolm Treby
 - Independent Co-opted Member – John Barker
- ii. The Committee is supported by a number of Officers notably the Service Director for One West, the Chief Financial Officer (S151), Head of Financial Management and the Head of Audit & Assurance.
- iii. The external auditors are currently represented by an Engagement Lead and Audit Managers from Grant Thornton.

5. REVIEW OF EFFECTIVENESS

Finally, the Committee reviewed its effectiveness against the CIPFA Code of Best Practice and have identified some minor improvements to its ways of working and its own Terms of Reference

Annex 1

**Bath & North East
Somerset Council**

Improving People's Lives

Bath & North East Somerset Council Local Code of Corporate Governance 2024



1 Delivering Good Governance

- 1.1 *Delivering Good Governance in Local Government; Framework*, published by CIPFA in association with SOLACE, sets the standard for local authority governance in the UK. The concept underpinning the framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:
- Resources are directed in accordance with agreed policy and according to priorities.
 - There is sound and inclusive decision making.
 - There is clear accountability for the use of those resources, in order to achieve desired outcomes for service users and communities.
- 1.2 Governance is a term used to describe the arrangements (including political, economic, social, environmental, administrative, legal, and other arrangements) put in place to ensure that the intended outcomes for stakeholders are defined and achieved.
- 1.3 Good governance enables the Council to effectively achieve its intended outcomes, whilst always acting in the public interest. Basically, doing the right things, in the right way, for the benefit of the communities it serves. **The Council's overriding purpose as described in its Corporate Strategy is 'to improve people's lives' and to work to that purpose the following values and behaviours have been adopted:**
- **Bold** – in approach. Be proactive, take action & deliver outcomes.
 - **Empowered** – staff & people. Through knowledge make decisions, are able to challenge and have authority to be enablers.
 - **Supportive** – work together to build trusting relationships to care for individuals and the environment.
 - **Transparent** – honest & accountable to act with integrity, open to criticism.
- 1.4 **The Council recognises that the delivery of its strategic policies and objective cannot be done in isolation. It needs to engage with other statutory bodies and the voluntary and community sector as well as private companies commissioned to deliver services. As such the Council has an interest in ensuring that these partners have in place good governance arrangements.**
- 1.5 The *Delivering Good Governance in Local Government; Framework*, sets out seven core principles of governance as detailed in the diagram below. Bath and North East Somerset Council is committed to these principles of good governance and confirms this through the adoption, monitoring and development of this document - the Council's Local Code of Corporate Governance.
- 1.6 Our Local Code is underpinned by the *Delivering Good Governance in Local Government; Framework* and is comprised of policies, procedures, behaviours and values by which the Council is controlled and governed. These key governance areas and how the Council provides assurance that it is complying with these are set out in more detail within its Governance Assurance Framework.

- 1.7 The Council recognises that establishing and maintaining a culture of good governance is as important as putting in place a framework of policies and procedures. The Council expects members and officers to uphold the highest standards of conduct and behaviour and to act with openness, integrity and accountability in carrying out their duties.
- 1.8 All Members have an important role to play in representing their constituents, as well as acting together as the Council. Officers serve the Council as a corporate body rather than any political group, combination of groups, or individual member.
- 1.9 Members and Officers should work in an atmosphere of mutual trust and respect. Members determine the Council's policies and Officers are responsible for implementing decisions taken by the Council, Cabinet and / or the appropriate Committee as well as taking decisions delegated to them under the Scheme of Delegation. Legislation requires that certain functions be exercised by a 'proper officer'. The statutory officers with responsibilities and powers to protect good governance are the Head of Paid Service (Chief Executive), Chief Finance Officer (Section 151) and Monitoring Officer and their purpose of appointment is recorded in the Council's Constitution. In discharging these duties all parties should act in an open, honest and transparent manner.
- 1.10 For companies wholly owned, the Council will need to have regard to the accountability and governance framework in place ensuring robust Shareholder Agreements (Reserved Matters Schedule), appropriate Company Structures and reporting on Business Plans, performance and annual accounts.

2. Principles of Good Governance

- 2.1 This diagram illustrates how good governance is integral to supporting the delivery of the organisation's priorities.



- 2.2 The principles of good governance therefore describe the outcomes this code is attempting to deliver. The guidance prescribes these as follows –

- **Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law.**
- **Ensuring openness and comprehensive stakeholder engagement.**
- **Defining outcomes in terms of sustainable, economic, social and environmental benefits.**
- **Determining the interventions necessary to optimize the achievement of the intended outcomes.**
- **Developing the entity's capacity, including the capability of its leadership and the individuals within it.**
- **Managing risks and performance through robust internal control and strong public financial management.**
- **Implementing good practices in transparency, reporting and audit, to deliver accountability.**

- 2.3 Further information regarding each of the above principles and the behaviours and actions that demonstrate good governance in practice are detailed at Appendix A

3 Status

- 3.1 Regulation 6(1)(a) of the Accounts and Audit regulations 2015 (amended 2022) require an authority to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with any published statement of Accounts. This is known as an Annual Governance Statement.
- 3.2 The Accounts and Audit Regulations 2015 stipulate that the Annual Governance Statement must be prepared in accordance with proper practices in relation to accounts. Therefore a local authority in England shall provide this statement in accordance with Delivering Good Governance in Local Government Framework (2016) and this section of the Code.

4 Monitoring and review

- 4.1 The Council will monitor its governance arrangements for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date. This process of review to produce the Annual Governance Statement sets out in more detail how the Council will seek assurance on its adherence to the adopted principles of governance detailed in this code.
- 4.2 On an annual basis, the Chief Executive and Leader of the Council will therefore publish an Annual Governance Statement which will:
- assess how the Council has complied with this Code of Corporate Governance.
 - provide an opinion on the effectiveness of the Council's arrangements.
 - Provide details of how continual improvement in the systems of governance will be achieved.
- 4.3 An important component of the governance review to compile the Annual Governance Statement is the result of inspections and peer reviews / challenge. Being open to inspection is important to good governance.
- 4.4 The Corporate Audit Committee has the following corporate governance responsibility under its Terms of reference:
- To consider, prior to signature by the Leader of the Council and Chief Executive, the Annual Governance Statement (including the list of significant issues for action in the ensuing year), as prepared in accordance with the statutory requirements and guidance; and to monitor progress on the significant issues and actions identified in the Statement.
 - To monitor and promote good corporate governance within the Council and in its dealings with partner bodies and contractors, including review of the Council's Code of Corporate Governance and in any such other ways as the Committee may consider expedient (within the budget agreed by the Council).

Appendix 1 – Corporate Audit Committee Annual Report

- To consider and make recommendations of any other matters relating to corporate governance which are properly referred to the Committee or which come to its attention e.g. the procurement of External Audit Services, monitoring the governance of Council owned companies.

5 Certification

- 5.1 We hereby certify our commitment to this Code of Corporate Governance and will ensure that the Council continues to review, evaluate and develop the Council's Governance arrangements to ensure continuous improvement of the Council's systems.

Leader of the Council

Date:

Chief Executive

Date:

Appendix 1 – Corporate Audit Committee Annual Report

Appendix A

Principle A – Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law		
Sub Principles	Behaviours and Actions that demonstrate good governance	What the Council has in place
Behaving with integrity	<ul style="list-style-type: none"> Ensuring members and officers behave with integrity and lead a culture, where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation. Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) Leading by example and using the above standard operating principles or values as a framework for decision making and other actions. Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively. 	<ul style="list-style-type: none"> Constitution (* Ref to Constitution Part) Employee Code of Conduct (* Part 4.6) General Employment Standards and Rules Councillor Code of Conduct (* Part 4.2) Protocol on Councillor / Officer Relations (*Part 4.1) B&NES 'Our Values and Behaviours Framework: Improving People's Lives' B&NES Engagement Strategy Employees Declaration of Interests Employees Declaration of Gifts / Hospitality Member Register of Interests (* Part 4.4) Equality Policy Commitment (January 2019) Anti-Fraud and Corruption Strategy 2022-2024 Anti-Bribery & Corruption Policy 2022 Whistleblowing Policy 2022 Anti-Money Laundering Policy 2022 Standards Committee Policy Development & Scrutiny Panels Financial Regulations Contract Standing Orders
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> Seeking to establish, monitor and maintain the organisation's ethical standards and performance. Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation. 	
	<ul style="list-style-type: none"> Developing and maintaining robust policies and procedures which place 	

Appendix 1 – Corporate Audit Committee Annual Report

	<p>emphasis on agreed ethical values.</p> <ul style="list-style-type: none"> • Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation. 	
<p>Respecting the rule of law</p> <p>Page 48</p>	<ul style="list-style-type: none"> • Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations. • Creating the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements. • Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders. • Dealing with breaches of legal and regulatory provisions effectively. • Ensuring corruption and misuse of power are dealt with effectively. 	
<p>Principle B – Ensuring openness and comprehensive stakeholder engagement</p>		
<p>Sub Principles</p>	<p>Behaviours and Actions that demonstrate good governance</p>	<p>What the Council has in place</p>

Appendix 1 – Corporate Audit Committee Annual Report

<p>Openness</p>	<ul style="list-style-type: none"> • Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness. • Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided. • Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. • Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action. 	<ul style="list-style-type: none"> • Constitution • Committee Structure (** - see below) • Executive Forward Plan • Committee & Panel Minutes • Decision Making Register • Council website • Transparency and Publication Scheme • Corporate Strategy 2023/27 • B&NES 'Our Values and Behaviours Framework: Improving People's Lives' • B&NES Engagement Strategy • Freedom of Information Request processes
<p>Engaging comprehensively with institutional stakeholder</p>	<ul style="list-style-type: none"> • Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably. • Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively. - Ensuring that partnerships are based on trust 	<ul style="list-style-type: none"> • Complaints Reporting (including report to Standards Committee) • Public Consultations • Parish Charter • Annual Governance Statement (component of the Council's Statement of Accounts)
	<ul style="list-style-type: none"> - a shared commitment to change. - a culture that promotes and accepts challenge among partners and that the added value of partnership working is explicit. 	
<p>Engaging stakeholders effectively, including individual citizens and service users</p>	<ul style="list-style-type: none"> • Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve communities, individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. • Ensuring that communication methods are effective, and that members and officers are clear about their roles regarding community engagement. • Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs. • Implementing effective feedback mechanisms in order to demonstrate how 	<ul style="list-style-type: none"> • Voicebox annual survey – sample of households <p>**Council, Cabinet (sub groups), Overview & Scrutiny, Regulatory Committees, Governance Committees including Standards Committee, Alice Park Trust, Avon Pension Fund Committee / Investment Panel, Avon Pension Fund Board, Charitable Trust Board, Corporate Audit Committee, Restructuring Implementation Committee</p>

Appendix 1 – Corporate Audit Committee Annual Report

<p>Page 50</p>	<p>views have been taken into account.</p> <ul style="list-style-type: none"> • Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity. • Taking account of the impact of decisions on future generations of tax payers and service users 	
<p>Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits</p>		
<p>Sub Principles</p>	<p>Behaviours and Actions that demonstrate good governance</p>	<p>What the Council has in place</p>
<p>Defining outcomes</p>	<ul style="list-style-type: none"> • Having a clear vision, which is an agreed formal statement of the organisation’s purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the organisation’s overall strategy, planning and other decisions. • Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer. • Delivering defined outcomes on a sustainable basis within the resources 	<ul style="list-style-type: none"> • Corporate Strategy 2023/27 • Economic Strategy (Evidence Base) • Joint Health & Wellbeing Strategy • Treasury Management Strategy • Public Consultations • Medium Term Financial Plan • Annual Budget Setting • Climate Strategy and Action Plan

Appendix 1 – Corporate Audit Committee Annual Report

	<p>that will be available.</p> <ul style="list-style-type: none"> Identifying and managing risks to the achieve outcomes. Managing service users' expectations effectively with regard to determining priorities and making the best use of the resources available. 	<ul style="list-style-type: none"> Ecological Emergency Action Plan Committee Report Template (e.g. Climate Change section)
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> Considering and balancing the combined economic, social and environmental impact of policies and plans when taking decisions about service provision. Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints. Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs. Ensuring fair access to services. 	<ul style="list-style-type: none"> Procurement & Commissioning Strategy 2021-24 Think Climate, Think Local, Think Innovation
Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes		
Sub Principles	Behaviours and Actions that demonstrate good governance	What the Council has in place
Determining interventions	<ul style="list-style-type: none"> Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided. Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. 	<ul style="list-style-type: none"> Risk Management Strategy 2019-2024 Risk Management Toolkit including Risk Registers Public Consultations Medium Term Financial Strategy Capital Programme Capital Strategy Group Procurement Steering Group
	<ul style="list-style-type: none"> Preparing budgets in accordance with objectives, strategies and the medium-term financial plan. 	<ul style="list-style-type: none"> Complaints and Customer Feedback Policy

Appendix 1 – Corporate Audit Committee Annual Report

	<ul style="list-style-type: none"> Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. 	
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> Ensuring the medium-term financial strategy integrates and balances service priorities, affordability and other resource constraints. Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. Ensuring the medium-term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage Ensuring the achievement of 'social value' through service planning and commissioning 	
Principle E – Developing the entity's capacity, including the capability of its leadership and the individuals within it		
Sub Principles	Behaviours and Actions that demonstrate good governance	What the Council has in place
Developing the entity's capacity	<ul style="list-style-type: none"> Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness. Improving resource use through application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved. Recognising the benefits of partnership working where added value can be achieved. Developing & maintaining an effective workforce plan to enhance the strategic allocation of resources. 	<ul style="list-style-type: none"> Constitution Council's Integrated Performance Framework Member Induction Clear Review System – staff performance management Learning Zone (intranet training) Response to External Review e.g. External Auditors Audit Findings Report (VFM arrangements)
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. 	<ul style="list-style-type: none"> Organisational values - bold, empowered, transparent and supportive as communicated through Council's Corporate Strategy. Employee Induction – e.g. Code of Conduct Protocol on Councillor / Officer Relations (* Part 4.1) Decision Making (* Part 1.12) Staff Survey

Appendix 1 – Corporate Audit Committee Annual Report

	<ul style="list-style-type: none"> • Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority. 	<ul style="list-style-type: none"> • Employee Assistance Programme
<p>Page 53</p>	<ul style="list-style-type: none"> • Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by: <ul style="list-style-type: none"> - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged. - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis. - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external. - Identifying and developing talent within the Council's workforce. - Developing succession planning. • Ensuring that there are structures in place to encourage public participation. • Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections. • Holding staff to account through regular performance reviews which take account of training. • Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. 	

Appendix 1 – Corporate Audit Committee Annual Report

Principle F – Managing risks and performance through robust internal control and strong public financial management		
Sub Principles	Behaviours and Actions that demonstrate good governance	What the Council has in place
<p>Managing risk</p> <p>Page 54</p>	<ul style="list-style-type: none"> • Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making. • Implementing robust and integrated risk management arrangements and ensuring that they are working effectively. • Ensuring that responsibilities for managing individual risks are clearly allocated. 	<ul style="list-style-type: none"> • Constitution (*) • Risk Management Strategy • Risk Management Toolkit incl Decision Making • Corporate Risk Management Group (Officer Group) • Committee Report Template • Corporate Risk Register and Service Risk Registers • Cyber Security Group • Integrated Performance Reporting • Council Strategic Indicator Reporting • Internal Audit Service • Corporate Audit Committee • Financial Regulations • Contract Standing Orders • Comprehensive framework of Information Governance Policies: Data Protection, Acceptable Use, Information Security, Information Sharing, and Security Incident Management Policy. • Information Sharing Agreements with public sector partners • Appointed Chief Finance Officer (S151 Officer)

Appendix 1 – Corporate Audit Committee Annual Report

<p>Managing performance</p>	<ul style="list-style-type: none"> Monitoring service delivery effectively including planning, specification, execution and independent post implementation review. Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook. Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible (Or, for a committee system) Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making. Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement. Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements). 	<ul style="list-style-type: none"> Internal Audit Service Corporate Audit Committee Financial Regulations Contract Standing Orders Quarterly and Annual Performance Cabinet Reporting Digital, Data & Technology Strategy
<p>Robust internal control</p>	<ul style="list-style-type: none"> Aligning the risk management strategy and policies on internal control with achieving objectives. Evaluating and monitoring risk management and internal control on a regular basis. Ensuring effective counter fraud and anti-corruption arrangements are in place. Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. Ensuring an audit committee or equivalent group/ function, which is independent of the executive and accountable to the governing body: <ul style="list-style-type: none"> provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment. that its recommendations are listened to and acted upon 	
<p>Managing data</p>	<ul style="list-style-type: none"> Ensuring effective arrangements are in place for the safe collection, 	

Appendix 1 – Corporate Audit Committee Annual Report

	<p>storage, use and sharing of data, including processes to safeguard personal data.</p> <ul style="list-style-type: none"> • Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies. • Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring. 	
<p>Strong public financial management</p> <p>Page 56</p>	<ul style="list-style-type: none"> • Ensuring financial management supports both long term achievement of outcomes and short- term financial and operational performance. • Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and control. 	
<p>Principle G – Implementing good practices in transparency, reporting and audit to effective</p>		

Appendix 1 – Corporate Audit Committee Annual Report

accountability		
Sub Principles	Behaviours and Actions that demonstrate good governance	What the Council has in place
Implementing good practice in transparency	<ul style="list-style-type: none"> • Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. • Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. 	<ul style="list-style-type: none"> • Website • Public Consultations • Corporate Audit Committee • Chief Audit Executive Annual opinion (Internal Audit) • External Audit Annual Report • Statement of Accounts including Annual Governance Statement • Cyber Security Group
Implementing good practices in reporting	<ul style="list-style-type: none"> • Reporting at least annually on performance, value for money and stewardship of its resources to stakeholders in a timely and understandable way. • Ensuring members and senior management own the results reported. • Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the Annual Governance Statement) • Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate. • Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations. 	<ul style="list-style-type: none"> • Integrated Performance Reporting • Council's Corporate and Staff Engagement Strategies • Council Strategic Indicator Reporting • Internal Audit Service
Assurance and effective accountability	<ul style="list-style-type: none"> • Ensuring that recommendations for corrective action made by external audit are acted upon. • Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon. • Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. • Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement. • Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met. 	

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	25th September 2024	AGENDA ITEM NUMBER
TITLE:	External Audit - Update	EXECUTIVE FORWARD PLAN REFERENCE: E
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – External Update Report</p> <p>Appendix 2 – Audit Findings Report for the Avon Pension Fund</p> <p>Appendix 3 – Annual Audit Report - TO FOLLOW</p>		

1 THE ISSUE

- 1.1 The External Auditor will update the Committee on their work to complete the audit of the Council's Accounts. In addition this will include presentation of the Audit Findings report for the Avon Pension Fund and Annual Audit report which includes the VFM assessment for the Council.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to –

Note the Audit Update Report, Audit Findings Report for the Avon Pension Fund and Annual Audit report.

3 FINANCIAL IMPLICATIONS

- 3.1 There are no new financial implications from this report directly.

4 THE REPORT

- 4.1 The External Auditor provide a verbal update on progress to complete this year's audit, which is planned to be presented to the Audit Committee on the 27th November.

4.2 Appendix 1 outlines the work carried out so far on the audit of the accounts and remaining tasks. Appendix 2 details the findings from the audit of the Pension Fund Accounts as this is now complete and Appendix 3 outlines the External Audit Annual Report which includes the Council's VFM assessment.

5 RISK MANAGEMENT

5.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are not any significant risks or issues to report to the Committee as a result of this report.

6. EQUALITIES

6.1 A proportionate equalities impact assessment has been carried out using corporate guidelines, no significant issues to report.

7 CONSULTATION

7.1 Consultation has been carried out with the Section 151 Finance Officer.

Contact person	Jeff Wring, Director – Financial Services, Assurance & Pensions (01225 477323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Bath and North East Somerset Council

Audit progress report and sector updates

September 2024



Contents

Page 62

Section	Page
Introduction	03
Progress at September 2024	04
Progress against significant risks	05
Audit deliverables	11
Ending the local audit backlog	13
Lessons from recent Auditors' Annual Reports	14
Lessons from the new unitary councils	15
Code of practice on good governance	16
Internal Audit - supporting a healthy service	17
Annual review of local government complaints	18
Homelessness and housing targets	19
New approaches needed to key educational issues	20
Demand management for social care	21
The social landlord role – what can Councils do better?	22
Devolution	23
Resources	24

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and, in particular, we cannot be held responsible to you for reporting all the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction

Your key Grant Thornton team members are:

Beth Bowers

Key Audit Partner

T: 0117 305 7726

E: beth.ac.bowers@uk.gt.com

David Johnson

Manager

T: 0117 305 7727

E: David.a.johnson@uk.gt.com

Alyssa Gomez

Assistant Manager

T: 0117 305 7635

E: Alyssa.d.Gomez@uk.gt.com

This paper provides the Corporate Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit and Standards Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

<https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at September 2024

Financial Statements Audit

Our work on the 2023-24 financial statement audit which is substantially complete.

The significant risks we identified within our plans were as follows:

- Management override of control
- Valuation of land and buildings
- Valuation of investment properties
- Valuation of net pension fund liability

We have presented detailed audit plans to this Committee, setting out our proposed approach to the audits of the Authority's financial statements.

We continue to work to the agreed timelines and will formally report of findings at the November Corporate Audit Committee meeting. An update on the latest position with our significant risks is on the following pages.

We continue to meet with Finance Officers on a regular basis which has helped ensure that the audit process is smooth and effective. At the time of writing there are no significant issues which we wish to report to the Council and we would like to thank finance officers for their responsive and supportive approach to the audit team and audit queries.

Value for Money

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

As part of planning our audit work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness.

We have completed our work on Value for Money arrangements and the findings are set out in our draft Auditor's Annual Report which is included within the 25 September 2024 Corporate Audit Committee papers alongside this report.

As a result of our work, we have identified one significant weakness in the Council's arrangements during 2023/24 in relation to financial sustainability arrangements and specifically the dedicated school grants (DSG) high needs deficit. Work identified that the Council did not have proper arrangements in place to manage the high needs element of the DSG within its agreed recovery plan. This has resulted in a deficit against the safety valve programme which has led to the suspension of the programme and the Council being put under enhanced measures.

Progress against Significant risks

Risks identified in our Audit Plan	Progress to date
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p>	<p>We have:</p> <ul style="list-style-type: none">• evaluated the design effectiveness of management controls over journals.• used Inflo, our data analysis software, undertakes a number of checks on the data, such as unbalanced transactions, unbalanced user IDs and transactions with blank account descriptions. Where any differences were noted by Inflo, we followed these up with management and obtained sufficient explanations and corroboration for these• tested unusual journals made during the year and after the draft accounts stage for appropriateness and corroboration.• reviewed manual journals, within Inflo, to identify those deemed to be high risk to be selected for testing. We selected and shared our sample with management for them to provide us with evidence to support the entries. We completed our testing upon receipt of this supporting documentation.• gained an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness, and• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions <p>As in previous years we note that no formal approval process exists for those journals under £500k and assurance is taken from review of a sample of journals, below this threshold, on a monthly basis. We have tested authorisation as part of our work and have not identified any issues but consider this is an inherent weakness within the process and have raised a recommendation. Our work is complete and no further issues have been identified</p>

Progress against Significant risks

Risks identified in our Audit Plan	Relates to Council and/or Group	Commentary
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	Group and Council	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none">- There is little incentive to manipulate revenue recognition- Opportunities to manipulate revenue recognition are very limited- The culture and ethical frameworks of local authorities, including BaNES Council, mean that all forms of fraud are seen as unacceptable <p>Within the Audit Plan, presented to the Council in March 2024, we identified improper revenue recognition as a risk at the group level. Having reviewed the group balances no material balances were identified and, therefore, this is no longer considered a significant risk at the group level.</p>
<p>Risk of fraud related to expenditure recognition PAF Practice Note 10</p> <p>In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)</p>	Group and Council	<p>We have</p> <ul style="list-style-type: none">• Evaluated the groups accounting policy for recognition of expenditure for appropriateness;• Gained an understanding of the Council’s system for accounting for expenditure and evaluate the design of the associated controls;• Identified and test a sample of transactions received post year end to ensure these have been classified to the correct year. <p>We will</p> <ul style="list-style-type: none">• Agree, on a sample basis, amounts recognised as expenditure in the financial statements to supporting documents <p>Our work to date has not identified any issues with expenditure. We will report any findings to members upon completion of our work.</p>

Progress against Significant risks

Page 6

Risks identified in our Audit Plan	Relates to Council and/or Group	Commentary
<p>Valuation of land and buildings and investment properties</p> <p>The group revalue its land and buildings on a rolling five-yearly basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£262.210m in the Group balance sheet at 31/03/23) and the sensitivity of this estimate to changes in key assumptions. Additionally, management will need to ensure the carrying value in the Council and group financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date, where a rolling programme is used. The Group also has material investment properties (£264.431m in the Group balance sheet at 31/03/23) which must be valued annually at 31 March.</p> <p>We therefore identified valuation of land and buildings and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	Group and Council	<p>We have:</p> <ul style="list-style-type: none">evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their workevaluated the competence, capabilities and objectivity of the valuation expertwritten to the valuer to confirm the basis on which the valuation was carried outchallenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding <p>We will</p> <ul style="list-style-type: none">test revaluations made during the year to see if they had been input correctly into the group's asset registerevaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. <p>As part of our review we have identified a number of assets that are fully depreciated but are still in the fixed asset register as operational. The gross book value of these assets is £21.597m of which £15.396m relates to infrastructure assets and the remaining £6.201m relates to other land and buildings. It is considered that management should undertake a review of all assets to ensure that only those that are operational are disclosed in the financial statements and consider whether useful economic lives, over which assets are depreciated, are appropriate.</p> <p>We have not identified any further issues in our work to date and will report any further findings to members upon completion of the work.</p>

Progress against Significant risks

Risks identified in our Audit Plan	Relates to Council and/or Group	Commentary
<p>Valuation of the pension fund net liability</p> <p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£82.7m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.</p> <p>The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.</p> <p>The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.</p> <p>The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.</p> <p>A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 1.5% effect on the liability/surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.</p>	<p>Council</p>	<p>We have:</p> <ul style="list-style-type: none">• updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated and evaluated the design of the associated controls;• evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;• assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation;• assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability;• tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;• undertaken procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report; and• agreed the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. <p>We will</p> <ul style="list-style-type: none">• obtain assurances from the auditor of Avon Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. <p>Our work to date has not identified any issues and we will report any findings to member upon completion of our work.</p>

Progress against other areas

Other Area	Progress to date
<p>Group Accounts</p> <p>Risks identified in the group accounts:</p> <ul style="list-style-type: none">• Revenue cycle includes fraudulent transactions• Management override of controls• Valuation of land and buildings including investment properties	<p>An evaluation of the group based on a measure of materiality, considering each as a percentage of the group's gross revenue expenditure, to assess the significance of the component and to determine the planned audit response was undertaken. From this evaluation we determined that no balances/transactions of the components were material and therefore only analytical procedures are required</p>
<p>Other balances with the financial statements</p> <p>On receipt of the draft accounts we undertook a scoping review where we determined the items of the financial statements are within scope for the audit and the level of required work for each of these</p>	<ul style="list-style-type: none">• We have made good progress working through the other areas of the financial statements and have selected and shared within the Council the majority of our samples selected for testing. These have been returned and work has been completed in the majority of areas with no further issues identified• All queries and information request have been dealt with in a timely manner by the Council• We have complete the majority of our work with the main exceptions of PPE and Investment Property valuations which we continue to discuss with management and update members on progress.

Page 69

Progress at September 2024 (cont.)

Other areas

Certification of claims and returns

We certify the Authority's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Works and Pensions (DWP). The certification work for 2022-23 is in progress and we will report any significant findings to the Audit and Governance Committee.

We also certify the Authority's Teacher's Pension return. The certification work for 2022-23 is in progress and we will report any significant findings to the Committee.

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Your officers attended our Financial Reporting Workshop in February, which helped to ensure that members of your Finance Team were up to date with the latest financial reporting requirements for local authority accounts.

Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report

Audit Fees

PSAA have published their scale fees for 2023/24 [2023/24 auditor appointments and audit fee scale – PSAA](#).

For Bath and North East Somerset Council these fees are £353,067 for the Council audit. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

Audit Deliverables

Below are some of the audit deliverables planned for 2023/24.

2023/24 Deliverables	Planned Date*	Status
<p>Audit Plan</p> <p>We are required to issue a detailed audit plan to the Audit and Standards Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements.</p>	March 2024	Complete
<p>Audit Findings Report</p> <p>The Audit Findings Report will be reported to the Audit and Standards Committee.</p>	November 2024	Not yet due
<p>Auditors Report</p> <p>This includes the opinion on your financial statements.</p>	November 2024	Not yet due
<p>Auditor's Annual Report</p> <p>This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.</p>	September 2024	Included in agenda papers for this committee

Audit Deliverables

Below are some of the audit related deliverables planned for 2023/24.

2023/24 Audit related deliverables	Planned date*	Status
<div>Teachers Pensions Scheme – certification</div> <div>This is the report we submit to Teachers Pensions based upon the mandated agreed upon procedures we are required to perform.</div>	November 2024	Not yet due
<div>Housing Benefit Subsidy – certification</div> <div>This is the report we submit to Department of Work and Pensions based upon the mandated agreed upon procedures we are required to perform.</div>	October 2024	Not yet due

*The planned dates are subject to national timetables, agreement with officers and unforeseen technical issues that may arise during the audit period.

Ending the local audit backlog

A plan for restoring timely assurance to the Local Government audit system was announced by the Minister of State for Local Government and English Devolution on 30th July 2024.

When parliamentary time permits, secondary legislation is going to be used to amend the Accounts and Audit Regulations [2015] and to introduce five new backstop dates:



1. Financial years up-to-and-including 2022/23: 13 December 2024;
2. Financial year 2023/24: 28 February 2025;
3. Financial year 2024/25: 27 February 2026;
4. Financial year 2025/26: 31 January 2027;
5. Financial year 2026/27: 30 November 2027; and
6. Financial year 2027/28: 30 November 2028.

Paul Dossett, Grant Thornton Partner and Head of Local Government, has had an article published in The MJ, where he reviews the reasons for the delays in audited accounts and considers what is required for a long-term solution:

<https://www.themj.co.uk/beyond-the-local-audit-backstop>

Key messages from the Minister are that:

For financial years up to and including 2022/23, if financial audits are not complete by 13 December 2024, disclaimed or modified opinions will be required. The Minister recognises that in most cases these may remain in place for up to two years.

The Minister's statement is, however, "crystal clear" that where there are modified opinions for financial accounts, auditors' other statutory duties – including to report on Value for Money (VfM) arrangements, to make statutory recommendations, and to issue Public Interest Reports, will still be a high priority.

There will be some limited grounds for exemption to meeting the audited accounts backstop dates: Where auditors are considering a material objection; where recourse to the court could be required; or from 2023/24, where the auditor is not yet satisfied with the body's Value for Money arrangements. Nevertheless, Councils need to be aware that the Government intends to publish a list of bodies and auditors that do not have an exemption and yet still do not meet the proposed new dates.

To help Councils comply with these arrangements, for financial years 2024/25 to 2027/28, the Minister states that the deadline for filing Category 1 'draft' (unaudited) accounts will be extended from 31 May to 30 June (allowing higher quality draft accounts); and there will be no routine inspections of local audits (by the Financial Reporting Council or by the Institute of Chartered Accountants in England and Wales) for financial years up to and including 2022/23, unless there is a clear case in the public interest to do so.

Once implemented, the hope is that the new arrangements will help to restore the robust assurance needed to underpin good governance and accountability.

For the full statement, see [Written statements - Written questions, answers and statements - UK Parliament](#).

Lessons from recent Auditors' Annual Reports

In July 2024, Grant Thornton shared findings from a review of just under 100 recent Auditors' Annual Reports (AARs), covering around 30% of all Councils in England. With around 730 different areas for improvement identified, the AARs highlighted five key areas where local government is facing increased challenge:



1. Transformation and saving plans;
2. The Dedicated Schools Grant;
3. Financial governance and internal control;
4. Performance management and procurement; and
5. The Housing Revenue Account.

Page 74



To help Councils with their challenge, Grant Thornton's Lessons report summarised suggestions for improvement into a single checklist for success.

Key questions for Audit Committees from the checklist for success:

- External audit recommendations – are we up to date with monitoring progress and implementation and prior year recommendations?
- Savings and reserves – is our medium-term financial plan up to date?
- Special educational needs and disability – are we on track with arrangements to close any deficit?
- Workforce – do we have an up-to-date strategy?
- The Housing Revenue Account – when did we last review the strategy and arrangements for governance and internal control?

Even before the July 2024 general election, local authorities were key to delivering nationally important policies. Under the new government, the sector looks likely to play an even more pivotal role as, for example, proposed reforms to planning and housebuilding get underway. Audit Committees can use the Grant Thornton checklist for success to assess how ready their organisation is to take advantage of the new opportunities likely to open-up and to step into the new, higher profile role they are likely to be invited to play.

For a full copy of the report, see [Lessons from recent auditor's annual reports \[grantthornton.co.uk\]](https://www.grantthornton.co.uk)

Learning from the new unitary councils

In September 2024, Grant Thornton published findings from Auditors' Annual Reports for eight unitary councils created since 2019 (or, where relevant, from Auditors' Annual Reports for their predecessor councils).

Grant Thornton's report includes a series of key messages for Councils who may be facing local government re-organisation in the future, including:

During the transition period

- Appoint shadow authority roles as soon as possible;
- Allocate adequate resources to planning and transformation;
- Consider how to reduce legacy staff capacity.

Financial sustainability

- Have a finance team in place at the start;
- Understand the legacy reserves position early.

Governance

- Prioritise the production of legacy accounts;
- Don't underestimate the complexity of internal audit.

Effectiveness, economy, efficiency

- Develop a performance management framework early; and
- Put in place clear strategies.

For a full copy of the report and the key messages within it, see [Lessons from recent auditor's annual reports \(grantthornton.co.uk\)](https://www.grantthornton.co.uk)

“Local government re-organisation is here to stay.....(but) One size does not fit all, and local government is no exception”.



Code of practice on good governance

In June 2024, SOLACE, CIPFA and Lawyers in Local Government (LLG) jointly published a new code of practice on good governance. The code provides advice and sets expectations for the three highest profile statutory roles in local government – the Head of Paid Service, the Chief Finance Officer, and the Monitoring Officer. The aim of the code is to enable these three high profile officers to effectively work together in a ‘Golden Triangle’ - to best advise members, implement decisions, and help achieve good outcomes.

This is a powerful publication because it is the first in which SOLACE, CIPFA and LLG have spoken as one voice. Whilst the Seven Principles of Public Life, or Nolan principles, apply to all public office holders (and indeed all those in other sectors delivering public services), expectations of the three most senior statutory officers in Councils go further. The fact that this guide is targeted specifically at their three roles is therefore more than welcome.

The new code of practice sets out seven standards the “Golden Triangle” officers should comply with, alongside a series of more direct requirements they should adhere to. The code provides guidance to the three officers concerned; can be used to explain their roles more clearly to others; and provides context for conversations about the roles, the requirements, and actions to be undertaken.

Questions Audit Committees can use the code to ask themselves surround: Do we understand what our most senior officers do? And do they understand the standards they are bound by?

For a full copy of the Code of Practice, see [Code of Practice on Good Governance for Statutory Officers June 2024.pdf \(solace.org.uk\)](#)

The seven standards of the Golden Triangle are:



Understand Governance

Roles and responsibilities



Act Wisely

A duty of enquiry & the exercise of statutory functions



Lead Ethically

The Seven Principles of Public Life



Act Effectively

Robustness in working arrangements



Resource the Roles

Get the tools to do the job



Build Resilience

Deputies and development



Deliver sound decision making

The outcome of good governance

Internal Audit - supporting a healthy service

The Chartered Institute of Internal Auditors (CIIA) published an assessment of the health and status of internal audit within local government in July 2024, using research based on survey findings from 44% of all councils in the United Kingdom and Northern Ireland. The findings were stark and could make worrying reading for any Audit Committee, as survey responses unveiled:

- Fear of speaking out about key findings, including around financial sustainability;
- Difficulty in discussing financial assurance matters with Audit Committee members in public meetings;
- Lack of member understanding of the work of internal audit; and
- Insufficient staffing and inability to recruit to vacant posts, affecting completion of the Internal Audit plan.

New Global Internal Audit Standards (GIAS) are due to come into effect in January 2025 and can be adopted now if entities wish. They include considerations specifically for the public sector.

Respective responsibilities for members and management around supporting, overseeing, and resourcing the internal audit function can be found in the CIIA report.

Audit committees and senior management in local government should consider whether any of the findings are relevant to their organisation and, if so, consider using the transition to the new GIAS as an opportunity to challenge and revisit their practices.

For a full copy of the Institute's findings, see [An evaluation of the health of internal audit in local authorities.pdf](#) ([iaa.org.uk](https://www.iaa.org.uk))

Summary of respective responsibilities to provide:

Support:

Audit committee

Champion the internal audit function.

Senior management

Support recognition of the function throughout the organisation.

Oversight:

Audit committee

Gain an understanding of Internal Audit findings.

Discuss any disagreements with the Chief Executive and senior management.

Senior management

Assist members in understanding the effectiveness of the organisation's governance, risk management and control processes and escalate to members any matters of importance.

Resources:

Audit committee

Discuss the sufficiency of resources, both in numbers and capabilities, at least annually.

Senior Management

Engage with members to provide sufficient resources and resolve any issues around resourcing.

Annual review of local government complaints

The Local Government and Social Care Ombudsman's latest Annual Review of Local Government Complaints was published in July 2024.

The review shows that nationally, there has been an increase in the number of complaints received, an increase in the number of complaints upheld, and ongoing issues within special educational needs; housing; and adult social care services.

The review argues that complaints can be seen as a valuable source of information, and it encourages councils to use complaints information to identify early warning signs of service failure. It includes best practice resources to help councils take valuable learning from complaints, including a performance map and data tables.

Readers are advised by the review to consider, using the interactive data for those councils they are interested in:

- Uphold rates;
- Suitable remedy rates;
- Compliance rates; and
- The nature of service improvement recommendations made.

Councils should bear in mind that since April 2024 **[new overview and scrutiny: statutory guidance for councils, combined authorities and combined county authorities](#)** recommends that scrutiny committee work programmes are informed by the reports and recommendations issued by the Ombudsman.

[For a full copy of the Ombudsman's Annual Review, see Annual Review of Local Government Complaints.](#)



Homelessness and housing targets

The National Audit Office (NAO) published a report in July 2024 on the effectiveness of government in tackling homelessness.

The report noted that homelessness is now at the highest level since comparable data collection began in the early 2000s, despite local government spending on homelessness services having more than doubled since 2010/11. The report also noted that a co-ordinated government response is difficult because there was, at the time of writing the report, no strategy or published target for statutory homelessness; and, again at the time of writing the report, the Department for Levelling Up, Housing and Communities had limited power to influence other government departments' decisions on cross-cutting matters that can affect homelessness services.

The National Audit Office argued that homelessness funding is fragmented and generally short-term, inhibiting homelessness prevention work and limiting investment in good-quality temporary accommodation or other forms of housing.

New housebuilding targets announced by the new government on 30th July may help, but consistent funding and a move away from short termism and a clear strategy are also going to be essential levers that national and local government are now going to have to develop.

For a copy of the National Audit Office report, see [the effectiveness of government in tackling homelessness \(nao.org.uk\)](https://nao.org.uk).

For the government's new housebuilding targets, see [Housing targets increased to get Britain building again - GOV.UK \(www.gov.uk\)](https://www.gov.uk)

£2.44bn

Spent by local government in 2022/23 on homelessness services

60%

Proportion of local government 2022/23 total gross expenditure on housing services (excluding that relating to their own housing) that was used to deal with homelessness, up from 25% in 2010/11

15

Cross-government boards that have a remit relevant to homelessness



New approaches needed to key educational issues

Two recent reports highlighted weaknesses in the educational system that councils have to work with. Both include recommendations for the new government, intended to give disadvantaged children and children with special educational needs and disabilities better outcomes for the money spent.

On 23rd July 2024, the National Audit Office (NAO) published its report on [Improving educational outcomes for disadvantaged children \(nao.org.uk\)](https://www.nao.org.uk/publications/2024/july/improving-educational-outcomes-for-disadvantaged-children/), noting that disadvantaged children include those who are currently, or have previously been, looked after by the council.

The report highlighted that the government spends an estimated £9.2 billion on supporting disadvantaged children and narrowing the attainment gap between them and their peers, but that disadvantaged children still perform less well than their peers across all areas and across all school phases.

Two days later, on 25th July, the ISOS Partnership published an [independent report commissioned by the County Councils network and the Local Government Association](#) showing that educational attainment amongst children with special educational needs and disabilities (SEND) has not improved since 2014, despite councils being projected to spend £12 billion on these services by 2026 (compared to £4 billion a decade ago).

Going forward for SEND, local government could play a pivotal role in delivering any changes of policy. It is important for members to be aware of the changes that could happen in future. The ISOS partnership recommends that the new government:

- Invests in building capacity in mainstream schools to meet children's needs, such as therapists, educational psychologists, and wider inclusion support, helping to reduce the reliance on specialist school places;
- Resets the vision and guiding principles of the SEND system towards inclusion, prevention and earlier support which would cater for young people who do not have a statutory plan, with such plans reserved for the most complex cases;
- Provides a new 'national framework' for SEND;
- Establishes 'Local Inclusion Partnerships' to enable more effective assessments, commissioning and collaboration between councils, schools and health; and
- Creates a National Institute for Inclusive Education as an independent arbiter around inclusive education and support for children and young people with additional needs.



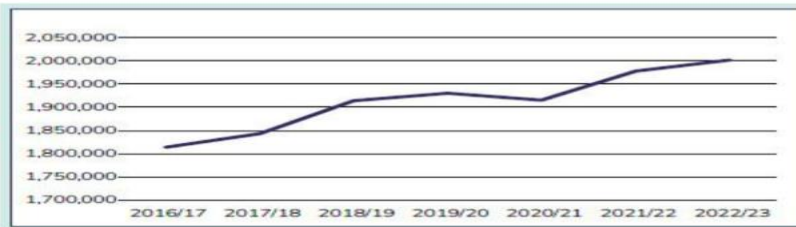
Demand management for social care

In July 2024 CIPFA published a guide to managing rising demand in adult and children's social care, drawing on lessons from nineteen different English councils.

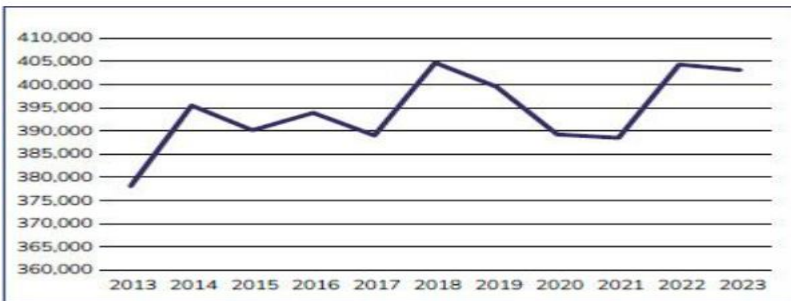
Having highlighted that requests for adult social care and the number of children in need are both rising, CIPFA shared examples of good practice around:

- Adult Social Care – Market management; transitions; transformation and innovation; and
- Childrens' Social Care - Market management; transitions; transformation and innovation.

Rise in the demand for adult social care support for new clients:



Rise in the number of children in need:



The report shows the importance of strong corporate and leadership buy-in; utilising funding and resources from diverse sources; focusing on improving outcomes; making use of monitoring, forecasting and benchmarking tools; and investing in preventative action. However, CIPFA also highlighted the specific contributions that innovative finance professionals can make:

- Financial oversight, analysis and management;
- Grant and resource management;
- Compliance, reporting and risk management;
- Evidence-based decision making and communication;
- Monitoring, forecasting and benchmarking;
- Strategic thinking;
- Funding maximisation;
- Business case and scenario planning;
- Sustainable commissioning; and
- Data utilisation, monitoring and evaluation.

The examples of proactive work by professionals from across the nineteen councils show how co-operation can make a real difference. For more details on the report, see [Managing rising demand in adult and childrens social care \[cipfa.org\]](https://cipfa.org).

The social landlord role – what can councils do better?

The Housing Ombudsman published its latest Insight Report in July 2024: [Insight report - Issue 17 \(housing-ombudsman.org.uk\)](https://www.housing-ombudsman.org.uk/insight-report-issue-17)

The report focused on London – noting that 47% of the cases determined by the Ombudsman in 2023/24 were from residents living in a London postcode, despite the fact that just under one in six homes in the Ombudsman's membership is located within Greater London.

No other region of England has such a wide gap between the proportion of social housing and complaints, but the Ombudsman noted that outside Greater London, other councils and landlords should also take note of the recommendations and learning points, especially in other urban areas, as they provide vital indicators of where things go wrong and how to stop that from happening.



The report recommends that landlords:

- Foster a positive complaints culture - leadership and governance should be seen to support the complaints' function, including promoting internal cooperation and engagement with the complaints process;
- Don't lose sight of the person at the centre of a complaints issue – try to ameliorate the impact of issues outside the landlord's full control and avoid blame. Be clear about landlord responsibilities where resolution involves dealing with third parties;
- Show that the resident's experience is important – ensure that details are taken and recorded appropriately so that residents feel listened to; the right solution is found to resolve the issue swiftly; and the communication to the resident is courteous and accurate;
- Remember that complaint handling is a landlord's opportunity to regain a resident's trust after they have had a bad experience; and
- Use insight and intelligence from complaints strategically. This ranges from effective root cause analysis of casework through to identifying risks and horizon scanning.

The report makes good reading for members looking to better understand how they can help to stop things going wrong in the council's relationship with residents.



Devolution

On 16th July 2024, the new Deputy Prime Minister wrote a [Letter to Local Leaders](#) setting out the new government's ambition to:

- Devolve new powers over transport, skills, housing, planning and employment support;
- Provide more regions with integrated settlement and with access to financial flexibility;
- Move away from a deal-based approach, "setting out clear conditions and a clear offer in return for places seeking devolution agreement"; and

Enshrine a presumption towards devolution, so that places can take on new powers automatically if they meet certain conditions.

In the English Devolution Bill one day later, the government started arrangements to legalise a new devolution framework; address within it growth drivers such as employment and planning; and make devolution the "default setting".

How and when the details of the new devolution revolution will work remains to be seen, but the Deputy Prime Minister has made it clear that new arrangements will be tailored to sensible economic geographies so that local leaders can act at the scale needed to effectively deploy their powers. In most cases that will require councils to come together in new combined authorities. Councils are now encouraged to begin discussions with their neighbouring authorities on this basis.

Members will need to start asking themselves both how ready their organisation is, and how ready their neighbours are.



Ministry of Housing, Communities & Local Government



Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition>



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The Audit Findings (ISA260) Report for Avon Pension Fund

Year ended 31 March 2024

16 September 2024

Page 87





Private and Confidential

Avon Pension Fund

Lewis House
Manvers Street, Bath
BA1 1JG

16 September 2024

Grant Thornton UK LLP

2 Glass Wharf

Bristol

BS2 0EL

T +44 (0)117 305 7600

www.grantthornton.co.uk

Dear Corporate Audit Committee

Audit Findings for Avon Pension Fund for the 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at [transparency-report-2023.pdf \(grantthornton.co.uk\)](http://transparency-report-2023.pdf.grantthornton.co.uk). PSAA has also published their own Quality Monitoring Report, this report is available at Audit Quality Monitoring Report 2023 – PSAA.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Beth Bowers

Director
For Grant Thornton UK LLP

Chartered Accountants

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Contents



Your key Grant Thornton team members are:

Beth Bowers

Key Audit Partner

E beth.ac.bowers@uk.gt.com

George Amos

Audit Manager

E george.wm.amos@uk.gt.com

Section	Page
1. Headlines	4
2. Financial statements	6
3. Independence and ethics	20
Appendices	
A. Communication of audit matters to those charged with governance	24
B. Action plan – Audit of Financial Statements	25
C. Follow up of prior year recommendations	26
D. Audit Adjustments	29
E. Fees and non-audit services	32
F. Management Letter of Representation	34
G. Audit opinion	35
H. Consistency opinion	36

This Audit Findings Report (AFR) presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Beth Bowers

For Grant Thornton UK LLP
Date: 16 September 2024

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Avon Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Page 90

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2024 and of the amount and disposition at that date of the fund's assets and liabilities; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was commenced in mid-June 2024 and is substantially complete as at the point at which this report was written.. Our findings are summarised on pages 6 to 22.

We have identified no adjustments to the financial statements that have resulted in a change to the Pension Fund's reported financial position. Audit adjustments are detailed in Appendix D, these detail adjustments made to the statements that do not impact the reported financial position.

We currently have not identified any unadjusted differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2024 and the valuation statements received from the third-party investment managers. Should any arise, they will be detailed in Appendix D in our final report and The Corporate Audit Committee will be asked to confirm their agreement to this through the Letter of Representation.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters;

- review of the consistency of the Annual report with the pension fund statements;
- finalisation of work on the Fund's service organisations
- finalisation of testing on contributions receivable
- finalisation of testing on the Fund's Journal entries
- finalisation of testing of Investment assets
- finalisation and issuance of IAS 19 assurance letters to admitted bodies
- final quality review of work
- receipt of management representation letter, and
- review of the final set of financial statements.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report following the completion of the administering authority audit.

1. Headlines

National context – audit backlog

For information only - this is not expected to be applicable to Avon Pension Fund given the progress of the 2023/24 audit and the fact that the 2022/23 audit has already been signed.

Consultation

The Ministry for Housing, Communities and Local Government (MHCLG), working with the FRC, as incoming shadow system leader, and other system partners, has put forward proposals to address the delay in local audit. The proposals consist of three phases:

Phase 1: Reset involving clearing the backlog of historic audit opinions up to and including financial year 2022/23 by 30 September 2024.

Phase 2: Recovery from Phase 1 in a way that does not cause a recurrence of the backlog by using backstop dates to allow assurance to be rebuilt over multiple audit cycles.

Phase 3: Reform involving addressing systemic challenges in the local audit system and embedding timely financial reporting and audit.

The consultation ran until 7 March 2024. Full details of the consultation can be seen on the following pages:

- [Consultations on measures to address local audit delays \(frc.org.uk\)](https://www.frc.org.uk/consultations/consultations-on-measures-to-address-local-audit-delays)
- [Addressing the local audit backlog in England: Consultation - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/addressing-the-local-audit-backlog-in-england)
- [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice-consultation)

Our response to the consultation

Page 91 Grant Thornton responded to the consultation on 5 March 2024. In summary, we recognise the need for change, and support the proposals for the introduction of a backstop date of 30 September 2024. The proposals are necessarily complex and involved. We believe that all stakeholders would benefit from guidance from system leaders in respect of:

- the appropriate form of reporting for a backstopped opinion
- the level of audit work required to support a disclaimer of opinion
- how to rebuild assurance in terms of opening balances when previous years have been disclaimed.

We believe that both auditor and local authority efforts will be best served by focusing on rebuilding assurance from 2023/24 onwards. This means looking forwards as far as possible, and not spending 2023/24 undertaking audit work which was not carried out in previous years. We look for guidance from systems leaders to this effect. The timing of the general election has delayed the implementation of these proposals. Once we have a further understanding of the new government's intentions, and its priorities across the sector we will discuss this with you.

Impact on Pension Funds

Pension fund accounts fall within the scope of the outlined backstop legislation. Where an Administering Authority accounts may be required to be backstopped this would not automatically apply to the Pension Fund accounts. We expect to be able to issue a separate opinion on the Fund accounts where the Pension Fund audit can be completed.

Update

Following the general election the Minister of State for Housing, Communities and Local Government has proposed backstop legislation which will revise the date of the first backstop for financial years up to and including 2022-23 to December 13 2024.

National context – Triennial Valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Mercer and showed that the overall funding position improved. The results of the latest triennial valuation are reflected in note 15 to the accounts to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents will be discussed with management prior to presentation to the Corporate Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

For Avon Pension Fund, the Corporate Audit Committee fulfil the role of those charged with governance. The Pension Committee considers the draft financial statements and is part of the overall member oversight process.

Audit approach

Our audit approach was based on a thorough understanding of the Pension Fund's business and is risk based, and in particular included:

- an evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the completion of the Bath and North East Somerset Council audit. These outstanding items include:

- review of the consistency of the Annual report with the pension fund statements;
- finalisation of work on the Fund's service organisations
- finalisation of testing on Benefits and Contributions
- finalisation of testing on the Fund's Journal entries
- finalisation of testing of Investment assets
- finalisation and issuance of IAS 19 assurance letters to admitted bodies
- final quality review of work
- receipt of management representation letter, and
- review of the final set of financial statements.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during the course of this audit.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in April 2024. We have determined both materiality over the financial statements and set a lower materiality over the fund account transactions.

We set out in this table our determination of materiality for the Pension Fund.

Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	62.9m We considered the proportion of net assets to the Fund to be an appropriate benchmark for the financial year. In the prior year we used the same benchmark. Our materiality equates to approximately 1% of your net assets for the year ended 31 March 2023.
Performance materiality	47.1m We have determined this using 75% of materiality. This is considered an appropriate benchmark as we have not identified a history of significant deficiencies in the control environment or a large number of significant misstatements in prior year audits. In addition, the management and finance team remain stable.
Trivial matters	3.1m This is based on 5% of materiality, which we consider to be an appropriate threshold to use in terms of our reporting to the Corporate Audit Committee as ‘Those Charged with Governance’.
Materiality for fund account	23.8m Due to the sensitivity of the fund account disclosures to those stakeholders who are admitted members of the Fund, we have determined a lower materiality threshold over the relevant fund account disclosures.



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.	<p>We have:</p> <ul style="list-style-type: none">• evaluated the design effectiveness of management controls over journals;• analysed the journals listing and determined the criteria for selecting high risk unusual journals;• tested unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness with regard to corroborative evidence; and• evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our testing of estimates, judgements and journals has not identified any evidence of management override of controls. Testing of Journal Entries is in currently in progress and if any findings arise from this we will communicate this to management and include in the final report. We have not raised any new control recommendations in respect of our work on journals, any that remain relevant have been detailed in Appendix C as carried forward from prior audits.</p>
Improper revenue recognition (rebutted) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>We rebutted this risk in our Audit Plan. We have reconsidered this as part of our audit work on the financial statements and have not changed our assessment and therefore we confirm that we do not consider this to be a significant risk for Avon Pension Fund.</p> <p>Our audit work has not identified any issues in respect of improper revenue recognition.</p>

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
<p>Valuation of Level 3 investments</p> <p>The Fund revalues its investments on an annual basis at the year end to ensure that the carrying value is not materially different from the fair value at the financial statements date.</p> <p>By their nature, Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgemental matters. Level 3 investments require a significant degree of judgement to reach an appropriate valuation at year end.</p> <p>Management utilise the services of investment managers as valuation experts to estimate the fair value as at 31 March 2024.</p> <p>We therefore identified valuation of Level 3 investments as a significant risk.</p>	<p>We have:</p> <ul style="list-style-type: none">• evaluated management's processes for valuing Level 3 investments• reviewed the nature and basis of estimated values and considered what assurance management has over the year end valuations provided for these types of investments; to ensure that the requirements of the Code are met• independently requested year-end confirmations from investment managers and custodians• for a sample of investments, tested the valuation by obtaining and reviewing the audited accounts, (where available) at the latest date for individual investments and agreeing these to the fund manager reports at that date. Reconciled those values to the values at 31 March 2024 with reference to known movements in the intervening period.• in the absence of available audited accounts, we have evaluated the competence, capabilities and objectivity of the valuation expert• where available reviewed investment manager service auditor report on design effectiveness of internal controls. <p>Our audit work has not identified any significant issues in relation to the risk identified.</p> <p>As highlighted above, our audit focuses on looking at external confirmations from both investments managers and the custodian, and as a result there will always be differences in when information is received compared to the information available when management are estimating the values for the accounts. Our work in this area is currently ongoing and therefore we are unable to conclude on whether there are any significant estimation differences to be reported at the time of writing.</p>

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

Issue	Commentary	Auditor view
IT Control deficiencies	Please see page 14 which details any findings and deficiencies emerging from our IT Audit.	Overall, IT controls relevant to the audit of financial statements are judged to be effective at the level of testing in scope, with only 1 non-significant deficiency identified relating to supplementary IT information and policies.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
Level 3 Investments – £1.415bn	The Pension Fund has investments in pooled property funds, pooled infrastructure funds, a long-term investment and hedge funds that in total are valued on the balance sheet as at 31 March 2024 at £1.415bn. These investments are not traded on an open exchange/market and the valuation of the investments is highly subjective due to a lack of observable inputs. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts. The fund are also supported by investment advisors who are independent from the fund managers who can advise on the performance of this type of investments. The performance of these investments are scrutinised by the pension fund investment board. The value of the investment has increased by £188.8m in year, and level 3 investments now account for 24.3% of the funds investment assets.	As outlined in our testing of the valuation of level 3 investments we have; - Assessed management’s expert, reviewing their competence, expertise and objectivity where appropriate, - Considered the valuation techniques used against industry practice, and - Reviewed the adequacy of disclosures of estimate in the financial statements. Our work in this area is currently ongoing and therefore we are unable to conclude on whether there are any significant estimation differences to be reported at the time of writing.	TBC

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber} We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management’s approach	Audit Comments	Assessment
Level 2 Investments – £4.226bn	The Pension Fund investments in level 2 on the Net Assets Statement as at 31 March 2024 total £4.226bn. The investments are not traded on an open exchange/market and the valuation of the investment is subjective. In order to determine the value, management has employed expert fund managers who have the necessary experience and technical expertise to ensure the correct valuation of these investments in the year end accounts. The fund are also supported by investment advisors who are independent from the fund managers who can advise on the performance of this type of investments. The performance of these investments are scrutinised by the pension fund investment board. The value of the investments has decreased by £323.9m compared to the prior year.	Similar to our approach for level 3 investments, we have; - Assessed management’s expert, reviewing their competence, expertise and objectivity where appropriate, - Considered the valuation techniques used against industry practice, and - Reviewed the adequacy of disclosures of estimate in the financial statements. Our work in this area is currently ongoing and therefore we are unable to conclude on whether there are any significant estimation differences to be reported at the time of writing.	TBC

Page 98

Assessment

- [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- {Amber} We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- [Green] We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements - key judgements and estimates

Page 99

Significant judgement or estimate

Summary of management's approach

Audit Comments

Assessment

Valuation of Pension Fund Liability

The fund has elected to take 'option B' from IAS 26 when considering the actuarial present value of promised retirement benefits, and as such presents this as a note to the accounts. Management have obtained this information from the actuary for the fund. The actuary has been provided with all of the necessary information using the annual returns required, which results in the actuary producing the valuation and required reporting paragraphs. The principal assumptions used by the actuary are in respect of mortality (longevity at 65 for current and future pensioners) and financial assumptions: rate of CPI inflation, rate of increase in salaries, rate of increase in pensions and rate for discounting scheme liabilities. The Council's Group Manager, Funding, Investment & Risk communicates with the externally appointed actuary throughout the year and the year-end report is considered by management prior to inclusion in the financial statements.

We have;

Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,

Considered the data upon which the valuation has been based

Considered the reasonableness of the assumptions used, and

Reviewed the adequacy of disclosures of estimate in the financial statements and one disclosure amendment has been processed, see Appendix D for details. This does not impact the primary statements. We will confirm appropriate correction of presentation as part of final quality checks on the accounts.

Light Purple

Measurement of Financial Instruments

The Fund values its financial instruments at fair value, as informed by the advice of external and independent Management advisors and Investment Fund Managers. Fair values are estimated by calculating the present value of cash flows that take place over the remaining term of the instruments, as provided by management experts. Management consider the exposure of each of its categories of financial instruments to credit, liquidity and market risks . Risks to accounting estimates used in our measurement of financial instruments are managed through our Pensions Investment Strategy Statement and the Funds overall risk management procedures which focus on the unpredictability of financial markets to minimise potential adverse effects on the resources available to fund sources.

We have;

Assessed management's expert, reviewing their competence, expertise and objectivity where appropriate,

Considered the valuation techniques used against industry practice, and

Reviewed the adequacy of disclosures of estimate in the financial statements and some disclosure amendments have been processed, see Appendix D for details. These do not impact the primary statements. We will confirm appropriate correction of presentation as part of final quality checks on the accounts.

Light Purple










Assessment

- Dark Purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light Purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

Page 100

IT system	Level of assessment performed	Overall ITGC rating	ITGC control area rating		
			Security management	Technology acquisition, development and maintenance	Technology infrastructure
Agresso	Roll-forward ITGC assessment (design effectiveness only)				
Altair	Roll-forward ITGC assessment (design effectiveness only)				
Active Directory	Roll-forward ITGC assessment (design effectiveness only)				

Other Findings:





There was one deficiency identified through other work relating to IT General Controls, which was the following:

- It was noted that there is no Data Classification policy in place.

Management Response:

There is a draft data classification policy which is based on the North Somerset Council policy. Our policies, Information Security and Information Governance services are through One West which support both BANES Council and North Somerset Council. The BANES specific data classification policy will be going through the approval process this year. Policies are reviewed on a regular basis in our Cyber Security Operations Group (CySOG) who meet monthly.

Assessment :

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Pension Fund’s methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Pension Fund to aid with this and these are summarised in the table below along with comments on delivery.

Document requested	Date requested	Date received	Comments
Closing trial balance for 2022-23	01/03/2024	20/03/2024	
Opening trial balance for 2023-24	01/03/2024	20/03/2024	No delays were experienced in obtaining this report information from the entity that impacting our ability to deliver the work required. Usual audit queries around reconciling these reports to the accounts were discussed, but nothing above and beyond what we would expect of the usual audit process.
Closing trial balance for 2023-24	18/06/2024	25/06/2024	
All general ledger transactions during 2023-24	18/06/2024	25/06/2024	
Mapping between the trial balance and the financial statements for 2023-24	13/08/2024	14/08/2024	
Draft accounts for 2023-24	31/05/2024	28/05/2024	Draft accounts were published online ahead of the statutory deadline.

2. Financial Statements: matters discussed with management

This section provides commentary on the significant matters we discussed with management during the course of the audit.

Page 102

Significant matter	Commentary	Auditor view and management response
Benefits payable breach reported to The Pensions Regulator identified in November 2023	<p>This breach arose when the Fund became aware that circa 1,500 members had not received an annual increase to their pension, with the majority relating to 2014 onwards. The issue was highlighted by the April 2023 10.1% increase, meaning more members reported the issue.</p> <p>We discussed this matter with the Fund’s Management to determine the impact this would have on the accounts, with respect to provisions and litigation and claims.</p>	<p>The total estimated obligation for the Fund has been estimated at less than £2m, with ‘Phase 1’ of the remedy paying out approximately £650k, and ‘Phase 2’ estimating a similar amount. From an audit materiality perspective, this falls below our trivial reporting threshold and therefore we propose no further action to be taken. We are comfortable that the Fund are dealing with the breach appropriately and reported to the relevant regulatory authorities in a timely manner.</p> <p>Management response</p> <p>A further phase 2 payment was made in September of £210k. We are still working through the more complex cases and believe the total costs will be in line our original estimate.</p>

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Corporate Audit Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	We have been made aware of one breach of laws and regulation within the audit period, as detailed on page 16. We are satisfied management have appropriately reported and dealt with the breach, therefore no further impact on the audit.
Written representations	A letter of representation has been requested from the Pension Fund, which we anticipate to be received in line with signing the audit opinion.
Audit evidence and explanations	All information and explanations requested from management were provided.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to all of the fund managers that work with the Fund and all banking institutions that management. This permission was granted and the requests were sent, of these requests all were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

2. Financial Statements: other communication requirements

Page 104



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">the use of the going concern basis of accounting is not a matter of significant focus of the auditor’s time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity’s services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entitiesfor many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">the nature of the Pension Fund and the environment in which it operatesthe Pension Fund’s financial reporting frameworkthe Pension Fund’s system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">a material uncertainty related to going concern has not been identifiedmanagement’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund is administered by Bath & North East Somerset Council (the ‘Council’), and the Pension Fund’s accounts form part of the Council’s financial statements. We are required to read any other information published alongside the Council’s financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. No inconsistencies have been identified. Our work is still in progress but will be completed prior to issuing the audit opinion. We plan to issue an unmodified opinion in this respect – refer to Appendix G
Matters on which we report by exception	<p>We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. We propose to issue our ‘consistency’ opinion (see Appendix H) on the Pension Fund’s Annual Report at the same time as the financial statements opinion.</p> <p>We are required to report if we have applied any of our statutory powers or duties as outlined in the Code. We have nothing to report on these matters.</p>



3. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers and managers)
In this context, we disclose the following to you:

The Key Audit Partner for the 2023/24 audit engagement, Beth Bowers, has a close family member who is an admitted member of the Pension Fund. An internal ethics consultation has been completed and it has been cleared that there is no threat to independence arising from this and that Beth can continue to fulfil the role of Key Audit Partner on this audit engagement. Appropriate safeguards are in place, and we confirmed with the Corporate Audit Committee that they were comfortable with the relationship.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in 7 September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

3. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund. The following non-audit services were identified. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23, these fees are now included within the 2023/24 scale fees. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

Service	Fees	Threats identified	Safeguards
Audit related			
IAS 19 Assurances (outside of Local Government Bodies)	£2,750 per letter	Self-Interest & Advocacy	Self-Interest – Work performed is similar to that of provision of IAS 19 assurances to auditors of local government and NHS bodies, which is considered work under the Code of Audit Practice. We therefore are comfortable there is no self-interest threat, the work is undertaken by the same team of individuals as the work considered as work under the Code. Advocacy - Work is subject to internal review by qualified accountants. Template letters and methodology are created centrally to support the teams in wording communications objectively.
Non-audit related	No non-audit related services identified.		

Currently these fees are estimated as we have received one additional assurance letter, but are anticipating another before finalisation of the 23/24 audit.
None of the services provided are subject to contingent fees.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Pension Fund, senior management or staff [that would exceed the threshold set in the Ethical Standard]

We confirm that there are no significant facts or matters that impact on our independence as auditors, aside from those disclosed on page 20, that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – Audit of Financial Statements
- C. Follow up of prior year recommendations
- D. Audit Adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Management Letter of Representation
- H. Audit opinion

A.Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 2 recommendations for the Pension Fund as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	Contributions Receivable - The Finance officer reconciles the LGPS50 with the amounts received in Agresso on a daily basis. The Pensions & Projects Accountant reviews the reconciliations periodically. Upon testing the effective design and implementation of this control, the auditor identified that there is no formal documentation of the control for authorization of reconciliation and journals before they flow into the ledgers.	We recommend that the review of the reconciliation and subsequent authorisation is formally documented to allow for a clear audit trail to be viewed. Management response Agreed. This was also identified as part of the Internal audit
Medium	Bank Reconciliations - There is only one individual who signs off the bank reconciliations. There have been extended periods of leave during 23/24 for this person and as a result the reconciliations were not signed off in a timely manner.	We recommend that there is more than one individual that can sign off the bank reconciliation to ensure timely review and resolution of any issues, should they arise and should there be extended periods of leave in future periods. Management response Agreed. This reconciliation can also be signed off by the Finance Manager (Pensions)

Page 111

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Avon Pension Fund's 2022/23 financial statements, which resulted in 5 recommendations being reported in our 2022/23 Audit Findings Report. We have followed up on the implementation of our recommendations and note 2 are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Reconciliations of the Contributions population we identified a £1.18m difference between the listing provided and the ledger balance. It is understood that these differences arise when employers send insufficient or incorrect data and primarily relate to discounts and adjustments between months.</p> <p>While the difference is not significant, we would recommend that management undertakes a reconciliation exercise to ensure the contributions populations reconcile to the financial statements.</p>	<p>A very small variance of £38k was identified this year, which is insignificant, and we are comfortable that the reconciliation exercise has been implemented to identify any larger variances.</p>
✓	<p>Our testing of benefits identified one individual within the dependents population who had passed away in 2019. While the fund had ceased all benefit payments, the individual was still included in the total benefit cost for the year. We assessed the potential impact of this error and identified that there could be an overstatement of benefits in the range of £700k to £1.6m.</p> <p>While the projected error is not significant, we recommend that management seeks to review dependent benefit recipients to confirm that those they are no longer making payments to are removed from the system. Undertaking regular reconciliations between the system and actual benefit payments will also help to identify differences for follow-up.</p>	<p>We have not identified any similar instances of this issue through our testing in 2023/24 and therefore we are satisfied that the final accounts figures are not impacted by such issue.</p>

Page 112

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partially addressed	<p>As part of our risk assessment procedures around Journals, we identified that the fund were reviewing all journals at year end rather than throughout the year.</p> <p>We also identified that user reviews are scheduled to take place quarterly.</p> <p>Both findings leave the fund open to significant time passing before issues are identified.</p> <p>NEW RECOMMENDATION IN 23/24: The audit team would recommend that there should be a functionality in the system where each journals is authorised by an approver before being posted into the ledger.</p>	<p>Management has confirmed that journals were reviewed monthly throughout the year.</p> <p>Management response</p> <p>We will investigate this to see if it is practical to implement with B&NES.</p>
X	<p>Inadequate oversight around generic user in Agresso application</p> <p>During the audit, we obtained and inspected the evidence relating to the administration of generic accounts with privileged access within the Agresso application and observed that the access to a generic account [Administrator] is shared between the multiple administrators from Finance systems department. The Council has no controls in place to monitor the appropriateness of the activities performed by the account.</p> <p>Risk:</p> <p>The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.</p> <p>Also, without appropriate audit logging and monitoring, unauthorised activities may not be detected in a timely manner, can go unnoticed, and evidence of whether the attack led to a breach can be inconclusive.</p>	<p>The finding has not been remediated.</p> <p>Management response</p> <p>The Financial System has to have administration in order to maintain and operate the system. Due to these roles that are undertaken the Financial Systems team have unique knowledge of the system that no-one else within the organisation would have, therefore there is zero benefit for other areas to have this oversight as they would not have the knowledge as to why these changes have been made.</p> <p>Due to segregation of duties no-one within the Financial Systems team posts journals, nor amends data, therefore the Financial Systems team cannot make changes to important information without other areas of the business seeing this and querying what has happened. In addition, the various Intel Agents send the changes to the relevant areas when changes are made within Agresso, and changes to this data is only made at the request and authorisation of Service Areas or Consultants suggesting a fix.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	<p>Lack of controls over granting new user access within Altair application</p> <p>Altair</p> <p>For a sample user, we noted that the new user access to be mirrored with appropriate user was not mentioned clearly in the new user creation form to verify appropriateness of roles granted against roles approved and had incorrect permissions to be granted within Altair. This lack of information made it difficult to verify whether the permissions requested versus the permissions granted were aligned, or whether the permissions requested were appropriate for the user’s role.</p> <p>Risk</p> <p>User access may not be appropriately aligned to job role requirements which may lead to inappropriate access within the application or underlying data.</p>	<p>The finding has been remediated.</p> <p>We observed that a formal new request form for new joiners and movers is in place to verify the roles assigned to the users in line with the requested roles.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

We have not identified any adjustments in the draft financial statements that impact the Net Asset Statement or the Fund Accounts as at 31 March 2024.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission		Adjusted?
<p>Note 1.32 Critical Judgements</p> <p>We challenged the fund on their inclusion of critical judgements in their accounts to ensure these were appropriate and in line with the CIPFA Code.</p>	<p>Management response</p> <p>Upon revision of the disclosure, we have removed the critical judgement disclosed as this did not meet the definition as described by the code.</p>	✓
<p>Note 9 – Change in Total Net Assets</p> <p>The Fund disclosed Purchases and Sales for Cash Deposits, however these disclosures were not in line with the CIPFA Code guidance.</p>	<p>Management response</p> <p>We will revise the Note and removed these figures from the disclosure in both the current period and prior period comparator table. These adjustments do not impact the opening or closing values of Cash Deposits in the note or in the Net Assets Statement.</p>	TBC
<p>Note 10 – Investment Assets</p> <p>The narrative disclosure underneath this note detailing information relating to a Pension Reimbursement Asset is immaterial and does not disclose any information relevant to 2023/24 or 2022/23. We therefore deem this note to be unnecessary.</p>	<p>Management response</p> <p>We have removed this narrative note.</p>	✓
<p>Note 15 – Actuarial Present Value of Promised Retirement Benefits for the Purpose of IAS 26</p> <p>The draft accounts did not contain any disclosures relating to the actuarial position of the fund, including the relationship between the actuarial present value of promised retirements benefits and the net assets available for benefits, which is required under the CIPFA Code paragraph 6.5.5.1(o).</p>	<p>Management response</p> <p>A disclosure has been added to demonstrate this position and a comparative has also been added. Clarification queries on the reconciliation of values included in the disclosure are ongoing with Mercer/Record.</p>	TBC

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Adjusted ?
<p>Note 19 – Related Parties</p> <p>We challenged whether the disclosure made for Officer and Manager related parties met the definition of a Related Party under IAS 24, given it is not possible to detail any income or expenditure specifically with these parties.</p>	<p>Management response</p> <p>The disclosure relating to Officer and Manager related parties has been removed as this did not meet the accounting standard requirement of a related party.</p> <p>✓</p>
<p>Note 22 – Financial Instruments</p> <p>We challenged the classification split between Fair value and amortised cost for ‘Cash’ disclosed under Note 22, which showed £23.1m held at fair value and £139.4m at amortised cost. This appeared inconsistent between Note 23 (b), which quoted £150.6m held under Treasury Management arrangements, which by nature should be classified as fair value. We also questioned if this required revision in the prior year comparators, noting that it would purely result in a classification change, rather than a change in net asset total.</p>	<p>Management response</p> <p>The Note 22 disclosure has been updated to show £150.6m held at fair value and £11.9m at amortised cost. This adjustment has also impacted the comparative note, seeing the fair value disclosure for Cash change from £11.5m to £11.3m and the amortised cost total change from £102.1m to £2.3m. A narrative description of the reason for prior period adjustment has been added.</p> <p>✓</p>
<p>Note 23 – Nature and Extent of risks arising from Financial Instruments</p> <p>Accounting standards IFRS 7 para B 24 states that currency risk disclosures should present a sensitivity analysis for each currency to which an entity has significant exposure. The disclosures in the draft accounts only disclosed the risk by asset type and not currency type. We recommended that the entity also disclose a sensitivity analysis by currency type.</p>	<p>Management response</p> <p>A sensitivity analysis by currency type has been added to Note 23.</p> <p>TBC</p>
<p>Note 24 – Fair Value Hierarchy</p> <p>There was no comparative 2022/23 table disclosed for the ‘Reconciliation of Fair Value measurements within Level 3’ table.</p>	<p>Management response</p> <p>A comparative table has been added.</p> <p>✓</p>
<p>Other changes</p> <p>Various grammatical, spelling, note referencing and page number updates to be processed following audit review.</p>	<p>Management response</p> <p>These will be corrected before accounts finalisation.</p> <p>TBC</p>

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Corporate Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
To date, there have been no unadjusted misstatements identified.				
Overall impact				

Page 17

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements.

Detail	Pension Fund Account £'000	Net Asset Statement £'000	Impact on total net assets £'000	Reason for not adjusting
Estimation differences identified in the valuation of L3 Investments. Investments are estimated to be understated.		£14,572		Relates to estimation difference based on the timing of the audit compared to the timing of management's preparation of the financial statements. Management used the best available information at the time to produce financial statements.
Overall impact		£14,572		

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee
Scale Fee	94,522
ISA 315	7,530
Pension Fund Audit	102,052
IAS 19 letters for employer body auditors, that fall outside of the PSAA Contract	5,500
Total audit fees (excluding VAT)	£107,552

*Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23, these fees are now included within the 2023/24 scale fees. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work.

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee
Audit Related Services - IAS 19 letters for employer body auditors, that fall outside of the PSAA Contract	£2,750 per letter
Total non-audit fees (excluding VAT) – two letters are expected to be issued	£5,500

The proposed fees of £107,552 do not reconcile to the financial statements total fee disclosure of £112,000. Once the following reconciliation items are taken into account the amounts agree within a reconciling difference:

- £9,000 scale fee variation added for the 22/23 audit billed in 23/24
- £5,500 non-audit fees deducted as this was not known at the time of the audit plan and draft accounts preparation.

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Management Letter of Representation

Draft copy to follow and to be shared with Management ahead of audit completion and will be brought to the November Corporate Audit Committee.

G. Audit opinion

Our audit opinion is currently being drafted.

We anticipate we will provide the Pension Fund with an unmodified audit report and will be brought to the November Corporate Audit Committee

H. Consistency opinion

The Consistency opinion will be drafted once the work on the consistency of the PF Annual Report has been completed. This is currently in progress.



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Bath and North East Somerset Council

Page 125
Interim Auditor's Annual Report for the
year ended 31 March 2024

17 September 2024



Contents



We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Page 126

Section	Page
Introduction	3
Executive summary	4
Opinion on the financial statements and use of auditor's powers	10
Opinion on the Avon pension Fund Statements	11
Value for Money commentary on arrangements	14
The current local government landscape	15
Financial sustainability	16
Governance	21
Improving economy, efficiency and effectiveness	25
Avon Pension Fund	29
Recommendations raised in 2023/24	30
Appendices	
Appendix A – Responsibilities of the Audited Body	37
Appendix B – Value for Money Auditor responsibilities	38
Appendix C – Follow-up of previous recommendations	39

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction



Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Bath and North East Somerset Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Responsibilities of the appointed auditor

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

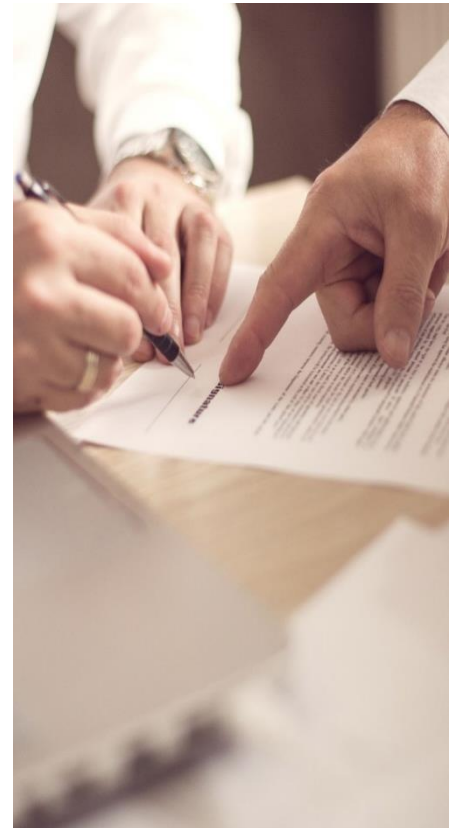
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 13 with a commentary on whether any of these powers have been used during this audit period.



Executive summary



Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The NAO, in its consultation of February 2024, has indicated that it will in future require auditors to share a draft Auditors Annual Report ("the Report") with those charged with governance by a nationally set deadline each year and for the audited body to publish the Report thereafter. This was delayed by the calling of a general election on 4 July 2024 and therefore has yet to be determined by the new government. As a firm, we are committed to reporting the results of our local audit work on as timely a basis as possible. We are therefore sharing this report with you in advance of the National Audit Office's new Code being introduced. In the event that any new audit requirements are introduced when the Code is published, we will revisit these before finalising this report. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 31.



Page 129

Financial sustainability

2023/24 was a challenging financial year, with continued financial pressures within demand led services. From three months into the year the Council was forecasting an overspend and urgent action was required to reduce spend. The Council was successfully able to reduce overall spend and delivered a slight overspend of £0.13m at the end of the year. However, there were overspends in the following service areas, Children's and Adult Social Care and Waste and Fleet services.

In February 2024 the Council agreed a balanced budget for 2024/25 which identified a savings requirement of £16.42m, supported by a five-year Medium Term Financial Strategy (MTFS) which identified a savings requirement of £35.33m over the next five years, illustrating that the Council continues to face a significant financial challenge.

In 2022/23 a significant weakness was identified as the Council did not have proper arrangements in place to address the Dedicated Schools Grant (DSG) deficit, this significant weakness remains in 2023/24, although the key recommendation has been updated to reflect the changes made in the past year. In 2022/23 the Council was accepted as part of the Department for Education's Safety Valve (SV) Programme and secured additional funding of £19.22m over the next seven years. However, due to the deteriorating position in 2023/24 the SV agreement was suspended and funding paused. Due to the significance of this matter we have raised a key recommendation which has been accepted by Management, as set out on page 9.

The Council should continue to work with the DfE to ensure a realistic and deliverable management plan is agreed for the increasing DSG costs. The Council should:

- ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress
- develop a plan to address the residual deficit (£63m) to bring the Council back in balance at the end of the management plan in 2030/31.

We also identified the following areas where the Council could improve arrangements and as such, have raised two improvement recommendations, on page 20, which have been accepted by Management. These are:

- The Council should enhance its reporting arrangements for savings to Cabinet, ensuring that all savings are accurately profiled.
- In order to enhance the governance arrangements and savings delivered through transformation the Council should identify and document all its transformation activities within one plan.

Executive summary



Governance

The Cabinet, led by the Council Leader and other appointed Councillors, is responsible for significant decisions and publishes key decisions in its Forward Plan, enabling scrutiny committees to review and call-in any decisions as they consider appropriate.

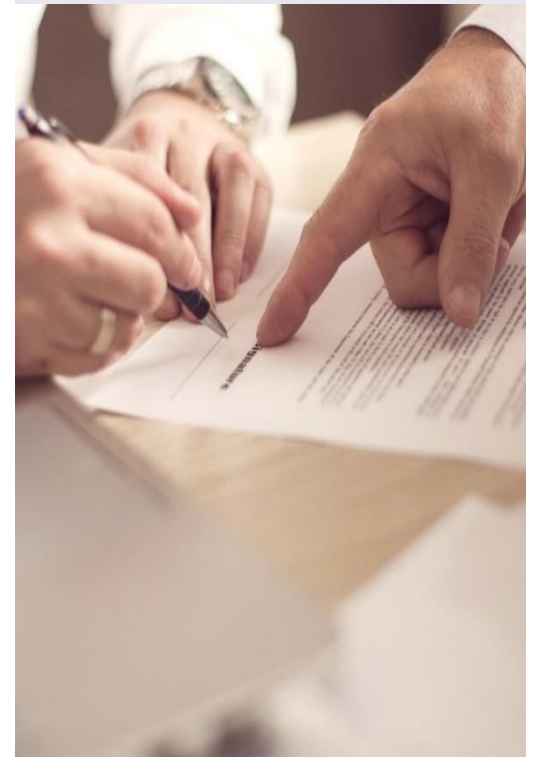
In 2022/23 we raised the following improvement recommendation: The Council should ensure the risk assessment undertaken to support a member decision is included within the supporting papers. The supporting member report should also set out the key risks relating to the decision. This recommendation remains outstanding and is set out on page 40.

In summary based on our areas of focus and evidence considered, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We identified three areas for improvement, on page 24, and have raised three improvement recommendation which have been accepted by Management:

- **Management should ensure that recommendations raised within Internal Audit reports are actioned within the agreed timescale.**
- **The Council should consider how its governance arrangements could be improved to ensure that recommendations raised by External Audit are addressed in a timely manner.**
- **The Council should consider if changing the company articles of association for Aequis would be beneficial to ensure that shareholders are updated annually on progress and any changes in the three-year business plan.**



We plan to issue an unqualified opinion after Corporate Audit Committee in November 2024.



Executive summary



Improving economy, efficiency and effectiveness

The Council set out its strategic priorities within its Corporate Plan and reported to Cabinet its performance against its strategic priorities three times in 2023/24. The Council is aware of the challenges it faces and has used consultants to review and support it in finding solutions.

In summary based on our areas of focus and evidence considered, we have not identified any significant weaknesses in arrangements to ensure the Council manages improving economy, efficiency and effectiveness. However, we have identified three areas where the Council could improve arrangements and as such, have raised two improvement recommendations which have been accepted by Management:

- In addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data availability for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy.
- The Council should develop an action plan and implement the recommendations raised by the Contract Management Pioneer Programme, which includes development of a contract management framework.

Further details on the improvement recommendations above can be found on page 28.

The details relating to outstanding recommendations raised in our previous Auditor's Annual Report can be found in Appendix C.

Executive summary (continued)



Overall summary of our Value for Money assessment of the Council’s arrangements

Auditors are required to report their commentary on the Council’s arrangements under specified criteria and 2023/24 is the fourth year that these arrangement have been in place.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	Direction of travel
Financial sustainability	R Significant weakness in arrangements identified and one key recommendation made relating to the Council managing its Dedicated Schools Grant (DSG) recovery plan.	Risk of significant weakness identified relating to DSG.	R A significant weakness in arrangements relating to the arrangements to manage the DSG deficit was identified and a key recommendation made. We have also raised two improvement recommendations and one improvement recommendation from our previous report remains outstanding. These recommendations will support the Council in improving arrangements to monitor and deliver savings through transformation.	↔
Governance	A No significant weaknesses in arrangements identified, but seven improvement recommendations made.	No risk of significant weakness identified.	A No significant weaknesses in arrangements identified, although three improvement recommendation have been made this year and three from our previous report have yet to be fully addressed. These improvement recommendations would support the Council in improving arrangements for implementing Internal and External Audit recommendations in a timely manner and managing its subsidiaries.	↔
Improving economy, efficiency and effectiveness	A No significant weaknesses in arrangements identified, but five improvement recommendations made.	No risk of significant weakness identified.	A No significant weaknesses in arrangements identified, but two improvement recommendation have been made to support the Council in improving its data collection and target-setting processes and arrangements for contract management. Three improvement recommendations from our previous report have yet to be fully addressed, these relate to partnership working and contract management.	↔

- G

No significant weaknesses in arrangements identified or improvement recommendation made.
- A

No significant weaknesses in arrangements identified, but improvement recommendations made.
- R

Significant weaknesses in arrangements identified and key recommendations made.

Executive summary (continued)



Significant weakness identified in Financial Sustainability arrangements

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Based on the work undertaken and evidence reviewed on the arrangements relating to the Dedicated Schools Grant deficit, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24. We have therefore identified a significant weakness in arrangements and raise the following key recommendation.

Dedicate Schools Grants (DSG) High Needs Deficit

In 2022/23 we determined that the Council did not have effective arrangements in place to manage the High Needs element of the DSG within its agreed recovery plan and identified this as a significant weakness in arrangements. We consider that this significant weakness remains in 2023/24.

The Council has had a DSG deficit since 2019/20. In 2022/23 the Council began working with the Department for Education (DfE) as part of the Safety Valve (SV) programme and secured additional funding of £19.22m over the next seven years. The first part of this funding, £7.68m, was received in 2022/23. The aim of this original plan was to breakeven in 2028/29. However, from the beginning of this plan the Council has not been able to deliver savings as required and the deficit at the end of 2022/23 was £1.53m behind plan and at the end of 2023/24 was £7.06m (cumulative deficit of £22.263m) behind plan. As a result of this deteriorating position in 2023/24 the SV was suspended, and the Council was put under enhanced measures. From this point funding was paused and discussions with the DfE began.

A new management plan has been developed (SEND collaboration). This plan was submitted to the DfE in May 2024 and as yet the Council has not received a response. The revised plan now extends to 2030/31 and no longer breaks even but plans to have a cumulative deficit of £63m (after reflecting the DfE funding) in 2030/31. This is a significant change from the original plan. The level of funding from the DfE remains unchanged.

The Council does not currently have a recovery plan for the £63m residual deficit. As at 31 March 2024 reserves were reported as £12.789 (general fund unearmarked) £73.652 (earmarked), a total of £86.441m. Whilst this is a reasonable level of reserves for the Council, should the statutory override be removed in 2025/26 or not exist in 2030/31, this level of DSG deficit is likely to have a significant impact on the Council's reserves.

It should be noted that should the position not improve, such as actions not progressed or no agreement reached with the DfE, we may consider using our statutory powers and raise a statutory recommendation in subsequent reviews.

Key recommendation 1

The Council should continue to work with the DfE to ensure a realistic and deliverable management plan is agreed for the increasing DSG costs. The Council should:

- ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress
- develop a plan to address the residual deficit (£63m) to bring the Council back in balance at the end of the management plan in 2030/31.

Opinion on the financial statements and use of auditor's powers



Opinion on the financial statements



Audit opinion on the financial statements

We expect to issue an unqualified opinion on the Council's financial statements, following the November Corporate Audit Committee.

Grant Thornton provides an independent opinion on whether the Councils financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

We expect to issue an unqualified opinion on the Council's financial statements, following the November Corporate Audit Committee.

- No significant findings have arisen from the audit to date, however work remains in progress and subject to final quality reviews.
- Adjustments made to the draft financial statements are disclosure and narrative related and do not impact the primary statements.
- No significant control recommendations have been raised in 2023/24.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report is expected to be presented to the Council's Corporate Audit Committee in November. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the Avon Pension Fund statements



Audit opinion on the financial statements

We expect to issue an unqualified opinion on the Pension Fund's financial statements, following the November Corporate Audit Committee.

Consistency report on the financial statements within the Pension Fund Annual Report

The Pension Fund is required to publish its Annual Report by 1 December 2024. We issue an auditor's consistency report which includes our opinion that the 2023/24 Avon Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the audited administering authority's Financial Statements.

We expect to issue an unqualified consistency report on the pension fund financial statements contained within the Pension Fund's Annual Report following the November Corporate Audit Committee..

Grant Thornton provides an independent opinion on whether the Pension Fund's financial statements:

- give a true and fair view of the financial position of the Pension Fund as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Pension Fund in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

We expect to issue an unqualified opinion on the Pension Fund's financial statements, following the November Corporate Audit Committee.

- No significant findings have arisen from the audit to date, however work remains in progress and subject to final quality reviews.
- Adjustments made to the draft financial statements are disclosure and narrative related and do not impact the Fund's Net Asset Statement or Fund Account.
- No significant control recommendations have been raised in 2023/24.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report was presented to the Pension Fund's Corporate Audit Committee on 25 September 2024. Requests for this Audit Findings Report should be directed to the Pension Fund.

Use of auditor's powers

We bring the following matters to your attention:

	2023/24
<p>Statutory recommendations</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.</p>	<p>We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p>
<p>Public Interest Report</p> <p>Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.</p>	<p>We did not issue a public interest report.</p>
<p>Application to the Court</p> <p>Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.</p>	<p>We did not make an application to the Court.</p>
<p>Advisory notice</p> <p>Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:</p> <ul style="list-style-type: none">• is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,• is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or• is about to enter an item of account, the entry of which is unlawful.	<p>We did not issue any advisory notices.</p>
<p>Judicial review</p> <p>Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.</p>	<p>We did not make an application for judicial review.</p>

Value for Money Commentary on arrangements



The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.



National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of council income that were needed to service the increase in demand, for example fees and charges and the collection rates for council tax, business rates and rents.

In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven councils issuing eleven section 114 notices between 2019 and 2023, compared with two councils issuing notices between 2001 and 2018, with an increasing number of other councils publicly warning of a section 114 risk;
- Twenty councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these councils had previously issued a section 114 notice; and
- The Local Government Association warning that councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend.

Given the general election results on 4 July 2024 any changes to government policy relating to the sector are at present uncertain.

Local context

Bath and North East Somerset Council (the Council) is a unitary council formed in 1996 with an estimated population of 195,618 residents (ONS 2022). The Council covers approximately 135.2 square miles. Bath has the largest urban population (50%) with other smaller towns being Keynsham, Midsomer Norton and Radstock. The remaining population is spread across diverse rural communities.

Pupils within the Council area achieve grades above the national average and 52% of the population are educated to degree level or above. The unemployment rate reported in the year ending September 2023 was 2.4%, which was below the national average of 3.7%.

The Council operates under an Executive decision-making model, which oversees the formation of all major policies, strategies and plans and as such the Council's formal decision making and governance structure constitutes the Full Council and an Executive (the Cabinet).

The Council has 59 councillors, and the Council is elected every four years. The most recent elections were in May 2023 when the Liberal Democrats maintained control increasing their majority to 41 elected councillors.

Financial sustainability



We considered how the audited body:

Commentary on arrangements

Assessment

ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;

Page 140

2023/24 was a challenging financial year, with high inflation and rising social care costs for adults and children’s services. The Council delivered a slight overspend of £0.13m at the end of the year, funded from the budget contingency reserve. There were overspends in the following service areas, Children’s and Adult Social Care, Waste and Fleet Management. In addition, the Dedicated Schools Grant (DSG), high needs block continued to overspend and the deficit increased above planned levels.

In February 2024 the Council agreed a balanced budget for 2024/25 which identified a savings requirement of £16.42m, supported by a five-year Medium Term Financial Strategy (MTFS).

In 2022/23 a significant weakness was identified as the Council did not have proper arrangements in place to address the DSG deficit, this significant weakness remains in 2023/24. In 2022/23 the Council was accepted as part of the Department for Education’s Safety Valve (SV) Programme and secured additional funding of £19.22m over the next seven years. However, due to the deteriorating position in 2023/24 the agreement was suspended and funding paused. Further details are set out on pages 9 and 19.

R

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

Page 141

plans to bridge its funding gaps and identifies achievable savings

The MTFS approved in November 2023 outlined the need for the Council to find £35.3 million in savings over five years with the 2024/25 budget requiring £17.31m in savings. This savings target was later revised to £16.42m following the spending review. A 3-year (2024/25 - 2026/27) Savings and Income Generation Proposal was included within the budget papers and agreed by members.

The Council forecasted at quarter one (2024/25) that 83% of the savings included within its Savings Proposal will be delivered. In 2023/24 the Council delivered 76% of its planned savings (£10.98m out of £14.38m), 90% in 2022/23 (£10.63m out of £11.87m) and 93% (£7.89m out of £8.48m) in 2021/22. This rate of delivery demonstrates a reasonable track record for delivering savings. The Council reported on savings delivery during the year, but we consider that these arrangements could be improved, see page 20 for further detail.

Improvement recommendation 1: The Council should enhance its reporting arrangements for savings to Cabinet, ensuring that all savings are accurately profiled.

The Council has established a transformational programme to enable it to manage demand, reduce costs but also to identify savings. However, the transformational programme is not yet delivering savings which translate into cashable savings for inclusion into the MTFS. The Council needs its transformation programme to help reduce demand and contain service overspends. We raised an improvement recommendation in 2022/23 on the transformational programme and this recommendation remains outstanding, see page 39. We also consider that the Council should develop a Council wide overview of the transformation programme.

Improvement recommendation 2: In order to enhance the governance arrangements and savings delivered through transformation the Council should identify and document all its transformation activities within one plan.

A

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

Page 142

plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

The Council's MTFS and annual budget are the Council's primary strategic and annual financial documents which set out the Council's anticipated position. These documents are aligned to its corporate objectives. The budget report for 2024/25 approved in February 2024 addressed key areas of strategic priority and focus over the next two years, such as delivering the "Being Our Best" Programme, developing a new strategy and service provision for Adult Social Care Services, ensuring financial sustainability in Children's services, and implementing a new Economic Strategy that prioritises green growth, good jobs, and affordable housing.

The Council's approach to the Capital program, as outlined in the MTFS, ensures that sufficient funds are invested in critical assets to support key services, aligning with the Corporate objectives. Additionally, the Treasury Management Strategy Statement for 2024/25 outlined the Council's borrowing and investment activities, which are aimed at maintaining liquidity and covering pension costs while aligning with the overall financial strategy. The Council also emphasises the consideration of impacts on inequalities, health and well-being, and safeguarding in the budget reports, in line with the five priorities of the Corporate Strategy.

G

ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system

The Council ensures that financial planning assumptions are consistent with key strategies such as workforce and treasury management through a range of reports and strategies. The Treasury Management Strategy and Budget Report confirm that budget assumptions align with the Council's debt strategy and prevailing market conditions. The 2023/24 Outturn report demonstrates consistency in cash-flowing capital projects in line with the Treasury Management Strategy, while the MTFS aligns financial plans with workforce strategies and savings requirements. The Capital Strategy confirms a commitment to consistent financial planning assumptions and asset management strategies.

G

identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans

The outturn report for 2023/24 showed an improvement in revenue outturn and delivered a small overspend, after accounting for transfers and carry forwards. The Council has managed risks to its financial position through corporate interventions and department-specific plans.

The 2024/25 budget report outlines the financial risks and pressures, such as inflationary pressure, operational budget pressures, and changes to government policy and has identified a corresponding reserve range to address these risks. The 2024/25 budget included a budget contingency of £3m to mitigate slippage on savings delivery.

The 2024/25 MTFS has incorporated sensitivity analysis which includes a range of +/- 20% on the budget growth estimates. This covers various factors such as contract inflation, demography, and rebasing of budget pressures. Scenario analysis has not been undertaken. We note that an external review undertaken in October 2023 on the Council's heritage assets recommended the Council perform regular scenario analyses on pricing strategies to maximise revenue and adapt to market conditions.

G

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

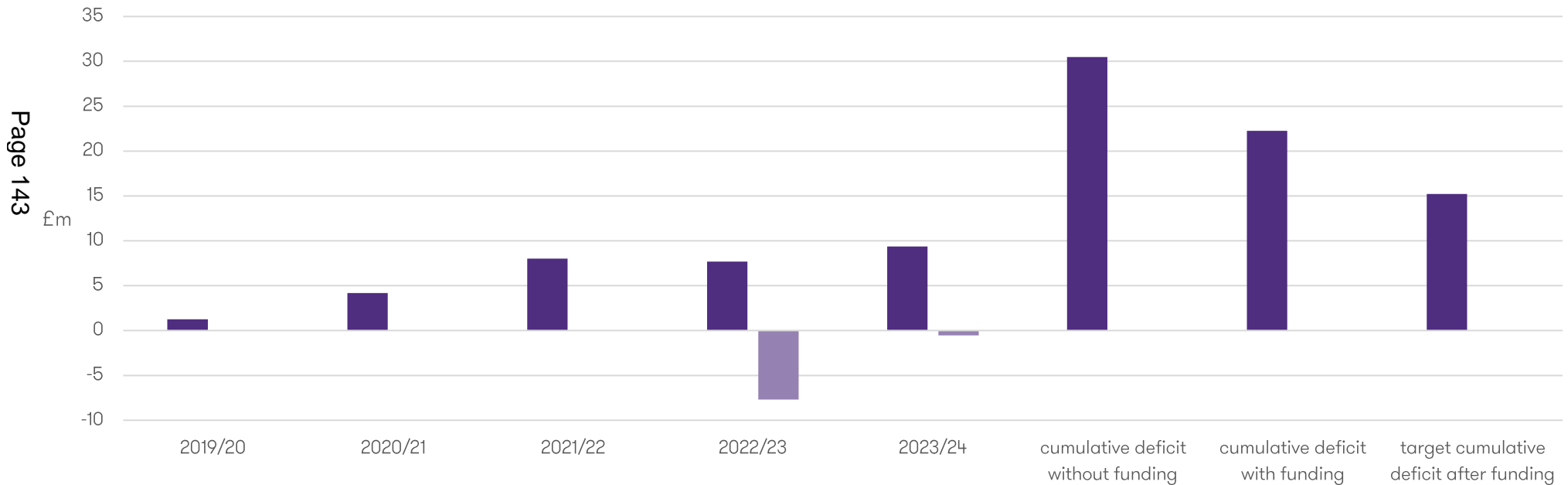
Financial sustainability (continued)



Significant weakness identified

On page 5 in the Executive Summary and on page 16, we identified the significant weakness relating to the DSG deficit. The following chart illustrates the increasing deficit since 2019/20 and the funding received to date from the DfE.

Dedicated Schools Grant Deficit



Key Recommendation 1: The Council should continue to work with the DfE to ensure a realistic and deliverable management plan is agreed for the increasing DSG costs. The Council should:

- ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress
- develop a plan to address the residual deficit (£63m) which is expected to exist at the end of the management plan in 2030/31 to bring them back in balance.

Financial sustainability (continued)



Areas for improvement

In 2023/24 Cabinet received updates on savings delivery against the plan with a brief narrative under each directorate. We consider that arrangements could be improved and would enable Cabinet to more effectively challenge performance if they included:

- RAG ratings indicating the risk in delivery of savings
- identification of balancing figures where savings not yet identified
- additional plans to mitigate slippage or shortfall in planned savings details on reasons for slippage.

Within the 2023/24 Savings Proposal the 'Being Our Best Programme', a review and rationalisation of the Council's management and operating structures, did not deliver its planned savings and is not on track in 2024/25. Whilst these savings are likely to be deliverable the Council did not accurately take account of the time it would take to deliver these savings. The Council needs to ensure it takes account of lead in times, to cover such things as staff and union consultation.

Improvement recommendation 1: The Council should enhance its reporting arrangements for savings to Cabinet, ensuring that all savings are accurately profiled.

The Business Change Team support the delivery of projects included within the Transformation Programme, but there are other pockets of transformation across the Council, such as Community Services Transformation Programme. The Council does not have a Council wide plan that brings all elements of transformation together. Documenting all its transformation activities within one plan should enable the Council to enhance the governance arrangements and savings delivered through transformation. It would also enable the Council to prioritise its transformation activities and allocate resources, accordingly, including central resource such as the Business Change Team.

Improvement recommendation 2: In order to enhance the governance arrangements and savings delivered through transformation the Council should identify and document all its transformation activities within one plan.

Governance



We considered how the Audited Body:

Commentary on arrangements

Assessment

Page 145
monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council identifies and understands its strategic risks and records them in its Corporate Risk Register (CRR). The Council's Risk Management Strategy and Framework, is overseen by the Corporate Audit Committee (CAC). The CRR is regularly reviewed by the Risk Management Steering Group and in 2023/24 was formally presented to the CAC in February 2024.

The Council's Internal Audit Service, One West, delivers regular updates to the CAC and reports on the progress of the internal audit plan, with 27% of reviews still work in progress as at year end. The Head of Internal Audit provided a "Reasonable Assurance" opinion for 2023/24. The Internal Audit Service monitor and track the implementation of audit recommendations and as at the yearend 56% of reports with prior year Internal Audit recommendations were completed.

Improvement recommendation 3: Management should ensure that recommendations raised within Internal Audit reports are actioned within the agreed timescale.

We also identified that the Council had not implemented all the recommendations which it had agreed in our previous Auditor's Annual Report and considered that it would be beneficial to enhance the governance arrangements.

Improvement recommendation 4: The Council should consider how its governance arrangements could be improved to ensure that recommendations raised by External Audit are addressed in a timely manner.

The Council has adopted an Anti-Fraud and Corruption Strategy for 2022- 2024. This strategy is supported by related policies such as a Whistleblowing and Anti-Money Laundering Policies.

A

approaches and carries out its annual budget setting process

The Council's 2024/25 budget-setting process involved multiple stages, including analysis, workshops, and public consultation. The proposed budget plans were reviewed, presented to Scrutiny in February 2024 before being submitted to the Cabinet and Full Council for final approval.

The budget was developed with input from Directors, Senior Managers, and finance staff, ensuring estimates and strategies to manage budgetary challenges were discussed and taken into account.

G

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

Governance (continued)



We considered how the Audited Body:

Commentary on arrangements

Assessment

Page 146

ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	Budget monitoring reports were presented quarterly to Cabinet during 2023/24, with the reports including revenue and capital performance. These reports identified the risks and pressures faced by the Council and enable decision makers to understand the situation and the actions required to mitigate any overspends. Measures were implemented during the year to control significant overspends in Children’s Services, including setting up a dedicated project board to address budget pressures. Separate quarterly Treasury Management reports provide insights into the Council’s investment and financing costs.	G
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	<p>In 2023/24 we found that decisions were based on detailed reports and discussions. The Cabinet, led by the Council Leader and other appointed Councillors, is responsible for significant decisions and publishes key decisions in its Forward Plan, enabling scrutiny committees to review and call-in any decisions as they consider appropriate.</p> <p>In 2022/23 we raised the following improvement recommendation: The Council should ensure the risk assessment undertaken to support a member decision is included within the supporting papers. The supporting member report should also set out the key risks relating to the decision. This recommendation remains outstanding.</p> <p>In 2022/23 we also suggested that the Shareholder should have annual updates for the Aequus Group Business plan, and consideration should be given to the overall governance arrangements more detail can be found on page 41. These recommendations remain outstanding. Although, we understand that the articles of association only require the business plan to be approved by the shareholder every three years, as a result we have raised the following recommendation.</p> <p>Improvement recommendation 5: The Council should consider if changing the company articles for Aequus would be beneficial to ensure that shareholders are updated annually on progress and any changes in the three-year business plan.</p>	A

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

Governance (continued)



We considered how the Audited Body:

Commentary on arrangements

Assessment

monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.

The Council's governance framework is detailed in its Constitution, which includes Financial Regulations, Codes of Conduct, and various policies on integrity and anti-corruption. Senior officers have delegated authority to act under new legislation until responsibilities are formally assigned.

The Council's Local Code of Corporate Governance was updated in 2024 and integrates key values, behaviours, and protocols to ensure compliance with legal and ethical standards. Additionally, the Council is taking proactive steps to incorporate new legal requirements and enhance transparency. In 2023/24, the Council began a rewrite of the Constitution, which included revisions to contract standing orders and financial regulations, although this updates have not yet been finalised. These updates are being undertaken in response to pending legislation, notably the upcoming Procurement Act scheduled to be implemented in 2024/25.

G

Page 147

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

Governance (continued)



Areas for improvement

Internal Audit have adopted the Pentana system to monitor and track the status of internal audit recommendations. It is the responsibility of management to ensure recommendations are actioned.

In 2023/24 Internal Audit reported that for only 13 out of 23 reviews undertaken the recommendations were implemented within the agreed timescales.

Of the remaining ten Reviews, four had 'Limited Assurance' mostly related to IT reviews with a total of 16 high-risk recommendations covering the four reviews. The delays were caused by scheduling issues, recruitment challenges, project work delays, and resource allocation issues.

Improvement recommendation 3: Management should ensure that recommendations raised within Internal Audit reports are actioned within the agreed timescale.

In our previous Auditor's Annual Report we raised 12 improvement recommendations, of which only 5 (42%) have been fully implemented, as set out in appendix C. In order to ensure management address these recommendations in a timely and effective way the Council should consider how it could improve its governance arrangements to ensure agreed recommendations are actioned. This might include an action tracked regularly presented to the Corporate Audit Committee.

Improvement recommendation 4: The Council should consider how its governance arrangements could be improved to ensure that recommendations raised by External Audit are addressed in a timely manner.

The Aequus Group produce a three-year business plan. We understand that the company articles of association only require the business plan to be approved on a three-year cycle not annually. We would expect that performance, and circumstances would change within this time period and that the Shareholder (Full Council) would require at least annual updates.

Improvement recommendation 5: The Council should consider if changing the company articles of association for Aequus would be beneficial to ensure that shareholders are updated annually on progress and any changes in the three-year business plan.

Improving economy, efficiency and effectiveness



We considered how the audited body:

Commentary on arrangements

Assessment

Page 149

uses financial and performance information to assess performance to identify areas for improvement

Cabinet received performance reports on the progress made against a key set of Strategic Performance Indicators for quarter two, three and four. The Council aimed to assess its performance against 37 Strategic Performance Indicators, however, 27 could not be rated due to absence of data or targets. For a large proportion of the indicators the Council relied on third parties for the data, such as those relating to the Council plan "Focusing on Prevention" which aims to tackle inequalities and improve local areas. This lack of data and targets for a significant number of indicators has limited the Council's ability to comprehensively assess its performance against its Corporate Strategy.

In July 2024 a report was presented to Cabinet recommending revisions to the Council's Strategic Performance indicators to demonstrate better alignment and improve performance assessment against the Corporate Strategy 2023-2027.

Improvement recommendation 6: In addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data is available for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy.

The Council has used LG Inform to identify cost-saving opportunities, highlighting potential savings in Children's Social Care. External consults were commissioned in 2023/24 to find efficiency and savings opportunities in Children's services and led to a detailed improvement plan focusing on cost reduction, demand management, and enhanced performance systems.

A

evaluates the services it provides to assess performance and identify areas for improvement

The Council considered and used the information provided by regulators to improve services. Children's services were last rated as 'good' by Ofsted in 2021/22 and in the Council's 2023/24 year-end performance report the latest Care Quality Commission (CQC) ratings were presented for the care facilities in Bath and North East Somerset.

G

G

No significant weaknesses in arrangements identified or improvement recommendation made.

A

No significant weaknesses in arrangements identified, but improvement recommendations made.

R

Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)



We considered how the audited body:

Commentary on arrangements

Assessment

ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives

Page 150


The Council has a wide network of partnerships collaborating with key partners such as the West of England Combined Authority (WECA), Avon Fire Authority, and the Avon and Somerset Police and Crime Panel. These partnerships amongst others span critical areas like transport, public safety, health, and economic development. The Council’s corporate documents emphasise its significant partnerships.

In 2022/23 we raised the following improvement recommendation: The Council should work closely with the West of England Combine Authority (WECA) to support (within its remit) the implementation of the required improvements to the governance of WECA (as set out in the Combined Authority’s governance report). Despite governance challenges highlighted by a 2023/24 Best Value Notice, the Council is committed to supporting WECA's improvement journey and manages partnership risks through its corporate risk register. However, we understand that significant governance issues remain within WECA. These issues are not as a result of behaviours and failings from the Council's perspective, but do have an impact on the effectiveness of the partnership. Therefore, it is our view that this recommendation should remain. Further details are set out on page 42.

A

- G No significant weaknesses in arrangements identified or improvement recommendation made.
- A No significant weaknesses in arrangements identified, but improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)

 We considered how the audited body:		Commentary on arrangements	Assessment
Page 151	commissions or procures services, assessing whether it is realising the expected benefits	<p>The Council has an up to date procurement strategy 2020-2024 which sets out the ambitions and outcomes for improvement. This strategy has been refreshed to reflect the new Procurement Act 2023 and is framed around six priority themes. This refreshed procurement strategy was approved by Cabinet in September 2024. However, it does not have a contract management framework. The Council maintains a list of key contracts, however, the Council has not agreed or regularly undertaken performance monitoring of these contracts using agreed key performance indicators. In 2023/24 the Council participated in the Contract Management Pioneer Programme delivered by Local Partnerships, this programme resulted in a range of recommendations, including the need to develop a contract management framework. We understand that these recommendations have yet to be implemented as the Council were progressing the refresh of its strategy first.</p> <p>In 2023/24 nine contract waivers were authorised, compared to 13 in 2022/23. We understand that in both years all were below EU limits and for each year five were above £100k. The Council does not report the number and total value of its contract waivers and breaches to members, such as the Corporate Audit Committee. The improvement recommendations raised in our previous AAR remains outstanding, as noted on page 42.</p> <p>The Council has reviewed and is in the process of updating its Contract Standing Orders to take into account the new Procurement Act 2023. Scrutiny, CMT and officers have been updated on the new legislation, including the opportunities and changes required from October 2024 when the legislation comes into force.</p> <p>Improvement recommendation 7: The Council should implement the recommendations raised by the Contract Management Pioneer Programme, which includes development of a contract management framework.</p> <p>The Council has arrangements in place to ensure large capital projects are monitored and effectively managed. Regular updates through quarterly Revenue and Capital Budget Monitoring reports are provided to Cabinet. These reports provide detailed forecasts against the approved Capital Programme budget, with specific attention to variances. In 2023/24, a year-end variance of £18.704m was reported, largely planned for re-phasing into 2024/25. Detailed breakdowns by portfolio and explanations for slippage are included in these reports. Additionally, the Capital Strategy Group reviews the capital programme as part of the budget-setting process, focusing on maintenance, investment, and service delivery improvements.</p>	A

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)



Areas for improvement

The Council monitored and reported its performance against its Corporate Plan based upon 37 Strategic Performance Indicators, however, 27 could not be rated due absence of data or targets. This lack of data and targets for a significant number of indicators has limited the Council's ability to comprehensively assess its performance against its Corporate Strategy.

In July 2024 a report was presented to Cabinet recommending revisions to the Council's Strategic Performance indicators to demonstrate better alignment and improve performance assessment against the Corporate Strategy 2023-2027.

Improvement recommendation 6: In addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data availability for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy.

The Council has a procurement strategy which sets out the ambitions and outcomes for improvement. However, it does not have a contract management framework. The Council maintains a list of key contracts, however, the Council has not agreed or regularly undertaken performance monitoring of these contracts using agreed key performance indicators. Recognising this, the Council began updating its procurement strategy to include a more structured approach, which was agreed by Cabinet in September 2024. However, challenges such as a recruitment freeze and the restructuring exercise has delayed progress, leaving contract management issues unaddressed.

In 2023/24 the Council participated in the Contract Management Pioneer Programme delivered by Local Partnerships, this programme resulted in arrange of recommendations, including the need to develop a contract management framework. We understand that these recommendations remain outstanding.

Improvement recommendation 7: The Council should develop an action plan and implement the recommendations raised by the Contract Management Pioneer Programme, which includes development of a contract management framework.

VfM findings Avon Pension Fund

We considered how the audited body:	Commentary on arrangements	Assessment
<p>Bath and North East Somerset Council is the administering authority for Avon Pension Fund (APF) and we are required to consider the Council’s arrangements in respect of the governance and management of Avon Pension Fund (AVP).</p>	<p>The following committees met during 2023/24:</p> <ul style="list-style-type: none">• Avon Pension Fund Committee (the Fund Committee) - the decision-making committee with delegated authority from the Council• Avon Pension Board (the Board) – its role is to ensure the effective governance of the Local Government Pension Scheme and compliance with regulations and legislation. <p>Avon Pension Fund (the Fund) continued to manage its resources, monitor performance, and manage its risks throughout 2023/24. Regular meetings were held for the Fund Committee and the Board. Key strategies and statements were discussed and agreed by the Fund Committee, such as the Funding Strategy Statement and Investment Strategy Statement. Costing and financial performance was closely monitored, with regular updates on both operational performance and investment outcomes.</p> <p>The Fund has continued to face challenges such as staffing vacancies and rising case demand and has taken steps to address these issues, including engaging external consultants to review processes and controls.</p> <p>Overpayments have been made and this issue has been reported by the Fund management to the Fund Committee and the Board. Pension Increase errors were identified in the period, most of which have now been rectified and the Fund has a plan to rectify the remaining cases in the coming months. We do not consider these to indicate weaknesses in arrangements as the Fund has resolved or is resolving these issues.</p>	<p>G</p>

Page 153

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendations made.

Value for Money Recommendations raised in 2023/24



Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
<p>Key Recommendation 1: The Council should continue to work with the DfE to ensure a realistic and deliverable management plan is agreed for the increasing DSG costs. The Council should:</p> <ul style="list-style-type: none"> ensure that the actions within the plan are progressed in the intervening period while discussions remain in progress develop a plan to address the residual deficit (£63m) to bring the Council back in balance at the end of the management plan in 2030/31. 	Key	Financial sustainability	<p>The aim of the original Safety Valve (SV) plan was to breakeven in 2028/29 after receiving £19.22m from the DfE. However, at the end of 2023/24 the Council was £7.06m (cumulative deficit of £22.263m) behind plan. In 2023/24 the SV was suspended, and the Council was put under enhanced measures. A new management plan has been developed. This plan was submitted to the DfE in May 2024, as yet the Council has not received a response. The revised plan now extends to 2030/31 and no longer breaks even but plans to have a cumulative deficit of £63m at the end of 2030/31.</p>	<p>The lack of effective actions to address the increasing DSG costs has resulted in an increase in the deficit and will impact the Council's ability to maintain financial sustainability.</p>	<p>Actions: During 2023/24 the council commissioned external, expert advice to support a review of our DSG cost and delivery plan. The council liaised closely with DfE to put in place revised plans and we are awaiting a formal response on our revised plan and timeline. Additional financial and programme resources has been allocated to oversee delivery of the three key strands of work and delivery continues whilst we await a response from colleagues in the DfE. Bullet 1 is therefore noted and agreed.</p> <p>We will work collaboratively with DfE on plans that do not put the council's financial position at risk.</p> <p>Responsible Officer: Director – Education & Safeguarding</p> <p>Executive Lead: Director of Children's Services & Education</p> <p>Due Date: Ongoing</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Page 156

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR1 The Council should enhance its reporting arrangements for savings to Cabinet, ensuring that all savings are accurately profiled.	Improvement	Financial sustainability	<p>In 2023/24 Cabinet received updates on savings delivery against the plan with a brief narrative under each directorate. Arrangements could be improved and would enable Cabinet to more effectively challenge performance if they included:</p> <ul style="list-style-type: none"> RAG ratings indicating the risk in delivery of savings identification of balancing figures where savings not yet identified additional plans to mitigate slippage or shortfall in planned savings details on reasons for slippage. <p>Individual savings did not always take account of the time it would take to deliver the savings. Complex savings often require long lead in times.</p>	Improving the information provided to decision makers enables them to more effectively review and challenge performance.	<p>Actions: Enhanced savings reporting will be included in the 2024/25 quarterly revenue budget monitoring reports. The changes will be reflected from the Q2 report to Cabinet (November 2024).</p> <p>Responsible Officer: Head of Financial Management</p> <p>Executive Lead: Executive Director – Resources</p> <p>Due Date: November 2024</p>
IR2 In order to enhance the governance arrangements and savings delivered through transformation the Council should identify and document all its transformation activities within one plan.	Improvement	Governance	<p>The Council does not have a Council wide plan that brings all elements of transformation together. Documenting all its transformation activities within one plan should enable the Council to enhance the governance arrangements and savings delivered through transformation. It would also enable the Council to prioritise its transformation activities and allocate resources accordingly, including central resource such as the Business Change Team.</p>	The Council does not have a strategic view of all transformation and is not able to effectively prioritise resources.	<p>Actions: Draft single transformation plan for whole council will be completed by Dec 2024. Single plan reviewed by Executive Leadership Team (ELT) and cabinet and finalised for publication by 1 April 2025 at the latest.</p> <p>Responsible Officer: Head of Business Change Hub</p> <p>Executive Lead: Director of People and Change</p> <p>Due Date: 1 April 2025</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Page 157

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR3 Management should ensure that recommendations raised within Internal Audit reports are actioned within the agreed timescale.	Improvement	Governance	It is the responsibility of management to ensure recommendations are actioned. In 2023/24 Internal Audit reported that for only 13 out of 23 reviews undertaken the recommendations were implemented within the agreed timescales.	Improvements are not addressed in a timely manner.	<p>Actions: Council agrees that implementing Internal Audit recommendations in a timely manner are important. However, it already has a robust follow-up process which includes a clear escalation protocol and reporting framework to senior management and the Audit Committee. We are not aware of any significant outstanding risks that have not already been reported and have a governance process in place which it will continue to enforce. If the Head of Audit believes further escalation is required, he will report the outcome of this to the Audit Committee and/or the Corporate Management Team.</p> <p>Responsible Officer: Head of Audit & Assurance</p> <p>Executive Lead: Director of Financial Services, Assurance & Pensions</p> <p>Due Date: Ongoing</p>
IR4 The Council should consider how its governance arrangements could be improved to ensure that recommendations raised by External Audit are addressed in a timely manner.	Improvement	Governance	In our previous AAR we raised 12 improvement recommendations, of which only 5 (42%) have been fully implemented, as set out on in Appendix C. The Council should consider how it could improve its governance arrangements to ensure agreed recommendations are actioned by management.	Improvements are not addressed in a timely manner.	<p>Actions: The Audit Committee is able to follow-up progress of external audit recommendations where required and this can also be included in the Annual Governance Review process.</p> <p>Responsible Officer: Head of Audit & Assurance</p> <p>Executive Lead: Director of Financial Services, Assurance & Pensions</p> <p>Due Date: Ongoing</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR5 The Council should consider if changing the company articles of association for Aequus would be beneficial to ensure that shareholders are updated annually in a public meeting on progress and any changes in the three-year business plan.	Improvement	Governance	<p>The Aequus Group produce a three-year business plan. Current company articles only require the business plan to be approved on a three-year cycle not annually. We consider that more regular reporting in public meetings is required to ensure the Shareholder is fully informed and able to make informed decisions in an open and transparent way.</p>	<p>The shareholder is not kept up to date on a regular basis.</p>	<p>Actions: Aequus is updating its current three-year business plan which will be presented, and subject to agreement, approved by the Shareholder and aligned with the approval of the B&NES Housing Plan. The Shareholder is provided with regular updates on Business Plan progress as part of scheduled meetings with the Shareholder, including:</p> <ul style="list-style-type: none">• Monthly Meetings of the Chair, MD with Shareholder and Lead Officer.• Quarterly updates from Aequus to the Council Investment Panel/Shareholder against Business Plan Objectives.• Six monthly Interim and Annual General Meeting of the Company with the Shareholder.• Six monthly updating to the Scrutiny Panel against Business Plan Objectives.• Annual Reporting of Accounts to the Council Audit Committee. <p>The Council will explore whether it is practical and an effective use of resources to amend the company articles to formalise annual Shareholder updates, given that these updates already happen in practice.</p> <p>Responsible Officer: Director-Capital & Housing</p> <p>Executive Lead: Executive Director of Sustainable Communities</p> <p>Due Date: 31 December 2024</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24

Page 159

Recommendation	Type of recommendation *	Criteria impacted	Evidence	Impact or possible future impact	Actions agreed by Management
IR6 In addition to revising the list of Strategic Performance Indicators, the Council should enhance its data collection and target-setting process to ensure timely and accurate data availability for all key performance indicators, allowing for a more comprehensive and timely assessment of the Council's performance against its Corporate Strategy.	Improvement	Improving 3Es	<p>The Council monitored and reported its performance against its Corporate Plan based upon 37 Strategic Performance Indicators, however, 27 could not be rated due absence of data or targets. This lack of data and targets for a significant number of indicators has limited the Council's ability to comprehensively assess its performance against its Corporate Strategy.</p> <p>In July 2024 a report was presented to Cabinet recommending revisions to the Council's Strategic Performance indicators to demonstrate better alignment and improve performance assessment against the Corporate Strategy 2023-2027.</p>	Implementation of this recommendation should enable more effective performance monitoring of the corporate priorities.	<p>Actions: Put in place a new quarterly monitoring system for Corporate Strategy performance indicators, based on updated indicators as agreed by Cabinet.</p> <p>Responsible Officer: Head of Corporate Office</p> <p>Executive Lead: Executive Director – Resources [S151]</p> <p>Due Date: Q3 2024/25</p>
IR7 The Council should develop an action plan and implement the recommendations raised by the Contract Management Pioneer Programme, which includes development of a contract management framework.	Improvement	Improving 3Es	<p>The Council does not have a contract management framework. The Council maintains a list of key contracts however, the Council has not agreed or regularly undertaken performance monitoring of these contracts using agreed key performance indicators.</p> <p>In 2023/24 the Council participated in the Contract Management Pioneer Programme delivered Local Partnerships, this programme resulted in a range of recommendations, including the need to develop a contract management framework. We understand that these recommendations remain outstanding.</p>	Effective contract management could result in reduced costs and savings.	<p>Actions: The Council has already compiled an action plan for each of its key priorities included within its refreshed Procurement Strategy which includes improvements in Contract Management. These actions are to be implemented over the long term (multi-years) and will be monitored internally via the Procurement Steering Group.</p> <p>Responsible Officer: Head of Procurement</p> <p>Executive Lead: Director – Financial Services, Assurance & Pensions</p> <p>Due Date: Action Plan completed September 2024, delivery ongoing</p>

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

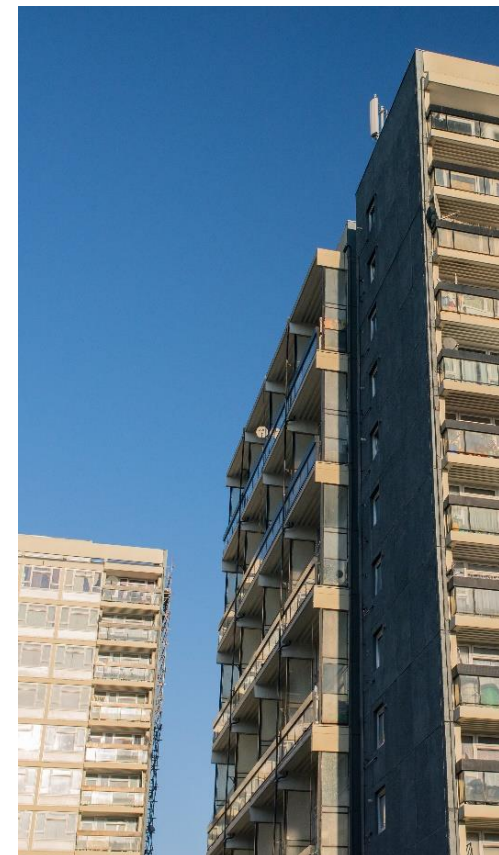
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B:

Value for Money Auditor responsibilities



Value for Money arrangements work

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The audited body's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice (the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the Council makes decisions based on appropriate information.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

As part of our planning we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period

Information which informs our risk assessment

Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements we will undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations** – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C:

Follow-up of previous recommendations

Page 163

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1 The Council needs to take action to address the shortfall in the Dedicated Schools Deficit (DSG) recovery plan.	Key	November 2023	The aim of the original Safety Valve (SV) plan was to breakeven in 2028/29 after receiving £19.22m from the DfE. However, at the end of 2023/24 the Council was £7.06m (cumulative deficit of £22.263m) behind plan. As a result, in 2023/24 the SV was suspended, and the Council was put under enhanced measures. A new management plan has been developed (SEND collaboration). This plan was submitted to the DfE in May 2024, as yet the Council has not received a response. The revised plan now extends to 2030/31 (one year longer) and no longer breaks even but plans to have a cumulative deficit of £63m at the end of 2030/31.	No	This significant weakness remains in place, we have updated the key recommendation to reflect current arrangements and can be found on page 9.
1 The Council should monitor and report on the amount of non-recurrent savings planned and delivered each year. This information could be included in the outturn reporting.	Improvement	November 2023	In the outturn report for 2023/24 the Council identified the planned total savings and income generation required (£14.38m). This included £12.48 of ongoing base budget savings (recurrent) and £1.9m of one-off (non-recurrent savings). The Council reported that it delivered £9.66m on a recurrent basis.	Yes	No We have raised an additional recommendation on savings monitoring with budget reports on page 20.
2 Going forward the Council should ensure it takes advantage of the Transformation Programme to consider service redesign and identify savings for 2024/25 and beyond.	Improvement	November 2023	The Council's Transformation Programme includes service redesign and future savings, but is not yet at the stage where savings are included within the Medium Term Financial Strategy (MTFS).	No	Implement the original recommendation

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:

Follow-up of previous recommendations

Page 164

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
3 The MTFS should be strengthened by the inclusion of more detailed sensitivity and scenario analysis of the key financial risks and key demand pressures facing the Council.	Improvement	November 2023	The 2024/25 MTFS has incorporated +/- tolerance on variable contract and demand pressures to test budget sensitivity. We note that an external review undertaken in October 2023 on the Council's heritage assets recommended the Council perform regular scenario analyses on pricing strategies to maximise revenue and adapt to market conditions.	Yes	No
4 The corporate risk register should be regularly reviewed by members, either by Cabinet or the Corporate Audit Committee (CAC) in a public meeting, so that it is more easily accessible to the public.	Improvement	November 2023	In 2023/24 the CAC received its first risk management update in February 2024. This update included a copy of Corporate Risk Register as at January 2024. We understand the Council intend to review the Corporate Risk Register at every other meeting.	Yes	No
5 The Council should ensure the risk assessment undertaken to support a member decision is included within the supporting papers. The supporting member report should also set out the key risks relating to the decision.	Improvement	November 2023	The S151 Officer and Monitoring Officer have begun to challenge the inclusion of a risk assessment as part of the clearance process of reports before submission to Committee. Committee papers do not routinely identify the risks.	Partial	Implement the original recommendation
6 The business plan for the Aequus Group should be reviewed and approved by members on an annual basis, ahead of the period to which it applies. If the Corporate Policy Development and Scrutiny Panel is to have an effective scrutiny role, its members should have the opportunity to scrutinise the business plan prior to its approval by Full Council.	Improvement	November 2023	The Aequus Group produce a three-year business plan. Current company articles only require the business plan to be approved on a three-year cycle not annually. However, to compensate for this arrangement the Council informed us that that when Aequus publish their half year report (usually around Nov.) they do a review of the annual business plan and see if there are any changes to be made.	No	The Council should consider if changing the company articles would be beneficial to ensure that shareholders are updated annually on progress and any changes in the three-year business plan. See page 24.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:

Follow-up of previous recommendations

Page 165

	Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
7	The Council should identify the risks in relation the Aequus Group and record these risks on an appropriate risk register and manage them accordingly. The risks are likely to include both reputational risks as a shareholder, as well as financial risks.	Improvement	November 2023	The risk in relation to the Aequus Group is included within the Housing Services Risk Register (May 2024) within the Resources Directorate.	Yes	No
8	The Council should improve the performance management arrangements for the Aequus Group. Specifically, it should: <ul style="list-style-type: none"> determine which formal and informal member committees and groups should be involved in the performance management of the Aequus Group, what information should be reviewed, the frequently and if Cabinet should be involved ensure officer performance management is undertaken on a regular basis in line with the Council's own protocol for governance of local authority trading companies. 	Improvement	November 2023	The Council intends to review the governance arrangements and as such has not implemented the first part of this recommendation. All performance management is undertaken by informal meetings.	Partial	Implement the remaining elements of the recommendation

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:

Follow-up of previous recommendations

Page 166

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
9 The Council should work closely with the West of England Combine Authority (WECA) to support (within its remit) the implementation of the required improvements to the governance of WECA (as set out in the Combined Authority's governance report).	Improvement	November 2023	The Council continues to work actively at all levels with WECA on key programmes within the transformation programme, and has engaged with the Solace work commissioned by the Combined Authority. However, we understand that significant governance issues remain within WECA. These issues are not as a result of behaviours and failings from the Council's perspective, but do have an impact on the effectiveness of the partnership. Therefore, it is our view that this recommendation should remain.	No	Implement the original recommendation.
10 The Council should ensure that Cabinet receive quarterly performance reports on its strategic objectives as set out in the Corporate Strategy.	Improvement	November 2023	In 2023/24 Cabinet did not receive a quarter one performance report, but did receive quarter two in November 2023, quarter three in February 2024 and Quarter four in June 2024.	Yes	No
11 The Council should define its key partnerships and establish a register of key partnerships. The partnership register should include: <ul style="list-style-type: none"> the strategic objectives to which the partnerships contribute why the partnership is a significant partnership in line with the Council's definition. 	Improvement	November 2023	The Council maintains a list of outside bodies (partnerships) on its website. It also maintains an internal list of partnerships/outside organisations with which it engages. This list includes a priority rating but has not been completed for a number of organisations. This should be completed to address alignment with its strategic objectives.	Partial	Fully implement the original recommendation.

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C: Follow-up of previous recommendations

Recommendation	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
12 The Council should consider reviewing its process for approval of contract waivers, to ensure appropriate independence. In order to ensure transparency and financial oversight the number and extent of waivers should be reported periodically to members at a public meeting, such as Corporate Audit Committee.	Improvement	November 2023	This recommendation is outstanding.	No	Implement the original recommendation

Page 167

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Bath & North East Somerset Council	
MEETING	Corporate Audit Committee
MEETING DATE:	25th September 2024
TITLE:	Treasury Management Performance Report to 31st March 2024
WARD:	All
AN OPEN PUBLIC ITEM	
<p>List of attachments to this report:</p> <p>Appendix 1 – Performance Against Prudential Indicators</p> <p>Appendix 2 – The Council’s Investment Position at 31st March 2024</p> <p>Appendix 3 – Average monthly rate of return for 2023/24</p> <p>Appendix 4 – The Council’s External Borrowing Position at 31st March 2024</p> <p>Appendix 5 – Arlingclose’s Economic & Market Review Q4 of 2023/24</p> <p>Appendix 6 – Interest & Capital Financing Budget Monitoring 2023/24</p> <p>Appendix 7 – Summary Guide to Credit Ratings</p> <p>Appendix 8 – Extract from Treasury Management Risk Register</p>	

1 THE ISSUE

- 1.1 Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy’s Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code), which requires the Council to approve a Treasury Management Strategy before the start of each financial year, review performance during the year, and approve an annual report within six months after the end of each financial year.
- 1.2 This report gives details of performance against the Council’s Treasury Management Strategy for 2023/24.

2 RECOMMENDATION

The Corporate Audit Committee agrees that.

- 2.1 The Treasury Management Report to 31st March 2024, prepared in accordance with the CIPFA Treasury Code of Practice, is noted.
- 2.2 The Treasury Management Indicators to 31st March 2024 are noted.

3 THE REPORT

Summary

- 3.1 The Council approved the 2023/24 Treasury Management Strategy at its meeting on 21st February 2023. The Council ended the year with total borrowing of £246m and total investments of £32.1m
- 3.2 The Council's Treasury Management Indicators for 2023/24 were agreed by Council in February 2023 and performance against the key indicators is shown in **Appendix 1**. All indicators are within target levels.
- 3.3 The estimated average total investment return for 1st April 2023 to 31st March 2024 is 4.85%, which is in 0.10% below the benchmark rate of 4.95% for the period.
- 3.4 The Council's revenue budget outturn for interest & capital financing costs for 2023/24 was £3.4m under budget. This was due to higher than budgeted investment returns as a result of interest rate rises since budget setting, a delay to borrowing requirements and associated interest costs, early repayment of a LOBO loan and also a saving on Minimum Revenue Provision (MRP) due to capital spend reprofiling. The breakdown of the 2023/24 revenue budget for interest and capital financing, and the year-end position, is included in **Appendix 6**.

Economic Overview

- 3.5 The Council's Treasury Management Advisor's economic and market review for 2023/24 is included in **Appendix 5**. The main headlines are as follows:
 - Interest Rates have risen from 4.25% at 31st March 2023 to 5.25% at 31st March 2024.
 - UK Inflation declined from 8.7% in April 2023 to 3.2% February 2024.
 - The UK Economy entered a technical recession in the second half of 2023 and while indications are of a rebound in Q1 2024, indications are that prior increases in interest rates and higher price levels are depressing growth.
 - Gilt yields continued to be volatile during 2023/24 with the 10 year UK benchmark gilt rising from 3.44% to peak at 4.75% in August and ending the year at 3.92%.
 - The 7-day average SONIA (Sterling Overnight rate) for 2023/24 is 4.95%. This is the benchmark rate used by the council.

Borrowing

- 3.6 The Council's external borrowing as at 31st March 2024 totalled £246m and is detailed in **Appendix 4**. The summary of the movement in borrowing during the quarter and for the full financial year is shown in the following table:

Borrowing Portfolio Movements	Quarter 4 2023/24 £m	Financial Year 2023/24 £m
Balance as at 1st April 2023		210.254
Balance as at 31st December 2023	216.987	
New Loans Taken	30.000	50.000
LOBO Repayments	-	(10.000)
PWLB Annuity Loan principal repayments	(0.977)	(4.244)
Balance as at 31st March 2024	246.010	246.010

- 3.7 In October 2023 the Council took the opportunity to repay £10m of its LOBO (Lender Option Borrower Option) borrowing when the lender gave notice it was going to increase the interest rate. Two PWLB annuity loans were taken out to replace this at a blended rate of 4.58%, just above the original LOBO rate but well below the revised rate. As a result of this repayment, the Council made a one-off in year benefit of £427,700 due to accounting requirements to smooth upfront benefits over the life of the 50-year LOBO loan, which was released upon early repayment.
- 3.8 In addition to the £10m new loans taken out to replace the £10m LOBO repayment, the Council also took out £40m in new debt at an average rate of 4.94%. This borrowing was undertaken to maintain the Council's liquidity, with £30m taken in February and March 2024. As a result of delaying borrowing, and only borrowing what we needed to for liquidity purposes, we have been able to make savings on interest payable. For every week delaying borrowing of £10m, a saving of £9,400 at the average borrowing rate of 4.94% was achieved.
- 3.9 The Council's Capital Financing Requirement (CFR) as at 31st March 2024 was £367.6m. This represents the Council's underlying need to borrow to finance capital expenditure and demonstrates that the borrowing taken to date relates to funding historical capital spend.
- 3.10 The difference between the CFR and the current borrowing of £246m represents re-investment of the internal balances including reserves, reducing the in-year borrowing costs in excess of the potential investment returns.
- 3.11 The Liability Benchmark in **Appendix 1** illustrates the current borrowing and current and projected CFR and liability benchmark. The benchmark is lower than the CFR as it recognises the Council's ability to internally borrow to fund capital and therefore shows the optimum level of borrowing for the council that minimises risks and costs of borrowing. At the 31st March 2024 borrowing is almost in line with the benchmark and as we look forward borrowing is projected to fall below the benchmark providing and this funding gap can be used as a guide to the optimal

amount and length of borrowing required in the future to minimise interest rate and credit risk.

- 3.12 Following Local Government Reorganisation in 1996, Avon County Council's residual debt is administered by Bristol City Council. All successor Unitary Authorities make an annual contribution to principal and interest repayment, for which there is a provision in the Council's revenue budget. The amount of residual debt outstanding as at 31st March 2024 apportioned to Bath & North East Somerset Council is £9.664m. Since this borrowing is managed by an external body and treated in the Council's Statement of Accounts as a deferred liability, it is not included in the borrowing figures referred to in paragraph 3.6.

Investments

- 3.13 As demonstrated by the liability benchmark in **Appendix 1**, the Council expects to be a long-term borrower and new treasury investments are therefore primarily made to manage day to day cash flows using short-term low risk instruments. The existing portfolio of strategic pooled funds will be maintained to diversify risk into different asset classes and maintain stable investment income over the medium to long term.
- 3.14 At 31st March 2024, the Council had £32.1m in investments, with £22.1m in short term liquid investments and £10m in externally managed strategic funds. The balance of deposits is set out in the charts in this **Appendix 2**, along with the equivalent for the previous quarter and year for comparison.
- 3.15 **Appendix 3** details the investment performance, showing the average rate of interest earned over this period was 4.85%. The split between investment type is as follows:

Investment Type	Average Investment Return
Short Term Investments Total	4.95%
Long Term Strategic Investments:	
CCLA Local Authorities Property Fund	4.37%
FP Foresight UK Infrastructure Income Fund	4.47%
VT Gravis Clean Energy Income Fund	4.46%
Long Term Strategic Investments Total (Est.)	4.43%
Overall Total	4.85%

- 3.16 At 31st March 2024, the Council had short terms funds of £22.1m invested in Money Market Funds and Bank call accounts. Over the course of the year the Council earned 4.95% from these investments, which is equal to the 7-day SONIA benchmark Rate of 4.95%.
- 3.17 The Council also had £10m invested in externally managed strategic pooled funds, where the objectives are regular revenue income and long-term price stability. These investments were made with the knowledge that there is a risk that capital value could move both up and down on a frequent basis, and are intended to be held over a long period of time.

This investment includes £5m in Environmental Social and Governance (ESG) focused funds and £5m in a property fund, as listed below.

- £5m CCLA Local Authorities Property Fund.
- £3m FP Foresight UK Infrastructure Income Fund.
- £2m VT Gravis Clean Energy Income Fund.

In 2023/24 these funds generated an average income return of 4.43%, which is used to support services in year, and a 10.85% or £1.09m unrealised capital loss.

The total unrealised capital loss as at 31st March 2024 is 23.03% or £2.30m, a breakdown of which is below:

	CCLA Local Authorities Property Fund	FP Foresight UK Infrastructure Income Fund	VT Gravis Clean Energy Income Fund	Total
Historic Cost	5,000,000	3,000,000	2,000,000	10,000,000
2023/24				
Fair Value at 31/03/2024	4,177,465	2,173,120	1,346,161	7,696,746
In Year % Value Lost / (Gained)	3.31%	13.79%	25.30%	10.85%
Cumulative % Value Lost / (Gained)	16.45%	27.56%	32.69%	23.03%
2022/23				
Fair Value at 31/03/2023	4,342,727	2,586,831	1,852,212	8,781,770
In Year % Value Lost / (Gained)	17.14%	15.95%	9.68%	15.29%
Cumulative % Value Lost / (Gained)	13.15%	13.77%	7.39%	12.18%

This change in valuation does not currently have an impact on the revenue account or usable reserves due to a statutory override, and gains/losses will instead go to an unusable reserve. These will only be charged to revenue if/when the Council's holding in the pooled funds are sold, or if the Government removes the existing override. The next review of the statutory override will take place prior to the end of 2024/25. The Council has in place a Capital Financing Reserve which can be used to mitigate any future revenue impacts should the statutory override be removed.

3.18 Regarding the Council's Property Fund investment, the commercial property market improved marginally in 2023 and was more stable, in contrast to the very challenging backdrop of 2022. Low transactional volumes were a constraint on valuations and made prospective sellers and buyers more cautious. Although many sectors lacked momentum, there was growing confidence in the longer-term outlook as occupier demand and rental markets held up. Industrial and retail warehousing sectors remained strong, but retail and office sectors remained weak, the latter continuing to be hindered by low occupancy from hybrid working practices.

3.19 Regarding the Council's Infrastructure and Clean Energy Funds, macroeconomic factors of persistent inflation and consequent rising interest rates were the main drivers of volatility and share price weakness. Outflows from listed real assets and equities more broadly, towards higher-yielding fixed income investments and cash,

were also a further factor which contributed to depressed capital values. Values have however begun to stabilise as inflation decelerates and the risk of higher interest rates diminishes, together with a positive reassessment of infrastructure assets as energy price subsidy regimes also begin to fall away.

Despite the challenging macro environment, the funds' underlying portfolio companies have continued to deliver on dividend targets and the funds' dividend distributions per share have been relatively steady in the face of market turbulence. Many companies in the funds' portfolios, which focus on clean energy, decarbonisation and the building of digital and social infrastructure, continue to benefit from long-term contracted revenue streams, some with a high degree of inflation linkage.

Budget Implications

- 3.20 The Council's revenue budget outturn for interest & capital financing costs for 2023/24 was £3.4m under budget. This was due to higher than budgeted investment returns as a result of interest rate rises since budget setting, a delay to borrowing requirements and associated interest costs, early repayment of a LOBO loan and also a saving on Minimum Revenue Provision (MRP) due to capital spend reprofiling. The breakdown of the 2023/24 revenue budget for interest and capital financing, and the year-end position, is included in **Appendix 6**.

4 STATUTORY CONSIDERATIONS

- 4.1 This report is for information only.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The financial implications are contained within the body of the report.

6 RISK MANAGEMENT

- 6.1 The Council's lending & borrowing list is regularly reviewed during the financial year and credit ratings are monitored throughout the year. All lending/borrowing transactions are within approved limits and with approved institutions. Investment and borrowing advice is provided by our Treasury Management consultants, Arlingclose.
- 6.2 The CIPFA Treasury Management in the Public Services: Code of Practice requires the Council nominate a committee to be responsible for ensuring effective scrutiny of the Treasury Management Strategy and policies. The Corporate Audit Committee carries out this scrutiny.
- 6.3 In addition, the Council maintain a risk register for Treasury Management activities, which is regularly reviewed and updated where applicable during the year. An extract from the risk register, detailing how the top 5 risks are managed, is included as **Appendix 8**.

7 EQUALITIES

- 7.1 As this report contains performance information for noting only, an Equality Impact Assessment is not considered necessary.

8 CLIMATE CHANGE

- 8.1 The Council will continue to avoid any direct treasury management investments in fossil fuel related companies and will engage with its advisors to explore and assess the potential for any future investment opportunities in funds with a Renewable Energy & Sustainability focus as these products continue to be developed by the market in response to the Climate & Nature Emergency agenda.
- 8.2 An ESG section has been included the Treasury Management Strategy document for 2023/24, with the treasury team monitoring investment options permitted under the new guidelines.
- 8.3 The Council holds £5m in longer term investments, split across two ESG focussed Strategic Funds, as detailed under 3.17.

9 OTHER OPTIONS CONSIDERED

- 9.1 None

10 CONSULTATION

- 10.1 Consultation has been carried out with the Cabinet Member for Resources, Executive Director - Resources and Monitoring Officer.

Contact person	<i>Claire Read - 01225 47 7109; Jamie Whittard - 01225 47 7213</i> Claire_Read@BATHNES.GOV.UK ; Jamie_Whittard@BATHNES.GOV.UK
Background papers	<i>2023/24 Treasury Management & Investment Strategy</i>
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1

Performance against Treasury Management Indicators agreed in Treasury Management Strategy Statement

1. Treasury Borrowing limits

These limits include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over & above the operational limit for unusual cash movements.

The Authorised limits for external debt include current commitments and proposals in the budget report for capital expenditure, plus additional headroom over and above the operational limit for unusual cash movements.

The Operational boundary for external debt is based on the same estimates as the authorised limit but without the additional headroom for unusual cash movements. This level also factors in the proposed approach to use internal cash-flow and future capital receipts as the preferred financing method for the capital programme.

	2023/24 Prudential Indicator	Actual as at 31 st March 2024
Operational boundary – borrowing.	£433m	£246.01m
Operational boundary – other long-term liabilities	£4m	£0m
Operational boundary – TOTAL	£437m	£246.01m
Authorised limit – borrowing.	£462m	£246.01m
Authorised limit – other long-term liabilities.	£4m	£0m
Authorised limit – TOTAL	£466m	£246.01m

2. Security: Average Credit Rating*

The Council has adopted a voluntary measure of its exposure to credit risk by monitoring the value-weighted average credit rating of its investment portfolio. A summary guide to credit ratings is set out at **Appendix 7**.

	2023/24 Prudential Indicator	Actual as at 31 st March 2024
	Rating	Rating
Minimum Portfolio Average Credit Rating	A-	AA+

* The calculation excludes the strategic investment in the CCLA Local Authority Property Fund and ESG focussed Investment Funds, which are unrated.

3. Liquidity

The Authority has adopted a voluntary measure of its exposure to liquidity risk by monitoring the amount of cash available to meet unexpected payments within a rolling three-month period, without additional borrowing.

Liquidity risk indicator	2023/24 Prudential Indicator	Minimum During year	Date of minimum
Minimum total Cash Available within 3 months	£15m	£15.6m	13-Mar-24

4. Interest rate exposures

This indicator is set to control the Council's exposure to interest rate risk. The upper limit represents the maximum one-year revenue impact of a 1% rise or fall in interest rates.

	2023/24 Prudential Indicator	Actual as at 31 st March 2024
Upper limit on one-year revenue impact of a 1% rise in interest rates	+/- £1m	-£0.096m
Upper limit on one-year revenue impact of a 1% fall in interest rates	+/- £1m	£0.096m

The impact of this limit is that the Council should never be holding a maturity adjusted net debt / investment position on variable rates of more than £100m.

The impact of a change in interest rates is calculated on the assumption that maturing loans and investments will be replaced at new market rates, which includes amounts which are maturing each year in PWLB annuity loans.

5. Maturity Structure of borrowing

This indicator is set to control the Council's exposure to refinancing risk.

	Upper Limit	Lower Limit	Actual as at 31 st March 2024
	%	%	%
Under 12 months	50	Nil	4.1
12 months and within 24 months	50	Nil	8.1
24 months and within 5 years	75	Nil	0.0
5 years and within 10 years	75	Nil	6.1
10 years and within 25 years	100	25	53.3
Over 25 years	100		28.4

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date that the lender can demand repayment. For LOBO's, this is shown at the date of maturity as the council would only consider repaying these loans if the lenders exercised their option to alter the interest rate.

6. Upper limit for total principal sums invested for over 364 days

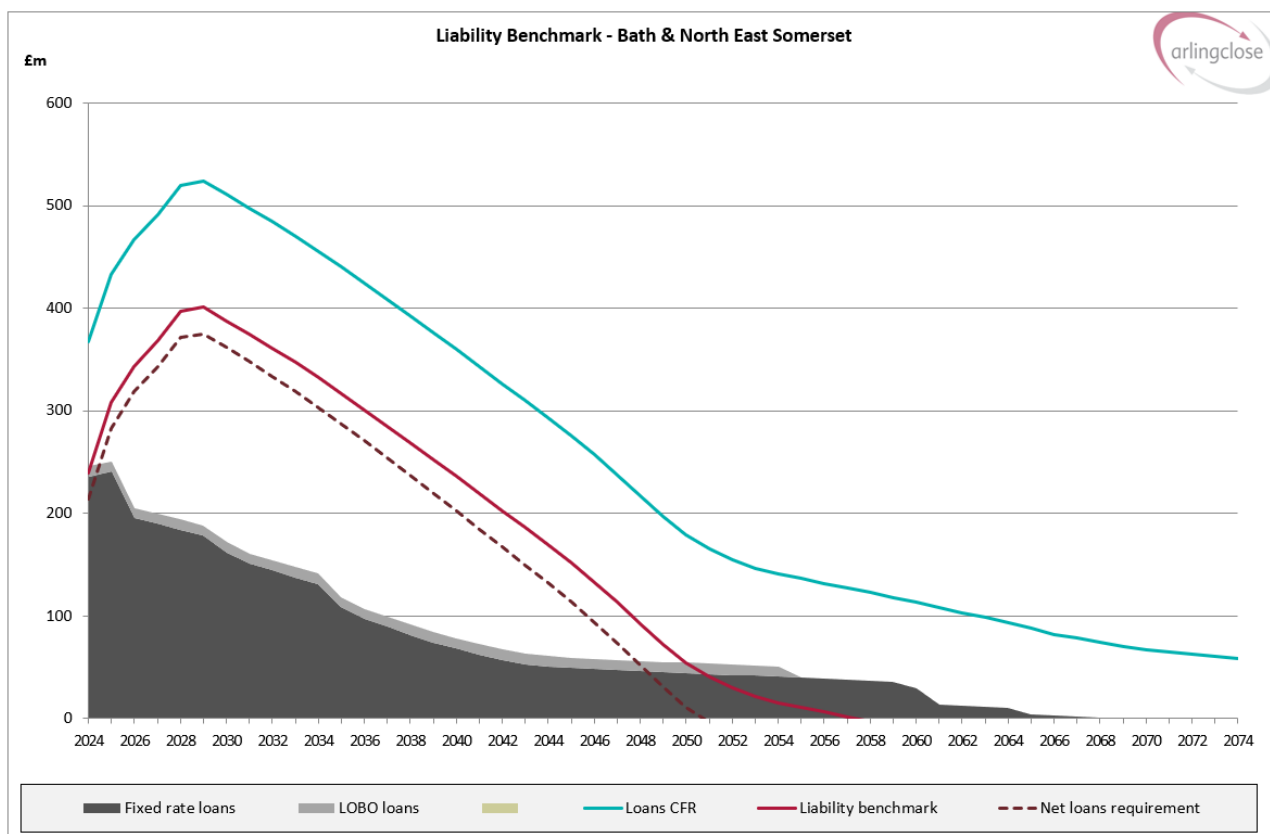
The purpose of this indicator is to control the Authority's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end will be:

Price risk indicator	2023/24 Prudential Indicator	Actual as at 31 st March 2024
Limit on principal invested beyond 31 st March 2024	£50m	£10m*
Limit on principal invested beyond 31 st March 2025	£20m	£10m*
Limit on principal invested beyond 31 st March 2026	£10m	£10m*

*The Council includes the CCLA LA Property Fund & two long term ESG focussed Investment Funds against this indicator as they are both held as Long-Term Strategic Investments.

7. Liability Benchmark

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.



As at 31st March 2024, there is pretty much no difference between the actual borrowing (the grey slopes) and the Liability Benchmark (the solid red line) and both are well below the Capital Financing Requirement which is the absolute maximum we can borrow for capital purposes. Looking forward the actual borrowing will fall below the liability benchmark and this funding gap can be used as a guide to the optimal amount and length of borrowing required to minimise interest rate and credit risk.

APPENDIX 2

The Council's Investment position at 31st March 2024

The term of investments is as follows:

Term Remaining	Balance at 31 st March 2024	Comparator	
		Balance at 31 st December 2023	Balance at 31 st March 2023
	£m	£m	£m
Notice (instant access funds)	22.10	24.10	27.30
Up to 1 month	0.00	5.00	5.00
1 month to 3 months	0.00	0.00	0.00
3 months to 6 months	0.00	0.00	0.00
6 months to 12 months	0.00	0.00	0.00
Strategic Funds	10.00	10.00	10.00
Total	32.10	39.10	42.30

The investment figure is made up as follows:

	Balance at 31 st March 2024	Comparator	
		Balance at 31 st December 2023	Balance at 31 st March 2023
	£m	£m	£m
B&NES Council	29.95	35.63	40.45
Schools	2.15	3.47	1.86
Total	32.10	39.10	42.30

The Council had a total average net positive balance of £49.69m during the period April 2023 to March 2024.

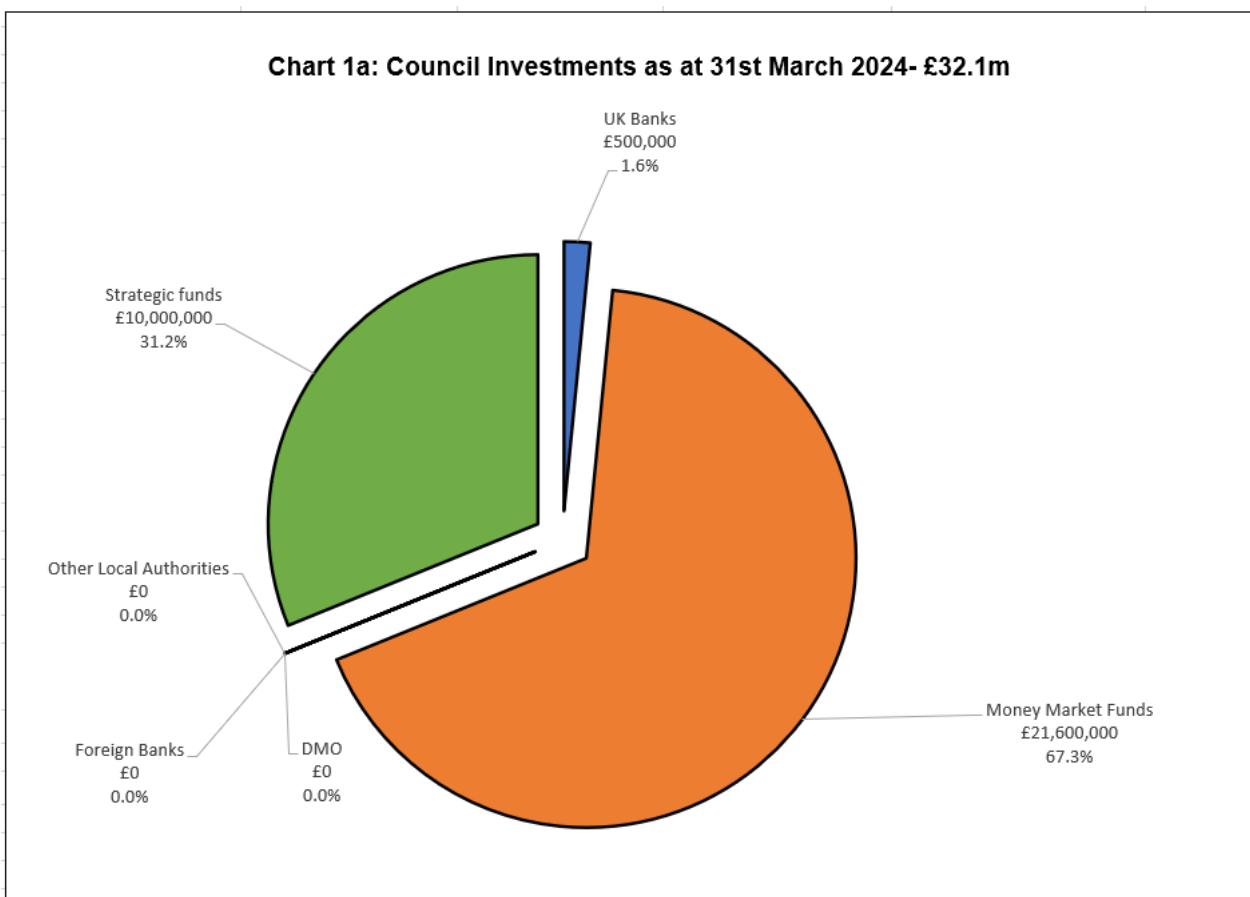
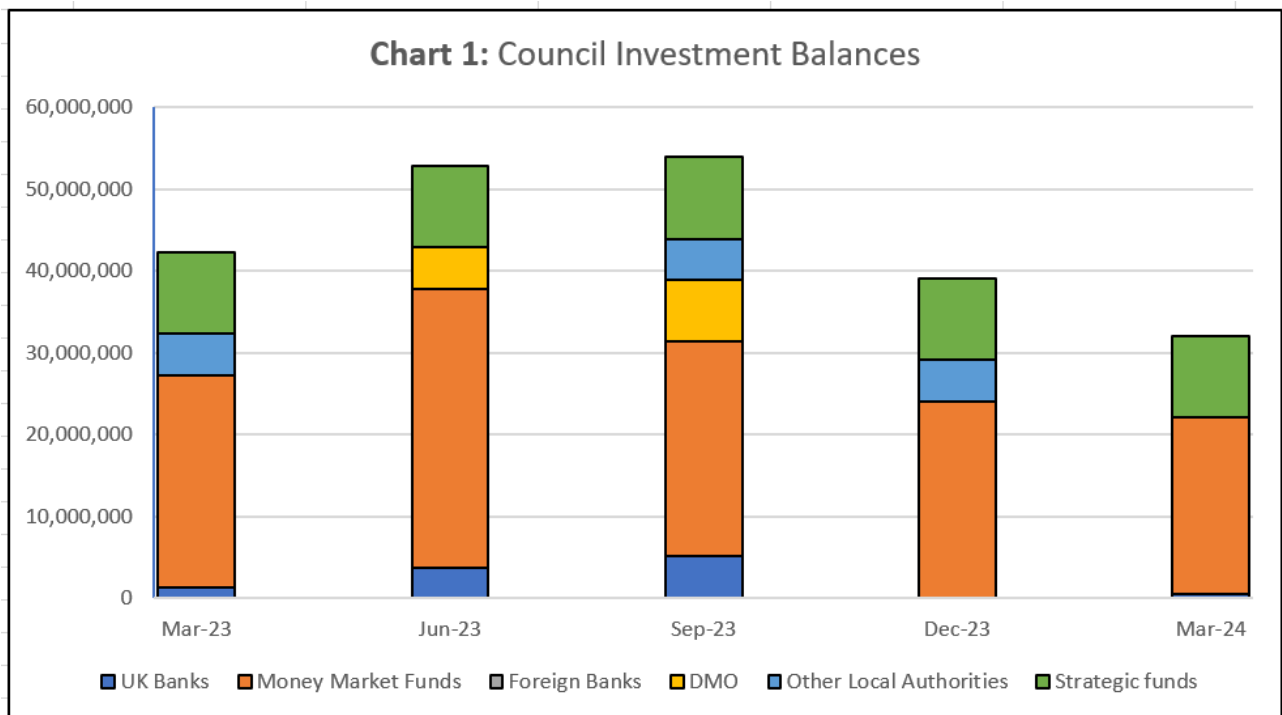


Chart 2: Council Investments Per Lowest Equivalent Long Term Credit Rating

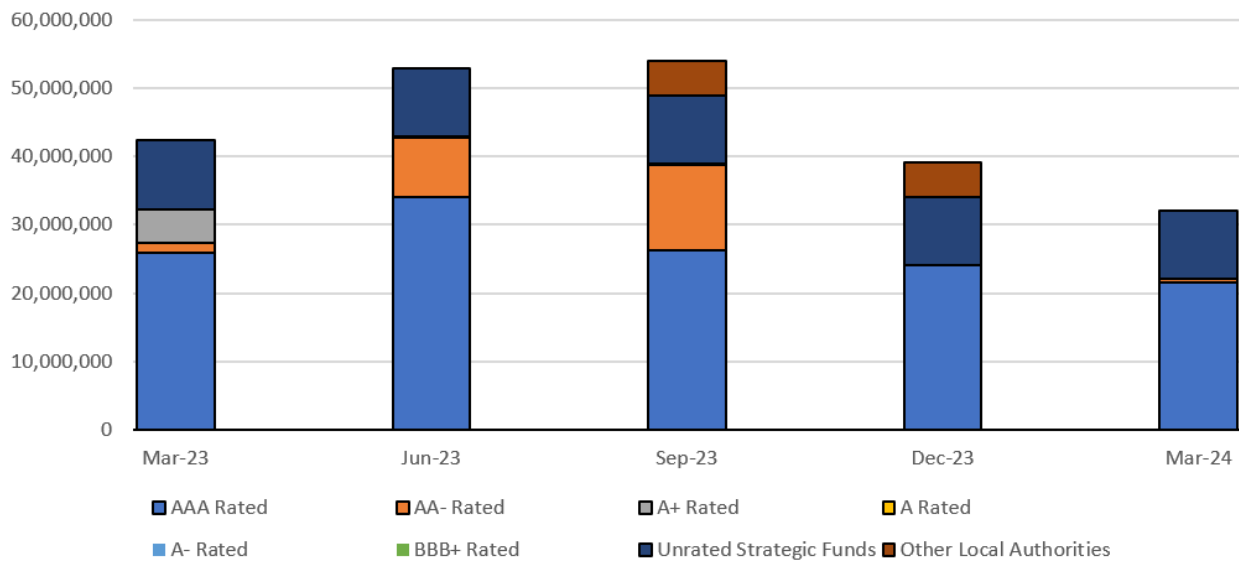
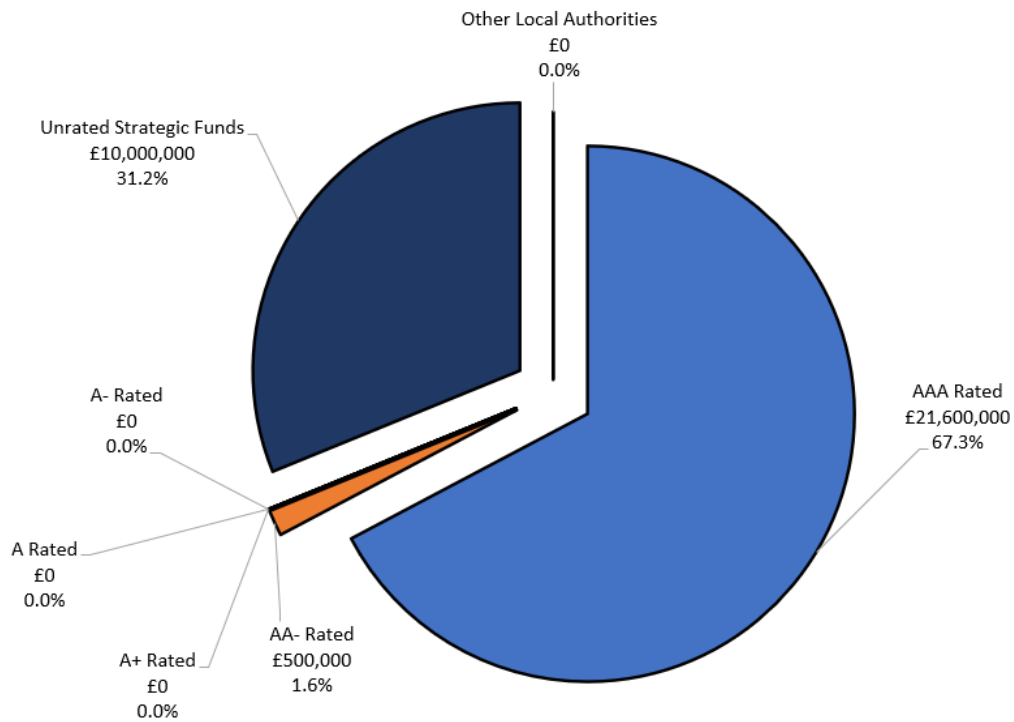


Chart 2a: Council Investments Per Lowest Equivalent Long Term Credit Rating as at 31st March 2024 £32.1m



APPENDIX 3

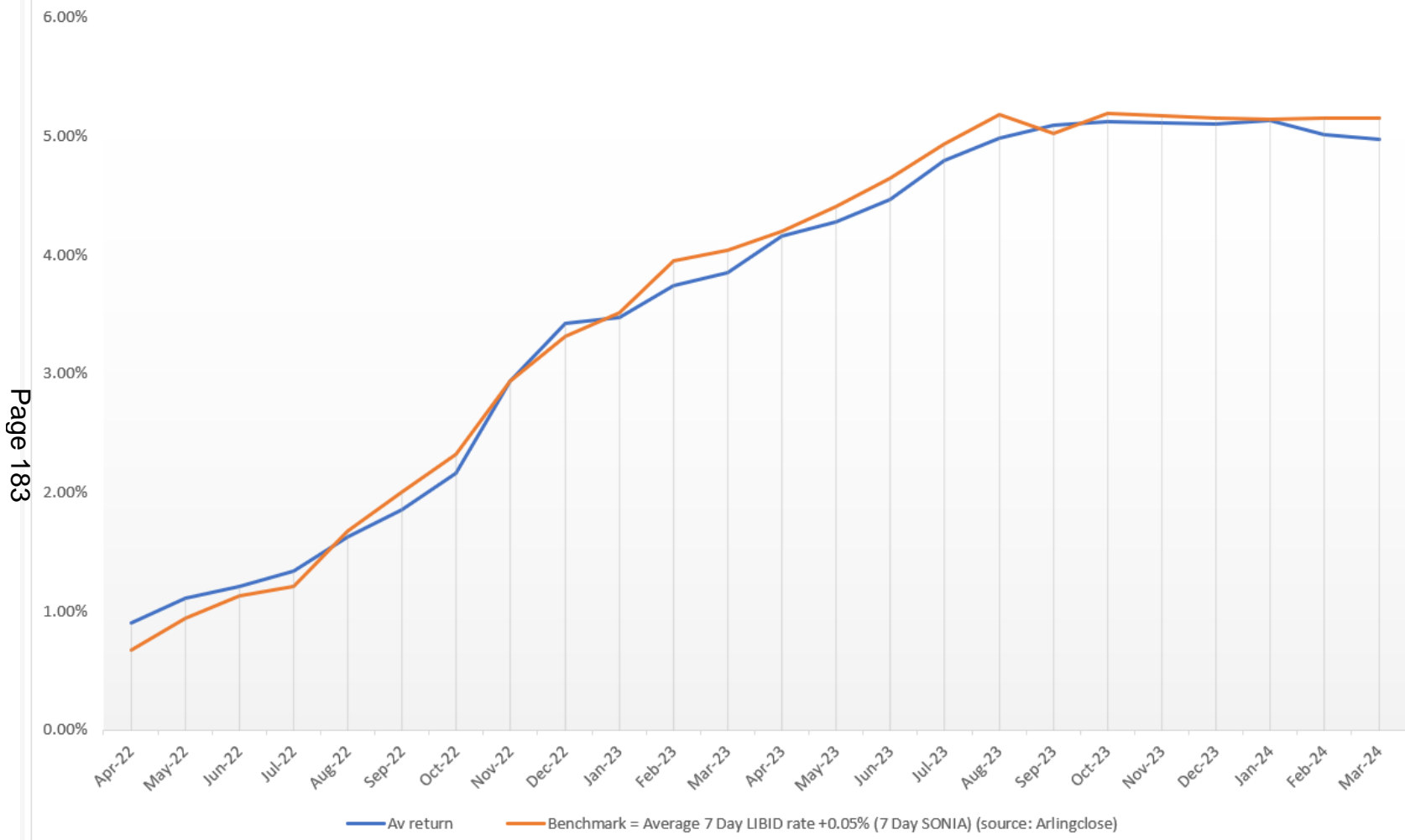
Average rate of return on investments for 2023/24

	Average rate of interest earned	Benchmark = Average 7 Day SONIA rate	Performance against Benchmark
April 2023	4.16%	4.20%	-0.04%
May 2023	4.28%	4.41%	-0.13%
June 2023	4.47%	4.64%	-0.17%
July 2023	4.79%	4.93%	-0.14%
August 2023	4.98%	5.18%	-0.20%
September 2023	5.09%	5.02%	0.07%
October 2023	5.11%	5.19%	-0.07%
November 2023	5.10%	5.17%	-0.07%
December 2023	5.09%	5.15%	-0.06%
January 2024	5.13%	5.14%	-0.01%
February 2024	5.01%	5.15%	-0.14%
March 2024	4.97%	5.15%	-0.18%
Average	4.85%	4.95%	-0.10%

For comparison, the average rate of return on investments in 2022/23 was as follows:

	Average rate of interest earned	Benchmark = Average 7 Day SONIA rate	Performance against Benchmark
April 2022	0.90%	0.67%	+0.23%
May 2022	1.11%	0.94%	+0.18%
June 2022	1.21%	1.13%	+0.08%
July 2022	1.34%	1.21%	+0.13%
August 2022	1.63%	1.67%	-0.04%
September 2022	1.85%	2.00%	-0.15%
October 2022	2.16%	2.32%	-0.16%
November 2022	2.94%	2.94%	0.00%
December 2022	3.42%	3.31%	+0.11%
January 2023	3.47%	3.51%	-0.04%
February 2023	3.74%	3.95%	-0.21%
March 2023	3.85%	4.04%	-0.19%
Average	2.09%	2.30%	-0.21%

Average Return on Investments 2022/23 & 2023/24 compared to Benchmark



APPENDIX 4

Council's External Borrowing at 31st March 2024

Lender	Amount outstanding @ 31st December 2023 £	Change in Quarter £	Amount outstanding @ 31st March 2024 £	Start date	End date	Interest rate
Long term						
PWLB489142	10,000,000	-	10,000,000	15/10/2004	15/10/2034	4.75%
PWLB497233	5,000,000	-	5,000,000	12/05/2010	15/08/2035	4.55%
PWLB497234	5,000,000	-	5,000,000	12/05/2010	15/02/2060	4.53%
PWLB498834	5,000,000	-	5,000,000	05/08/2011	15/02/2031	4.86%
PWLB498835	10,000,000	-	10,000,000	05/08/2011	15/08/2029	4.80%
PWLB498836	15,000,000	-	15,000,000	05/08/2011	15/02/2061	4.96%
PWLB503684	5,300,000	-	5,300,000	29/01/2015	08/04/2034	2.62%
PWLB503685	5,000,000	-	5,000,000	29/01/2015	08/10/2064	2.92%
PWLB505122	15,176,672	-	15,176,672	20/06/2016	20/06/2041	2.36%
PWLB508126	8,277,206	-	8,277,206	06/12/2018	20/06/2043	2.38%
PWLB508202	9,419,860	-	9,419,860	12/12/2018	20/06/2068	2.59%
PWLB508224	4,126,469	-	4,126,469	13/12/2018	20/06/2043	2.25%
PWLB505744	7,614,067	(198,511)	7,415,556	24/02/2017	15/08/2039	2.28%
PWLB505966	7,913,674	(173,466)	7,740,207	04/04/2017	15/02/2042	2.26%
PWLB506052	6,724,810	(147,547)	6,577,262	08/05/2017	15/02/2042	2.25%
PWLB506255	6,520,109	-	6,520,109	10/08/2017	10/04/2067	2.64%
PWLB506729	8,103,207	-	8,103,207	13/12/2017	10/10/2042	2.35%
PWLB506995	8,136,929	-	8,136,929	06/03/2018	10/10/2042	2.52%
PWLB506996	8,571,644	-	8,571,644	06/03/2018	10/10/2047	2.62%
PWLB507749	8,450,118	(165,489)	8,284,629	10/09/2018	20/07/2043	2.42%
PWLB508485	19,027,920	(114,927)	18,912,993	11/02/2019	20/07/2068	2.52%
PWLB509840	8,624,824	(177,356)	8,447,468	04/09/2019	20/07/2044	1.40%
PW677322	5,000,000	-	5,000,000	22/11/2023	22/11/2038	4.88%
PW687799	5,000,000	-	5,000,000	29/12/2023	29/12/2038	4.28%
PW700594	-	10,000,000	10,000,000	09/02/2024	09/02/2039	4.54%

Lender	Amount outstanding @ 31st December 2023 £	Change in Quarter £	Amount outstanding @ 31st March 2024 £	Start date	End date	Interest rate
KBC Bank N.V *	5,000,000	-	5,000,000	08/10/2004	08/10/2054	4.50%
KBC Bank N.V *	5,000,000	-	5,000,000	08/10/2004	08/10/2054	4.50%
Commerzbank AG Frankfurt*	-	-	-	27/04/2005	27/04/2055	4.50%
Medium term						
West of England Combined Authority	5,000,000	-	5,000,000	28/04/2023	26/04/2024	4.45%
Portsmouth C.C.	5,000,000	-	5,000,000	28/04/2023	26/04/2024	4.45%
PW711937	-	10,000,000	10,000,000	15/03/2024	30/04/2025	5.42%
PW713077	-	5,000,000	5,000,000	20/03/2024	30/04/2025	5.37%
PW715777	-	5,000,000	5,000,000	28/03/2024	30/04/2025	5.34%
Total Borrowing	216,987,507	29,022,704	246,010,210			

*All LOBO's (Lender Option / Borrower Option) have reached the end of their fixed interest period and have reverted to the variable rate of 4.50%. The lender has the option to change the interest rate at 6 monthly intervals. Should the lender use the option to change the rate, then at this point the borrower has the option to repay the loan without penalty.

The "Change in Quarter" movement on some of the PWLB loans reflects that these loans have an annuity repayment profile, so repayments of principal are made on a 6 monthly basis throughout the life of the loans.

APPENDIX 5: Arlingclose Economic & Market Review

Economic background: UK inflation continued to decline from the 8.7% rate seen at the start of 2023/24. By the last quarter of the financial year headline consumer price inflation (CPI) had fallen to 3.4% in February, but was still above the Bank of England's 2% target at the end of the period. The core measure of CPI, i.e. excluding food and energy, also slowed in February to 4.5% from 5.1% in January, a rate that had stubbornly persisted for three consecutive months.

The UK economy entered a technical recession in the second half of 2023, as growth rates of -0.1% and -0.3% respectively were recorded for Q3 and Q4. Over the 2023 calendar year GDP growth only expanded by 0.1% compared to 2022. Of the recent monthly data, the Office for National Statistics reported a rebound in activity with economy expanding 0.2% in January 2024. While the economy may somewhat recover in Q1 2024, the data suggests that prior increases in interest rates and higher price levels are depressing growth, which will continue to bear down on inflation throughout 2024.

Labour market data provided a mixed message for policymakers. Employment and vacancies declined, and unemployment rose to 4.3% (3mth/year) in July 2023. The same month saw the highest annual growth rate of 8.5% for total pay (i.e. including bonuses) and 7.8% for regular pay growth (i.e. excluding bonuses). Thereafter, unemployment began to decline, falling to 3.9% (3mth/year) in January and pay growth also edged lower to 5.6% for total pay and 6.1% for regular pay, but remained above the Bank of England's forecast.

Having begun the financial year at 4.25%, the Bank of England's Monetary Policy Committee (MPC) increased Bank Rate to 5.25% in August 2023 with a 3-way split in the Committee's voting as the UK economy appeared resilient in the face of the dual headwinds of higher inflation and interest rates. Bank Rate was maintained at 5.25% through to March 2024. The vote at the March was 8-1 in favour of maintaining rates at this level, with the single dissenter preferring to cut rates immediately by 0.25%. Although financial markets shifted their interest rate expectations downwards with expectations of a cut in June, the MPC's focus remained on assessing how long interest rates would need to be restrictive in order to control inflation over the medium term.

In the Bank's quarterly Monetary Policy Report (MPR) released in August 2023 the near-term projection for services price inflation was revised upwards, goods price inflation widespread across products, indicating stronger domestic inflationary pressure with second-round effects in domestic prices and wages likely taking longer to unwind than they did to emerge. In the February 2024 MPR the Bank's expectations for the UK economy were positive for the first half of 2024, with a recovery from the mild recession in calendar H2 2023 being gradual. Headline CPI was forecast to dip below the 2% target quicker than previously thought due to declining energy prices, these effects would hold inflation slightly above target for much of the forecast horizon.

Following this MPC meeting, Arlingclose, the authority's treasury adviser, maintained its central view that 5.25% remains the peak in Bank Rate and that interest rates will most

likely start to be cut later in H2 2024. The risks in the short-term are deemed to be to the downside as a rate cut may come sooner than expected, but then more broadly balanced over the medium term.

The US Federal Reserve also pushed up rates over the period, reaching a peak range of between 5.25-5.50% in August 2023, where it has stayed since. US policymakers have maintained the relatively dovish stance from the December FOMC meeting and at the meeting in March, economic projections pointed to interest rates being cut by a total of 0.75% in 2024.

Following a similarly sharp upward trajectory, the European Central Bank hiked rates to historically high levels over period, pushing its main refinancing rate to 4.5% in September 2023, where it has remained. Economic growth in the region remains weak, with a potential recession on the cards, but inflation remains sticky and above the ECB's target, putting pressure on policymakers on how to balance these factors.

Financial markets: Sentiment in financial markets remained uncertain and bond yields continued to be volatile over the year. During the first half of the year, yields rose as interest rates continued to be pushed up in response to rising inflation. From October they started declining again before falling sharply in December as falling inflation and dovish central bank attitudes caused financial markets to expect cuts in interest rates in 2024. When it emerged in January that inflation was stickier than expected and the BoE and the Federal Reserve were data dependent and not inclined to cut rates soon, yields rose once again, ending the period some 50+ bps higher than when it started.

Over the financial year, the 10-year UK benchmark gilt yield rose from 3.44% to peak at 4.75% in August, before then dropping to 3.44% in late December 2023 and rising again to 3.92% (28th March 2024). The Sterling Overnight Rate (SONIA) averaged 4.96% over the period to 31st March.

Credit review: In response to an improving outlook for credit markets, in January 2024 Arlingclose moved away from its previous temporary stance of a 35-day maximum duration and increased its advised recommended maximum unsecured duration limit on all banks on its counterparty list to 100 days.

Earlier in the period, S&P revised the UK sovereign outlook to stable and upgraded Barclays Bank to A+. Moody's also revised the UK outlook to stable, Handelsbanken's outlook to negative, downgraded five local authorities, and affirmed HSBC's outlook at stable while upgrading its Baseline Credit Assessment. Fitch revised UOB's and BMO's outlooks to stable.

In the final quarter of the financial year, Fitch revised the outlook on the UK sovereign rating to stable from negative based on their assessment that the risks to the UK's public finances had decreased since its previous review in October 2022, the time of the mini-budget.

Moody's, meanwhile, upgraded the long-term ratings of German lenders Helaba, Bayern LB and LBBW on better solvency and capital positions, despite challenges from a slowing German economy and exposure to the commercial real estate sector. Moody's also upgraded or placed on review for an upgrade, Australian banks including ANZ, CBA NAB and Westpac on the back of the introduction of a new bank resolution regime.

Credit default swap prices began the financial year at elevated levels following the fallout from Silicon Valley Bank and collapse/takeover of other lenders. From then the general trend was one of falling prices and UK lenders' CDS ended the period at similar levels to those seen in early 2023. Earlier in the year some Canadian lenders saw their CDS prices rise due to concerns over a slowing domestic economy and housing market, while some German lenders were impacted by similar economic concerns and exposure to commercial real estate towards the end of the period, with LBBW remaining the most elevated.

Heightened market volatility is expected to remain a feature, at least in the near term and, credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

APPENDIX 6

Interest & Capital Financing Costs – Budget Monitoring 2023/24

April 2023 to March 2024	YEAR END POSITION			ADV/FAV
	Budgeted Spend or (Income) £'000	Actual Spend or (Income) £'000	Actual over or (under) spend £'000	
Interest & Capital Financing				
- Debt Costs	8,872	7,026	(1,846)	FAV
- Internal Repayment of Loan Charges	(16,080)	(16,080)	0	-
- Ex Avon Debt Costs	910	900	(10)	FAV
- Minimum Revenue Provision (MRP)	11,164	10,184	(980)	FAV
- Interest on Balances*	(1,450)	(2,011)	(561)	FAV
Total	3,416	19	(3,397)	FAV

*this is after the transfer of £10,000 to the Capital Financing Reserve to go towards smoothing any gains or losses on valuation of the strategic investment funds, should the statutory override not be extended when it currently runs out on 31/05/2025

APPENDIX 7

Summary Guide to Credit Ratings

Rating	Details
AAA	Highest credit quality – lowest expectation of default, which is unlikely to be adversely affected by foreseeable events.
AA	Very high credit quality - expectation of very low default risk, which is not likely to be significantly vulnerable to foreseeable events.
A	High credit quality - expectations of low default risk which may be more vulnerable to adverse business or economic conditions than is the case for higher ratings.
BBB	Good credit quality - expectations of default risk are currently low but adverse business or economic conditions are more likely to impair this capacity.
BB	Speculative - indicates an elevated vulnerability to default risk, particularly in the event of adverse changes in business or economic conditions over time.
B	Highly speculative - indicates that material default risk is present, but a limited margin of safety remains. Capacity for continued payment is vulnerable to deterioration in the business and economic environment.
CCC	Substantial credit risk - default is a real possibility.
CC	Very high levels of credit risk - default of some kind appears probable.
C	Exceptionally high levels of credit risk - default is imminent or inevitable.
RD	Restricted default - indicates an issuer that has experienced payment default on a bond, loan, or other material financial obligation but which has not entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, and which has not otherwise ceased operating.
D	Default - indicates an issuer that has entered into bankruptcy filings, administration, receivership, liquidation, or other formal winding-up procedure, or which has otherwise ceased business.

APPENDIX 8

Extract from Treasury Management Risk Register – Top 5 Risks

Page 191

	Risk Nr	Description	Current Risk Score										Trend		Management Action		
			Likelihood					Impact					This Period	Periods Ago			
			1	2	3	4	5	1	2	3	4	5					
			L	M	H	L	M	H									
1	R06	Inflation Risk The risk that prevailing levels of inflation cause an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately.			3						4		12	12	16	16	Liaise with Chief Finance Officer to ensure Inflation both current and projected forms part of the medium term financial planning framework.
2	R09	Legal & Regulatory Risk - Changes Risk that regulatory changes are not planned for and adversely impact the Council's budget and or ability to borrow				4				3			12	12			Read, resond and calculate the impact of Local Government accounting, investment and capital financing / borrowing consultations have on treasury management. Plan for the implementation of new regulations, conditions and accounting treatment
3	R04	Interest Rate Risk The risk that fluctuations in the levels of interest rates create an unexpected or unbudgeted burden on the organisation's finances, against which the organisation has failed to protect itself adequately			3					3			9	9	12	12	Monitor interest rates on a monthly basis and compare with budget to determine impact on Council finances and report through monthly Treasury Dashboard. Report implication of interest rate changes to Cabinet as part of quarterly Treasury Management Performance Report. Explore alternative potential investment products following new freedoms including corporate bonds, gilts, Certificate of Deposits etc. Discussion with our treasury advisors on any new borrowing in terms of duration and timing given the current volatility in the gilt market and PWLB interest rates.
4	R01	Credit & Counterparty Risk - Default Risk The risk of failure by a third party to meet its contractual obligations to the organisation under an investment, borrowing, capital, project or partnership financing, particularly as a result of the third party's diminished creditworthiness, and the resulting detrimental effect on the organisation's capital or current (revenue) resources.		2							4		8	8			Complete annual review of Counterparty List with external advisors to feed into Treasury Management Strategy. Regular review of counterparty financial standing through use of credit ratings, credit default swap rates and national press coverage and liaison with Chief Finance Officer and external advisors to consider any issues / change in circumstances of counterparties.
5	R08	Legal & Regulatory Risk - Acting Outside Powers The risk that the organisation itself, or a third party with which it is dealing in its treasury management activities, fails to act in accordance with its legal powers or regulatory requirements, and that the organisation suffers losses accordingly.		2							4		8	8			Obtain independent review of the council's strategy and polices to ensure compliance with the CIPFA Code of Practice on Treasury Management Local Authorities (Capital Finance and Accounting) (England) Regulations, Local Government Act and any other regulation or guidance as specified by the Secretary of State.. Stay on top of Government and CIPFA consultations on Treasury and Capital Financing regulations

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	25th September 2024	AGENDA ITEM NUMBER
TITLE:	Internal Audit – Update Report (Planned Work 2024/25)	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Audit Reviews Position Statement (2024/25)		
Appendix 2 – Follow-Up Reviews		

1 THE ISSUE

- 1.1 This report is to provide an update on the work of the Internal Audit team and progress made in delivering the Annual Audit Assurance Plan 2024/25 which was presented and approved by the Committee on 1st May 2024.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee notes the progress in delivery of the 2024/25 Annual Audit Assurance Plan.

3 THE REPORT

- 3.1 The Annual Internal Audit Plan for 2024/25 was presented to the Corporate Audit Committee on the 1st May 2024.

3.2 INTERNAL AUDIT WORK UPDATE

3.2.1 Internal Audit Plan – Half Year Review

- 3.2.2 This report summarises the work of the Internal Audit team during 2024/25 (to September 2024), this includes planned and unplanned reviews from the 2024/25 audit plan along with carried forward work from 2023/24 and associated work to support the internal control framework.

- 3.2.3 The 2024/25 Internal Audit Plan was approved in May 2024 and Appendix 1 records progress to 30th August 2024.

- 3.2.4 To support delivery of the plan we are pleased to report that in June / July we appointed an Auditor and a Senior Auditor. They started their employment with

the Council in August and September respectively and this provides the team with the resource capacity to fulfil the B&NES Internal Audit work plan.

3.2.5 Audit Reviews in the 2023/24 Internal Audit Plan carried forward into 2024/25 (Audit Reports published in 2024/25) - As at the date of reporting to the last Audit Committee (1st May 2024), one audit review was at draft reporting stage and five others were still 'work in progress'. All six have been completed with 1 at draft reporting stage. For information the Assurance Levels assigned for each are recorded below.

Audit Review	Scope / Objective of Review	Assurance Level
Housing Services - Management of Housing Rent & Charges	1) To ensure that charges are raised accurately and timely in respect of all agreed rent and associated service charges for all relevant housing schemes. 2) To ensure that all income is accurately recorded in Agresso to allow each scheme to be effectively reported and monitored. 3) To ensure that all debts are effectively monitored, controlled and recovered in accordance with the formally adopted systems and processes.	4 (Substantial)
Property Maintenance - Corporate & Commercial Estates	1) Ensure that programmed maintenance is carried out timely to protect property assets. 2) Ensure that Corporate and Commercial Estate properties are maintained through a programme of planned maintenance based on accurate / timely surveys and an assessment of risk. 3) Ensure fairness and transparency regarding the award of works and value for money is obtained. 4) Ensure that the condition of the Corporate and Commercial Estate property is monitored, and assurance reports are presented to individual responsible Officers and Groups / Committees (Officer & Member). 5) Ensure that property maintenance expenditure is monitored against approved budgets.	2 (Limited)
User Access Management - Starters,	1) Starters: To ensure timely network access is provided in line with officers' specific responsibilities and approved by an	3

Leavers (Council) and Post Changes	authorised individual/team. 2) Movers: To ensure network access rights are reprovisioned in line with new responsibilities where applicable and approved by an authorised individual/team. 3) Leavers: To ensure network access is revoked in a timely manner e.g., within 2 weeks of departure. Note – removal of network access includes removal of access to approved council applications.	(Reasonable)
Firewalls	1) To avoid unauthorised access and exploitation of systems and networks. 2) To avoid disruption of network and information systems operations. 3) To avoid theft and disclosure of data and information.	4 (Substantial)
Malware and Ransomware	1) To avoid disruption of network and information systems operations. 2) To avoid theft and disclosure of data and information. 3) To ensure that the organisation can recover from a malware or ransomware attack.	4 (Substantial)
Corporate Wi-Fi Networks	1) Wi-Fi networks are available and have sufficient capacity to cope with the organisation's demands. 2) Confidentiality and integrity of Wi-Fi network traffic is maintained.	Draft Report

3.2.6 The audit review of Property Maintenance- Corporate & Commercial Estates resulted in a Level 2 'limited' assurance rating being assigned. Further information about agreed actions to improve the internal control environment are recorded below.

3.2.7 Property Maintenance- Corporate & Commercial Estates actions included:

- 1) That the specification for the repairs and maintenance module for procurement of a dedicated property management IT application, should include requirements for sufficient tracking of repair jobs, job costing and pre /post inspection/feedback, reporting/performance analysis.
- 2) Condition surveys to be implemented and maintained for corporate property/assets.
- 3) That relevant supporting information for jobs be recorded – i.e. surveyor comments, contractors' quotations for work after inspection, agreement and any variations. The separate record keeping procedure should be an interim measure prior to the implementation of a property management IT application.

- 4) That feedback should be obtained for reactive repairs jobs carried out to provide assurance that the works are in accordance with that specified. This could be carried out on a sample basis by for example inspections being carried out by property surveyors or feedback from building users (either by written questionnaire or phone call). When a new property management IT application is implemented, automated questionnaires to be sent or direct online access by building users to request and capture feedback.
- 5) Due to limited segregation of duties between requesting works and processing payments the Support Services Manager should periodically check a sample of payments to the job requests to verify that the repair work is reasonable / legitimate.
- 6) That the Engineering Services Framework Contract be renegotiated as a priority.
- 7) The Term Service Contract – Maintenance of Fire & Security Installations be retendered to comply with Contract Standing Orders.

It should be noted that management have formally agreed to implement all the audit report recommendations by 30th March 2025.

3.2.8 **Internal Audit Plan Work 2024/25** - In relation to the 2024/25 planned work the following progress is to be noted –

Planned Audit Reviews - 7 core audit reviews are either at report stage or 'Work-In Progress'.

Grant Certification Work – The bulk of the grant expenditure review and certification is carried out during the month of April. 32 grant certification reviews have been completed up to the end of August 2024. This generally relates to external funding received from the West of England Combined Authority, with the one exception being the Historic England's grant allocation to the Midsomer Norton High Street Heritage Action Zone.

Investigations, Whistleblowing & Unplanned Work – Internal Audit have responded to two reports of 'financial irregularity' requiring advice/ investigation. The first was related to salary payments being made to an individual who was set up on the Council's payroll system as a new starter and received salary payments despite not actually starting their employment. The second case was related to fraudulent claims for Early Years Entitlement from a child carer. In addition to identifying the amount of the 'overpayments' and taking recovery action, work was carried out to identify the internal control failures and to implement actions to avoid a repeat.

3.2.11 For the first 5 months of 2024/25, there have not been any whistleblowing cases reported to Internal Audit which have highlighted dangerous, illegal or unethical activity by Council Officers or Members that required investigation.

3.2.12 **Follow-Up Reviews** - The Internal Audit team have carried out 4 Audit 'Follow-Up' reviews to ensure sufficient action has been taken to manage the internal control risks identified and reported. The 'Follow-Ups are recorded in the table at Appendix 2 – a simple RAG rating has been used to indicate Internal Audit's assessment as at the date of the 'Follow-Up' activity.

The Chief Audit Executive is confident that planned 2024/25 audit work will be completed by the financial year end if the level of unplanned work remains low.

4 STATUTORY CONSIDERATIONS

- 4.1 There are no specific statutory considerations related to this report. Accounts & Audit Regulations set out the expectations of provision of an Internal Audit service. This is supported by S151 of the Local Government Act and CIFPA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 There are no direct resource implications relevant to this report.

6 RISK MANAGEMENT

- 6.1 A proportionate risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance. Significant risks to the council arising from an ineffective Internal Audit Service include lack of internal control, failures of governance and weak risk management. Specific risks include supplementary External Audit Fees and undetected fraud. Internal Audit assists the Council in identifying risks, improvement areas and recommending good practice.
- 6.2 The Corporate Audit Committee has specific responsibility for ensuring the Council's Risk Management and Financial Governance framework is robust and effective.

7 EQUALITIES

- 7.1 A proportionate equalities impact assessment has been carried out using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

- 8.1 There are no direct climate change implications related to this report.

9 OTHER OPTIONS CONSIDERED

- 9.1 No other options to consider related to this report.

10 CONSULTATION

10.1 The Council's Section 151 Officer has had the opportunity to input to this report and has cleared it for publication.

Contact person	<i>Andy Cox (01225 477316)</i>
Background papers	<i>Reports to Corporate Audit Committee – 1st May 2024 'Internal Audit Plan 2024/25' and 'Annual Report of the Chief Audit Executive 2023/24'.</i>
Please contact the report author if you need to access this report in an alternative format	

Ref	Topic	Status	Assurance Level	Recommendations	
				Made	Agreed
B24-001	Climate & Ecological Emergency Response - Performance Monitoring / Reporting	Final Report	3	5	5
B24-002	Learning Disabilities Pooled Budget - Governance	WIP			
B24-003	Financial Saving Plan - Monitoring & Delivery Review				
B24-004	Community Sub Contracted Services - Governance (ICB Lead)				
B24-005	DSG -Safety Valve - Programme Management (Mechanisms & Framework) (GT VFM)	Draft Report	4	3	
B24-006	IT - IT Services Recovery Management	WIP			
B24-007	IT - Liquidlogic EYES - Data Integrity Audits				
B24-008	IT - Penetration Testing - IT Healthcheck Remediation Plan				
B24-009	IT - Public Website Security				
B24-010	Car Parking - Emissions income charging	WIP			
B24-011	Supported Lodgings (Family Placement Team)				
B24-012	WECA Funding – Fashion Museum (Project Initiation / Resourcing & Funding)				
B24-013	Corporate Estate - Energy Management				
B24-014	Debt Management - Corporate Policy (Development of new policy)				
B24-015	Aequus Group - Financial Governance (Client Simon Martin) Aequus Decision Making links to Michael Hewitts framework				
B24-016	Homes for Ukraine – LA Housing Fund Grant (Dept of LUHC)				
B24-017	Creditor Payments - Supplier Set-Up & Duplicate Payments	WIP			
B24-018	Brokerage (Adults & Children)				
B24-019	Corporate Parent - Child Protection Independent Reviewing Officers				
B24-020	Car Parking - Park & Ride Contract				
B24-021	Fleet Management - Workshop Activity / Trading				
B24-022	Payroll (Variations - salary award / increment increases / mileage & expenses)	WIP			
B24-023	Contract Management - Reporting clause waiver (loss of legal rights)				
B24-024	Temporary Accommodation				
B24-025	Risk Management - Decision Making -adequacy of report risk management assessment				
B24-026	WECA bidding - Regeneration Schemes programme management (linked to B24-008 Fashion Museum)				

Audit Report	Reported Assurance Level	Summary of Follow-Up findings
23-003B Workforce – Recruitment & Retention	3 (Reasonable Assurance)	x3 High Risk Recommendations and X2 Medium Risk Recommendations implemented by end of May 2024 apart from elements of recommendations which required specific training to be provided to HR staff. This training has been scheduled to be completed by end of October 2024.
23-014B Care Leavers	3 (Reasonable Assurance)	<p>x4 High Risk Recommendations – all have been substantially progressed, however, there were key actions to be completed.</p> <p>x3 Medium Risk Recommendations – 2 have been fully implemented and 1 has some remaining actions.</p> <p>The management responses to recommendations highlighted resourcing and capacity issues of providing PA support to care leavers. The IA response to this was that it was important for management to record the risks and actions within a service risk register to ensure management have on-going sight of the risk(s) and progress on implementing actions.</p> <p>The Director of Children’s Services and Education/DCS advised that the service risk register was to be updated with regards to care leaver risks.</p> <p>It was also noted through the management response that recruitment was underway to increase capacity to provide additional support to care leavers.</p>
23-010B Planning Enforcement	3 (Reasonable Assurance)	3 of the 9 medium risk weakness recommendations fully implemented, 3 were being implemented and 3 not implemented.

		The Head of Service was asked to monitor implementation of those recommended actions still outstanding through an email dated 14 th August 2024.
23-025B Bankline - Treasury Management Investment and 'other Council Payment' Transactions	4 (Substantial Assurance)	The single high risk weakness recommendation regarding segregation of duties had been implemented. 3 of the 4 medium risk recommendations have been implemented leaving just the recommendation relating to maintenance of the Treasury Management Risk Register. The responsible officer is awaiting receipt of the new risk register template to enable them to complete an updated version of the register.

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	25 th September 2024	AGENDA ITEM NUMBER
TITLE:	Risk Management – Update Report – Corporate Risk	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Corporate Risk Register		

1 THE ISSUE

- 1.1 This report provides an update on a specific area of the Council's risk management arrangements to assist in providing assurance to the Committee on the system of risk management within the Council.
- 1.2 The Council's Corporate Audit Committee has responsibility within its terms of reference for overseeing the risk management framework of the Council.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to:

Note the report.

3 THE REPORT

- 3.1 The Corporate Audit Committee has responsibility for overseeing the risk management framework within the Council. This does not mean accountability or responsibility for the risks which clearly sit with the respective Service area but the Committee does have a role in providing assurance that a system is in place and working.
- 3.2 At its february meeting the Committee received a detailed report on the Council's risk management arrangements, its corporate risk register and a presentation on roles and responsibilities in the Council's governance framework.
- 3.3 It was agreed that continued overview of risk management arrangements would include reviews of specific themes as well as corporate risks and the proposed forward look is set out as follows –
 - A) February 2024 – Overview of Corporate arrangements and Corporate Risk
 - B) May 2024 – Fraud Risk
 - C) September 2024 – Corporate Risk

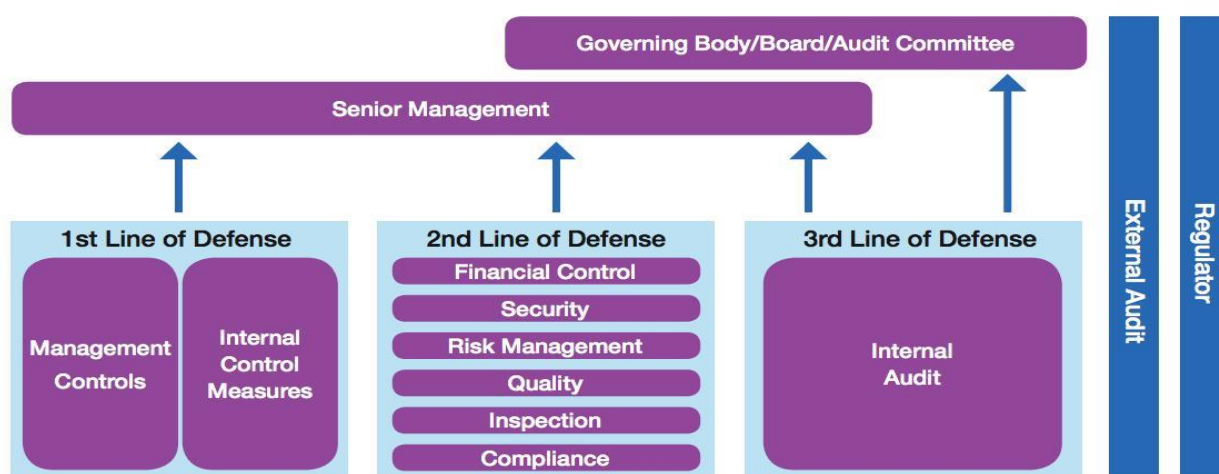
- D) November 2025 – Cyber Risk
- E) February 2025 – Procurement Risk
- F) May 2025 – Corporate Risk

Context – Risk Management Framework

- 3.4 Our strategy to manage risk recognises that both taking and accepting more risk is part of modern service delivery. However in accepting more risk we will do this in both a transparent and informed way to achieve the best results for citizens and customers.
- 3.5 Therefore we want to promote an approach that focusses on the effective identification and management of risks to ensure the council is focussed on minimising adverse impacts and maximising benefits within the delivery of its objectives throughout all of its services.
- 3.6 Active risk management is an integral component of our local code of corporate governance which is designed to help us achieve our aspirations, priorities and outcomes to deliver the Council's Vision. This strategy therefore expects that we focus on taking the right actions to address risks and opportunities both in a transparent way and based on evidence.



- 3.7 The framework is therefore designed to support Officers and Members in delivering on the Council's plans and operational objectives.
- 3.8 Risk Management forms the second line in the 'Three Lines of Defence Model' protecting our organisation.
- 3.9 We do this in a sensible and proportionate way to actively manage risks down the risk matrix in terms of their potential impact on the organisation.



		LIKELIHOOD				
		Rare	Unlikely	Possible	Likely	Almost Certain
IMPACT	Catastrophic					
	Major					
	Moderate					
	Minor					
	Negligible					

Corporate Risk Register (CRR) (Appendix 1)

3.10 All risk registers are dynamic documents, currently the CRR contains 28 risks which are owned by the Corporate Management Team and 10 risks in watching brief mode. Corporate Management Team review the register formally on a quarterly basis. The CRR identifies themes, service area/ director/ officer leads and describes the risks and commentary around actions, status and mitigation. This allows regular review of the changing landscape in local government and ability to provide co-ordinated responses to major threats.

3.11 The inherent, residual and risk change are also captured along with an assessment of risk appetite and risk tolerance and structured around the following themes detailed in Appendix 1:

Regional Partnership Working	Resource & Budget Management
Climate Change	Transformation

Housing	Cyber Risk Management
Infrastructure	Financial Planning
Climate Emergency	Capital Programme
Transport	Safety Valve – DSG Management
Safeguarding	Health and Safety
Childrens Services Transformation	Health & Social Care Joint Working
Social Care – Various	Emergency Management
Public Health & Pandemic Planning	Social Care - Deprivation of Liberty
Corporate Governance	Avon Pension Fund

3.12 The watching brief element of the register includes outlines risks for –

- a) Public Transport
- b) Project Delivery
- c) Commercial Income
- d) Homelessness
- e) Customer Standards & Customer Contact
- f) Capital Programme Financial Risks
- g) CRSTS Delivery
- h) Cost of Living/Inflationary Pressures
- i) Funding Risks for core services
- j) Emergency Management

4 STATUTORY CONSIDERATIONS

4.1 The council has statutory duties to plan and prepare for emergencies under the provisions of the Civil Contingencies Act 2004.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 This is an information and update report so there are no direct implications arising from this report.

6 RISK MANAGEMENT

- 6.1 No decision or recommendation is being made and this report details the council's approach to risk management. As a result, there are therefore no new significant risks to consider in relation to this report.

7 EQUALITIES

- 7.1 An equalities impact assessment has been considered using corporate guidelines and no significant issues have been identified.

8 CLIMATE CHANGE

- 8.1 There are no direct climate change implications related to this report. In terms of risk management, risks associated with the Council's roles in respect of climate change are captured at different levels, including in the CRR and other risk registers.

9 OTHER OPTIONS CONSIDERED

- 9.1 This is an update report to aid assurance, no decisions or recommendations are being proposed so no other options are being considered.

10 CONSULTATION

- 10.1 The report is an information and update report and has been consulted with the Council's S151 Officer.

Contact person	Jeff Wring – Director – Financial Services, Assurance & Pensions
Background papers	
Please contact the report author if you need to access this report in an alternative format	

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B&NES Corporate Risk Register

Corporate Management Team

Q2 2024/25

Nr	Service Area	Risk Description	Director Lead	Inherent Risk - Pre Action										Mitigations & Management										Action Plans		Residual Risk - Post Action										Risk Management Approach & Assessment					
				Likelihood					Impact					Commentary on Current Status of Action Plans										Current Status	Likelihood					Impact					This Period	Risk Appetite	Risk Tolerance	Risk Change			
				1	2	3	4	5	1	2	3	4	5												1	2	3	4	5	1	2	3	4	5							
				L	M	H	L	M	H	L	M	H												L	M	H	L	M	H	L	M	H									
R01	Sustainable Communities	Climate Emergency (Adaption & Resilience) - Risk that the Council does not adapt its own operations to reduce the impacts of Climate Change and make them more resilient for the community to meet the challenges ahead.	Sophie Broadfield			4							5	Climate Emergency Strategy and Action Plan reported on to full Council. This highlighted the many areas of progress and roadmap towards our 2030 targets. There is further work still required to map out our Strategy and Plans to reduce this major risk for our communities. Council resources to do this have been identified and adaptation will be built into a 2025 refresh of the Climate Emergency Strategy. Cllr Leach has been appointed as lead following the elections and the Council is working with the West of England Combined Authority to establish an appropriate regional response to the major climate threats (A paper is due to the WECA Committee on 20 September 2024). There is still significant long-term work to complete as this risk remains both significant and highly complex.										Potentially Off-Target			3					4				12	Open	Moderate	No Change		
R02	Childrens	Childrens - Risk that the Council is unable to manage the budget deficit for the dedicated schools grant with the Department for Education, impacting on future education spending	Mandy Bishop/ Chris Wilford			4							4	The Council has delivered a revised DSG safety valve programme to the DfE. This new programme was delivered in a timescale agreed with the DfE (submitted May 24). To refine the new plan we have: *worked within the recommendations of a commissioned external review of our plan, including scrutiny of all lines of growth and spend *Appointed a dedicated programme manager for the SV plan and external financial support. *Appointed a new Team of Staff to deliver a SEND and AP advice service to demand manage request for EHCP's, operational from 1.9.24, as well provided additional revenue to appoint SV staff into the SEND team. *Resourced a significant SEND capital programme to include ~ 4 New Resource bases, 2 Free Schools, AP & SEND 1 Residential School. The LA is also building a 16-25 residential facility at a SEND Further Education (FE) college facility. The LA is providing additional capital investment and land as part of its commitment to SEND in our local area and to Regular reports provided into Property Board and H&S Steering Group. Compliance Manager appointed and programme of compliance works undertaken to estate assets. ZetaSafe system implemented with clear audit trail on evidence and action. Early dashboard content being assessed. Service transformation work progressing for completion by end of FY. Centralisation of budgets and resources will further improve assurance. . Immediate void property risks are being addressed via programme management and longer term via the Asset Plan and asset challenge Framework.										Potentially Off-Target			3					4					12	Averse	Low	No Change	
R03	Resources	Statutory Compliance - Risk that the Council is unable to deliver on its duties as a landlord managing complex compliance risks around fire and building safety to its users and tenants from its major Corporate & Commercial Estate holdings	Simon Martin/ Andy Rothery			4							4											Potentially Off-Target			3					4			12	Averse	Nil	No Change			
R11	Childrens & Adults	Safeguarding - Risk that we do not fulfil our statutory duties to safeguard Children & Vulnerable Adults	Mary Kearney- Knowles			4							5	The service has worked hard to deliver safe and effective services. The service has experienced significant increase in demand - 500 more contacts than in previous 12 months, increased complexity and increased LAC/Care Leavers, of which a significant % are UASC. The service continues to experience recruitment and retention challenges, notably in the Safeguarding Outcomes part of the service: this has required the use of agency staff to meet statutory responsibilities and deliver timely interventions.										On Target			3					4				12	Averse	Nil	No Change		
R12	Health	Partnership Working - Risk that we do not maximise the opportunities to retain an influential role in the sub-region through effective partnership working and commissioning with our Health Partners in the Integrated Care Board (including the BCF & Pooled arrangements) across Public Health, Children's and Adult Social Care	Mandy Bishop/ Suzanne Westhead/ Mary Kearney- Knowles/ Becky Reynolds			4							4	The inherent risks vary across teams. Senior Officers are embedded in both local ICA arrangements and broader BSW system arrangements. There are a number of on-going discussions around the community services financial 3 envelope and pooled budget arrangements that are yet to be resolved January (2024). The risks to the council continue to escalate until we have satisfactory resolution of these matters with increased pressure on 2024/2025 budget. As a direct result of savings not being realised for LD pooled budget this has resulted on pressure of ASC reserve. Joint strategy and policy work progressing well. S75 reviewed as part of the ICB Co-ordinating commissioner for B&NES HCROG Care Group new contract arrangement for 2024/25. There is a risk register in place for the 24/25 new contract arrangement for ICB led joint contract for HCROG Care Group for Wilt and B&NES. There remains the need to ensure system alignment given the complexity of BSW system. The annual Better Care Fund (BCF) report has been jointly developed between ICB and B&NES integrated commissioning team with good engagement with B&NES CMT & SLT prior to submission at February 2024 Health and Wellbeing Board. Integrated Community Based Care Contract for April 2025 - SW and BR remain the B&NES representatives at the ICB programme board. Single Member Decision 9th Sept for delegated authority to DASS & Lead Member to agree contract for ICBC April 2025 following competitive procurement led by ICB, best estimate funding for 7 year contract term and DASS authority to be representative on the Collaborative Oversight Forum as required in the Collaborative Commissioning Agreement - this is entered onto the cabinet forward plan. ICB contract award decision to be taken 19th Sept. Risk Register in place for ICBC programme contract award as of April 2025. B&NES remains proactive and engaged with regional and national networks to work effectively across ASC, CSC and PH sector through LGA, ADASS and ADPH. Significant impact of change across system and within ICB and B&NES taken into consideration for ASC service planning for 24/25 to identify agreed priorities/what can be resourced and may result in some priority activity being slowed down. Le development of carers strategy and articulation of the risk this poses to CQC inspection preparation. The B&NES internal commissioning review and staff consultation an opportunity to review commissioning arrnagments for B&NES. AD Operations leading work on LD pooled budget (de-couple) with frequent assurance meetings with S151 officer and planned audit for Q2 2024/25. Significant reproucement of PH services ongoing, risk register in place, ties into ICB reproucement of community services.										Potentially Off-Target			3						4					12	Cautious	Moderate	No Change

[illegible]

100	Place Management	Asset Management - Risk that our Asset Management Plans do not deliver sufficient resource to ongoing maintenance of key Corporate & Commercial Estate assets which could lead to significant transport, health and community impacts	Simon Martin, Mandy Bishop, Chris Major		3						4							Potentially Off-Target	2						4		8	Averse	Low	No Change
101	Resources	Financial Planning - Risk that we are unable to set a medium term financial plan demonstrating that we can operate within the available funding envelope, and satisfy S25 of the Local Government Act.	Andy Rothery/ Gary Adams		3						5							On Target	2						4		8	Averse	Low	No Change
102	Resources	Cyber/Information Technology - Risk that despite protecting the Council's systems and essential data from Cyber attacks, malicious attempts to damage critical services within the Council could be disruptive.	Andy Rothery, Liam Abbott		3						5							On Target	2						4		8	Cautious	Low	Improving
103	Resources	Organisational Development - Risk that we do not effectively manage the Being Our BEST change programme to deliver its benefits, i.e. great jobs, smarter structures, culture of excellence	Cherry Bennett		3						4							On Target	2						4		8	Open	Low	No Change
104	Public Health	Public Health - Risk that we do not both plan and prepare effectively with our partners for the impacts of a pandemic or significant public health emergency both on our community and for continued delivery of essential services.	Mandy Bishop, Becky Reynolds		3						5							On Target	2						4		8	Minimal	Low	No Change
105	Resources	Pensions & Financial Stability - Risk that we do not carry out our statutory duties in relation to the administration and governance of the Avon Pension Fund leading to significant financial risk for employers & the administering authority (B&NES) - (Fund is a top 10 Fund in LGPS with a value in excess of £5.5BN)	Jeff Wring/ Nick Dixon		3						5							On Target	2						4		8	Minimal	Low	Improving
106	Resources	Workforce Development - Risk that we are unable to recruit and retain appropriate levels of skilled staff to ensure delivery of services to the public and prevent reduced performance and impacts on service delivery	Cherry Bennett, Jo Griffin		3						4							On Target	2						3		6	Open	Low	No Change
107	Resources	Health, Safety & Wellbeing - Risk that we are unable to adequately safeguard the Health, Safety and Welfare of our staff. (Including Mental Health)	Cherry Bennett, Tracy Curtis		4						4							On Target	2						3		6	Averse	Low	No Change

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	25 th September 2024	AGENDA ITEM NUMBER
TITLE:	Audit Committee – Draft Workplan	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Draft Workplan 2024/25		

1 THE ISSUE

1.1 The draft workplan for the Committee is attached at Appendix 1 for comment.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to –

Note the 2024/25 workplan for the Committee subject to any proposed amendments.

3 THE REPORT

3.1 The workplan for the Committee ensures that the terms of reference for the Committee are appropriately delivered. Appendix 1 details the current workplan which is kept under ongoing review and the Committee is asked to note this, subject to any comments or proposed amendments.

4 STATUTORY CONSIDERATIONS

4.1 There are no specific statutory considerations related to this report.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 This is an information report so there are no direct implications arising from this report.

6 RISK MANAGEMENT

6.1 There are no new significant risks or issues to report to the Committee as a result of this report.

7. EQUALITIES

7.1 An equalities impact assessment has been considered using corporate guidelines and no significant issues have been identified.

8. CLIMATE CHANGE

8.1 There are no direct climate change implications related to this report.

9. OTHER OPTIONS CONSIDERED

9.1 This is an update report, no decisions or recommendations are being proposed so no other options are being considered.

10 CONSULTATION

10.1 Consultation has been carried out with the Section 151 Finance Officer.

Contact person	Jeff Wring, Director – One West (01225 477323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Appendix 1 - CORPORATE AUDIT COMMITTEE WORKPLAN – 2024/25

Date of meeting	Report title	Requirement & Purpose (TOR)
1 st May 2024	External Audit Plan for Council - Y/E 2023/24	To Approve – Oversight of work of External Auditor
	External Audit Plan for Avon Pension Fund – Y/E 2023/24	To Approve – Oversight of work of External Auditor
	Internal Audit Annual Report – Y/E 2023/24	To Note – Oversight of work of Internal Audit
	Internal Audit Annual Plan – Y/E 2024/25	To Approve – Oversight of work of Internal Audit
	Risk Management Update Report – Fraud Risk	To Note – Oversight of Risk Management Arrangements
	Annual Governance Statement & Local Code of Corporate Governance – Update Report	To Note & Endorse – Oversight of Corporate Governance Arrangements

<p><i>25th September 2024</i></p>	<p>External Audit – Update Report & Avon Pension Fund Audit Findings Report</p> <p>Y/E 2023/24 External Audit Annual Report (Including VFM Assessment Report)</p> <p>Audit Committee Annual Report & Review of Effectiveness 2022/23</p> <p>Treasury Management Outturn Report – Y/E/ 2023/24</p> <p>Internal Audit Update Report - 2023/24</p> <p>Risk Management Update Report – Corporate Risk</p>	<p>To Note – Oversight of work of External Audit</p> <p>To Note – Oversight of work of External Audit</p> <p>To Approve & Recommend to Council – Report back to Council on delegation of responsibility</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Note – Oversight of Risk Management Arrangements</p>
<p><i>27th November 2024</i></p>	<p>Annual Accounts 2023/24 – Informal Briefing</p> <p>Y/E 2023/24 External Audit Findings & Accounts & Annual Governance Statement Approval</p> <p>ADL Accounts Y/E 2023/24 - Accounts Update</p> <p>Treasury Management 6 month update - 2023/24</p> <p>Risk Management Update Report – Cyber Risk</p>	<p>To Note – Oversight of Financial Governance</p> <p>To Approve Accounts – Approve Accounts on behalf of Council</p> <p>To Note – Oversight of work of External Audit</p> <p>To Note – Financial Oversight of Council Owned Companies</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of Risk Management Arrangements</p>
<p><i>5th February 2025</i></p>	<p>Treasury Management Strategy - 2025/26 Consultation</p> <p>Internal Audit Plan - 2025/26 Consultation</p>	<p>To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p>

	Risk Management Update Report – Procurement Risk	To Note – Oversight of Risk Management arrangements
<i>30th April 2025</i>	<p>External Audit Plan for Council & Avon Pension Fund - Y/E 2024/25</p> <p>Internal Audit Annual Report – Y/E 2024/25</p> <p>Internal Audit Plan Annual Plan – Y/E 2025/26</p> <p>Risk Management Update Report – Fraud Risk</p>	<p>To Approve – Oversight of work of External Audit</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Approve – Oversight of work of Internal Audit</p> <p>To Note – Oversight of Risk Management arrangements</p>

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