

Corporate Audit Committee

Date: Wednesday, 1st May, 2024

Time: 4.00 pm

Venue: Kaposvar Room - Guildhall, Bath

Agenda

To: All Members of the Corporate Audit Committee

Councillors: David Biddleston (Chair), Lucy Hodge, George Leach, Malcolm Treby and Sam Ross

Independent Member: John Barker

Chief Executive and other appropriate officers

Press and Public

The agenda is set out overleaf.



Enfys Hughes

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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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The Council has a scheme to encourage the public to make their views known at meetings. They may make a statement relevant to what the meeting has power to do. They may also present a petition or a deputation on behalf of a group.

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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, 1st May, 2024

at 4.00 pm in the Kaposvar Room - Guildhall, Bath

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 - WEDNESDAY 7TH FEBRUARY 2024 (Pages 7 - 14)

8. EXTERNAL AUDIT PLAN - B&NES COUNCIL AND AVON PENSION FUND (Pages 15 - 74)

9. ANNUAL GOVERNANCE STATEMENT 2023/2024 & LOCAL CODE OF CORPORATE GOVERNANCE (Pages 75 - 100)

10. ANNUAL REPORT OF THE CHIEF AUDIT EXECUTIVE 2023/24 (Pages 101 - 108)

11. INTERNAL AUDIT PLAN - 2024/2025 (Pages 109 - 124)
12. RISK MANAGEMENT - UPDATE REPORT - FRAUD RISK (Pages 125 - 132)
13. AUDIT COMMITTEE - DRAFT WORKPLAN (Pages 133 - 136)

The Democratic Services Officer for this meeting is Enfys Hughes who can be contacted on 01225 394410.

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Wednesday, 7th February, 2024, 4.00 pm

Councillors: David Biddleston (Chair), Lucy Hodge, George Leach, Malcolm Treby and Sam Ross

Independent Member: John Barker

Officers in attendance: Enfys Hughes (Democratic Services Officer), Jeff Wring (Director of One West & Avon Pension Fund), Gary Adams (Head of Financial Management), Jamie Whittard (Corporate Finance Manager), Claire Read (Group Accountant – Financial Accounting & Treasury) and Andy Cox (Head of Audit and Assurance (One West))

Guests in attendance:

37 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer drew attention to the emergency evacuation procedure.

38 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Andy Rothery, Section 151 Officer sent his apologies.

39 DECLARATIONS OF INTEREST

There were none.

40 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

42 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

43 MINUTES - 1ST NOVEMBER 2023

RESOLVED that the minutes of the meeting held on 1st November 2023 be confirmed as a correct record and signed by the Chair.

44 MINUTES - 22ND NOVEMBER 2023

RESOLVED that the minutes of the meeting held on 22nd November 2023 be confirmed as a correct record and signed by the Chair.

45 INTERNAL AUDIT PLAN CONSULTATION 2024/25

The Head of Audit and Assurance One West (Finance) presented the report. Firstly, he stated the report provided an update on 2023-24 audit work. Since the last meeting in November there was need for further assessment, 4 audits had been merged into 2 and 6 audits had been postponed. These changes were due to a reduction in resources, unplanned work including an investigation into Homes for Ukraine and requests for audit reviews on public health grant budget management and cash handling in resource centres. He stressed the audit plan must be responsive.

Secondly internal audit planning methodology was based on the reasonable assurance model. The plan must deliver sufficient work to allow the independent assessment of the control framework of the Council and give a reasonable assurance opinion. The model considered 3 areas of organisation context, high level and detailed assessment. Consultation had taken place with senior management and statutory officers and views of the Committee are now sought.

During Members' questions the following issues were clarified:

- audits had been postponed due to capacity and unplanned work. Some audits changed to a more appropriate time. Difficulty in recruitment over an extended period was having an impact at a senior level (Councillor Malcolm Treby);
- the in-year financial position of the Council was difficult with a forecast overspend of £1-2 million at end of Q3 and therefore stringent cost control was necessary (Jeff Wring Director of One West);
- during the pandemic staffing levels were maintained at a satisfactory level as job security was critical for many officers but there had been a lot of movement since then and the service was now in a less favourable position than April last year. The recruitment freeze did allow for some selected exemptions and certain sectors were protected like care services and statutory functions such as waste and recycling but this did not cover Internal Audit (Councillor Lucy Hodge);
- it was noted that staff had left the authority as there was a competitive market place on pay and other sector salaries were increasing more (Councillor Sam Ross);
- BANES had already entered into partnership options with other local authorities on a push/pull basis to flex resources but there were clearly cost implications (Jeff Wring);
- the impact of all these circumstances impacted on audits being rescheduled. Committee was concerned that audits on areas such as Climate Change were key and this could create long-term issues if they persisted (Councillor David Biddleston);
- it was important to ensure the Council delivered value for money and audit was an important element in forming an independent view on assurance in this area (Councillor Malcolm Treby);
- long term specific issues could impact on the external auditors' view of the internal control framework if there were ongoing problems with resources (John Barker Independent Member);

- Committee asked whether the recruitment freeze be relaxed for internal audit to allay concerns/risks of audits not being completed due to capacity issues (Councillor Malcolm Treby);
- the staffing capacity issue and the impact on the audit plan could be raised as a question to full Council or Cabinet;
- Director of One West advised that the issues presented in this report were difficult but not systemic and in the main caused by long term forces in the recruitment marketplace. Budgeted resources had not reduced and all the audits were simply being rescheduled but it was important to be transparent with the committee on the rationale for this. He committed to keep this area under review in relation to the recruitment freeze;
- adult social care was a large part of the Council's budget and in the 2024-25 plan staff were very busy with the HCRG handover working closely with colleagues (Councillor George Leach);
- Head of Audit stated that appendix 3 gave a feel for the planned areas for 2024/25. Some were thematic such as IT audits and these would need to be built into the detail of the plan;
- Committee raised risks as regards capital expenditure, an example of a specific project was funding the move of the Fashion Museum to the Bath Post Office (Councillor Malcolm Treby);
- further comments were raised around the allocation of resources to third sector providers which were reducing and had been for some time (Councillor Lucy Hodge) and it was queried how BANES compared to other local authorities;
- many of the third sector providers were valuable (Councillor David Biddleston) it would be useful to look at the figures from different directorates/services and see how funds were allocated, could these areas be considered within the plan;
- this was supported by the Committee, as an example the money spent on wellness and medical needs was not equitable, if more money was spent on wellness in the long-term it would reduce the money needed on medical (Councillor Sam Ross).

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

RESOLVED

- 1) that the Corporate Audit Committee note the progress in delivery of the 'core' audit reviews in 2023/24 Annual Audit Assurance Plan and approves the additional amendments to the Audit Plan 2023/24;
- 2) that the Corporate Audit Committee agree to the proposal that the Internal Audit Core Work Plan (list of internal audit reviews) be presented to the 1st May 2024 Audit Committee; will be subject to ongoing review and updating by the Head of Audit & Assurance; and, reports on the maintenance of the Core Work Plan and audit reviews carried out will be presented at least every six months to the Committee;
- 3) that the Corporate Audit Committee note any activity areas or themes that members of the Committee would like to be considered for inclusion in the list of audit reviews which will form the core work of the Internal Audit function for the financial year 2024/25 onwards; and

- 4) that the Corporate Audit Committee consider that if resource issues persist with regard to Internal Audit and significantly impact on delivery of key assurances to management and the Council, that further discussions with the Cabinet should take place on resourcing.

46 TREASURY MANAGEMENT STRATEGY STATEMENT 2024/25

The Head of Financial Management presented the report and stated that it fulfilled the Authority's annual requirement under the CIPFA Code of Practice to set the strategy for 2024-25. The strategy sets high level boundaries but a flexible approach was adopted dependent on the market conditions. It would be review by Corporate Audit Committee as part of scrutiny, then go to Cabinet and then be approved by full Council.

In respect of the economic background, section 1.21, he stated there were currently high interest rates to tackle inflation and Bank of England forecast inflation would reducing steadily to meet its target rate of 2% in early 2025. There was pressure on the economy with a forecast of GDP growth stagnating. In respect of credit outlook, not much had changed in the banking sector. There was pressure on assets linked to loans due to the weakening economic picture, although net income and profitability were being boosted by higher interest rates. Short term volatility to gilts and borrowing interest rates continued dues to economic and political uncertainty and events such as the current situation in the Middle East. He referred to borrowing, section 1.31, at £217 million and investments at £39 million, stating they were highly liquid to manage cashflow. In respect of capital financing requirement (section 1.32) there was a need to borrow for capital purposes for the capital programme and the benchmarks showed the position. The strategy at 2.3 showed the current short-term rates which were high but expected to fall in the coming year so the maturity structure of any new borrowing would continue to be assessed against rates. It was no longer possible to access borrowing from the PWLB for buying investment assets primarily for yield.

The investment strategy highlighted the CIPFA requirements, security then liquidity then yield. There was a need to be prudent. For investments the Council used banks that were following the UN principles for responsible banking & investment. The measures were outlined to manage the Council's exposure to risk and the Treasury Management Indictors were also highlighted.

After questions from Councillors the following points were clarified:

- The forecast increase in borrowing from £215 million in 2023-24 to £285 million in 2024-25 was as a result of delaying borrowing in previous years due to cashflow and now the Council was catching up but this was prudent management to use cash balances and reserves. Borrowing was managed on a net basis and budgeted corporately (Councillor Malcolm Treby);
- the IFRS changed how the Council accounted when leasing equipment or property to recognise future liability;
- In respect of changing interest rates on borrowing, some previous loans reflected the lower interest rates available at that time, now the rates were rising;

- Arlingclose reviewed their interest rate forecasts when the Bank of England made their decisions, which happened every few months (Councillor David Biddleston);
- the number of schools still operating Council bank accounts was low as the majority had moved to academy status and now operated their own bank accounts;
- Mifid professional status - to maintain the status quo and access to the required range of investment accounts the authority had opted-up. Before they were treated as a professional client but after the banking crisis Local Authorities had been automatically downgraded to the same status as a consumer. However, with qualified and experienced staff, and the size of investment activity, they met the tests to opt back up to professional status.

On a motion from Councillor Sam Ross, seconded by Councillor Lucy Hodge it was

RESOLVED

- 1) to recommend the actions proposed within the Treasury Management Strategy Statement (**Appendix 1**) to Council; and
- 2) to note the Treasury Management Indicators detailed in **Appendix 1**.

47 RISK MANAGEMENT - UPDATE & OVERVIEW OF ARRANGEMENTS

The Director of One West presented the report which gave an overview of the strategy and framework. He stated that governance was one of the key pillars of assurance alongside performance and financial management. A strategy was in place with a risk register, integrated risk framework and decision-making guidance. There was formal CMT (Corporate Management Team) oversight quarterly on the Corporate Risk Register and CMT met on a fortnightly basis, so escalation of issues and risks was able to be made at short notice. Strong levels of assurance were available to the Council with both internal and external audit alongside the role of the Corporate Audit Committee.

He outlined the key risk framework and governance processes – these included a corporate risk register, a register for all directorates, all major projects, an escalation policy, performance surgeries, a corporate risk management steering group and a risk management Teams site. He confirmed roles and responsibilities were clear and the Council had key layers of accountability which included statutory officers, such as the Head of Paid Service, Section 151 Officer and Monitoring Officer. Member roles included the Audit Committee covering strategy and framework, Scrutiny Panels who could look at thematic and focussed issues and Cabinet who had overall accountability.

During Members' questions the following issues arose:

- Individual risks (themes) could be reviewed in detail by scrutiny panels and the strategy and framework would come to Corporate Audit Committee for consideration (Councillor Sam Ross);
- there was no software to help so the register was on Excel and it would outline red risks, new issues and how long items had been there,

improvements to metrics and high level reporting was still needed (Councillor Malcolm Treby);

- previously the risk register had come to Audit Committee but had also been reported to Corporate Scrutiny Panel on which 2 previous members of Corporate Audit Committee sat (Councillor Lucy Hodge);
- it was agreed there was opportunity to build stronger links between Corporate Audit and Scrutiny in order to provide more integrated assurance over key risks;
- it was confirmed that any areas of concern or significant concern could be minuted and then raised by the Chair with the Chairs of the appropriate panel, officers would check there was no duplication. Chairs of the scrutiny panels ultimately chose what issues went onto their individual workplan. It was confirmed that officers were involved with Corporate Audit and scrutiny;
- there seemed to be a robust system in place and there was both an escalation and de-escalation policy through the corporate management team (John Barker Independent Member).

The meeting went on to discuss the Corporate Risk Register and raised the following issues:

- The DSG (Direct Schools Grant) and safety valve were highlighted as a red risk and climate change adaptation was challenging as there was so much to do;
- landlord responsibilities was noted as a previous area the Committee had focussed on following internal audit reviews;
- the demand for CAMHS (Child and Adolescent Mental Health Services) had increased significantly since COVID and these were acknowledged within the Childrens Services risks (Councillor David Biddleston);
- Being our Best referred to a range of themes around greater jobs, smarter structures and a culture of excellence, currently significant work on restructuring was ongoing but this was confirmed as a management issue. Members' roles were to look at outcomes.

RESOLVED

- 1) To note the report; and
- 2) to consider and provide any feedback and observations to further develop good practice for our next Strategy Review.

48 DRAFT WORKPLAN

The Director of One West presented the report. Councillor Sam Ross stated how useful it was to see what decision was required alongside the item.

RESOLVED to note the workplan.

The meeting ended at 6.06 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	1st May 2024	AGENDA ITEM NUMBER
TITLE:	External Audit Plan – B&NES Council and Avon Pension Fund	
AN OPEN PUBLIC ITEM		
<p>List of attachments to this report:</p> <p>Appendix 1 – External Audit Plan for the Council 2023/34</p> <p>Appendix 2 – External Audit Plan for the Avon Pension Fund 2023/24</p>		

1 THE ISSUE

- 1.1 The External Auditor will present their Audit Plans for the Council and Avon Pension Fund for the year 2023/24.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to –

Endorse the 2023/24 External Audit Plan for the Council (Appendix 1) & External Audit Plan for the Avon Pension Fund (Appendix 2).

3 THE REPORT

- 3.1 The External Auditor is required to set out their proposed work plans for the audit of the Council's Accounts and Avon Pension Fund to the Audit Committee along with their proposed fees.
- 3.2 Appendix 1 outlines the work required and approach to be taken with regards to the 2023/24 External Audit of the Council. The External Auditor will provide a full verbal briefing on the Audit Plan at the Committee meeting.
- 3.3 Appendix 2 outlines the work required and approach to be taken with regards to the 2023/24 External Audit of the Avon Pension Fund. The External Auditor will provide a full verbal briefing on the Audit Plan at the Committee meeting.

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 The financial implications from this report are laid out in the fees section of each plan. These show an increase from previous years and have been allowed for within the Council's and Avon Pension Fund agreed budget for 2024/25..

6 RISK MANAGEMENT

- 6.1 A proportionate risk assessment has been carried out in relation to the Councils risk management guidance. There are no new risks or issues to report to the Committee as a result of this report. An unqualified audit opinion and positive VFM report are indicators of good governance and the Council and Avon Pension Fund will continue to work towards minimising risks within this environment.

7 EQUALITIES

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

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

Contact person	Jeff Wring, Director - One West & Avon Pension Fund (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 audit plan

Year ending 31 March 2024

17 April 2024

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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 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.

Key matters

National context

The national economic context continues to present challenges to the local government sector. There are increasing cost pressures nationally, such as a growing population and increasing demand for local government services, especially in adult and children's social care. Combined with inflationary pressures, pay demands and energy price rises, the environment in which local authorities operate is highly challenging. Local Government funding continues to be stretched and there have been considerable reductions in the grants received by local authorities from government.

Recently, we have seen the additional strain on some councils from equal pay claims, and there has been a concerning rise in the number of councils issuing s.114 notices. These are issued when a council's Chief Financial Officer does not believe the council can meet its expenditure commitments from its income. Additionally, the levels of indebtedness at many councils is now highly concerning, and we have seen commissioners being sent in to oversee reforms at a number of entities.

Our recent value for money work has highlighted a growing number of governance and financial stability issues at a national level, which is a further indication of the mounting pressure on audited bodies to keep delivering services, whilst also managing transformation and making savings at the same time.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) in March 2023 which explored the reasons for delayed publication of audited local authority accounts.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

The Council has committed to producing draft 2023/24 financial statements by the end of May, which is in line with the statutory deadline.

Key matters - continued



Our Responses

- As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Director of Finance.
- To ensure close work with our local audited bodies and an efficient audit process, our preference as a firm is work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We offer a private meeting with the Chief Executive twice a year, and with the Director of Finance Quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Corporate Audit Committee, to brief them on the status and progress of the audit work to date.
- We will consider your arrangements for managing and reporting your financial resources as part of our audit in completing our Value for Money work.
- Our Value for Money work will also consider your arrangements relating to governance and improving economy, efficiency and effectiveness. Should the NAO revise the VFM code during 2023/24, these areas of focus may change and this line may need amending for different emphases
- We will continue to provide you and your Corporate Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Audit Committee updates.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Key matters - continued



Our Responses (continued)

- With the ongoing financial pressures being faced by local authorities, in planning this audit we have considered the financial viability of the Council. We are satisfied that the going concern basis remains the correct basis behind the preparation of the accounts. We will keep this under review throughout the duration of our appointment as auditors of the Council.
- There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. We are required to identify a significant risk with regard to management override of controls.
- There is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue – refer to page 8.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Bath & North East Somerset Council ('the Council') for those charged with governance.

Respective responsibilities

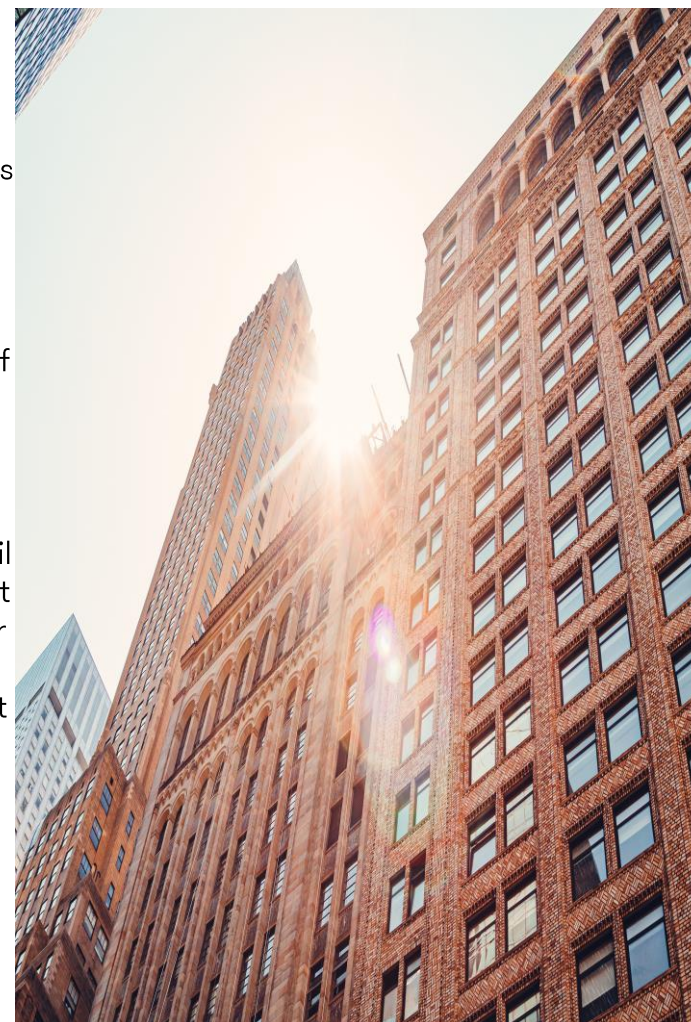
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code. This audit plan will be revised and an update published if required, once the Code is updated to set out the implications of the revised code on this audit. Our respective responsibilities are also set out in the agreed in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Bath & North East Somerset Council. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council and group's financial statements that have been prepared by management with the oversight of those charged with governance (the Corporate Audit committee); and we consider whether there are sufficient arrangements in place at the Council and group for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit Corporate Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

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

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Group Audit

The Council is required to prepare group financial statements that consolidate the financial information of Aequus Group Holdings Limited, Aequus Developments Limited and Aequus Construction Limited.

Materiality

We have determined planning materiality to be £7.880m (PY £7.5m) for the group and £7.7m (PY £7.4m) for the Council, which equates to 1.9% of your prior year gross operating expenditure for the year. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

A lower materiality for individual senior officer remunerations disclosures has been set at £26,818.

Clearly trivial has been set at £0.385m (PY £0.37m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money will take place in July 2024. We will separately report the results of that risk assessment should any risks of significant weakness be identified.

We will continue to update our risk assessment until we issue our Auditor's Annual Report.

Audit logistics

Our planning visit will take place in March – April 2024 and our final visit will take place in July – October 2024. Our key deliverables are this Audit Plan, our Audit Findings Report and our Auditor's Annual Report.

Our preference is for all our work to take place on site alongside your officers.

Our proposed fee for the audit will be £365,617 (PY: £173,664) for the Council, subject to the Council delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

Significant risks identified

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.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions (Rebutted for Council only)	Group and Council	<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> <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>We do not, therefore, consider this to be a significant risk for BaNES Council.</p> <p>We have identified revenue at the group level as a significant risk. We will review the work undertaken by the component auditor in relation to this risk as part of our group assessments</p>
Risk of fraud related to expenditure recognition PAF Practice Note 10 (rebutted)	Group and Council	<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>	<p>For expenditure recognition we will</p> <ul style="list-style-type: none"> • Evaluate the groups accounting policy for recognition of expenditure for appropriateness; • Gain an understanding of the Council's system for accounting for expenditure and evaluate the design of the associated controls; • Agree, on a sample basis, amounts recognised as expenditure in the financial statements to supporting documents • Identify and test a sample of transactions received post year end to ensure these have been classified to the correct year.

Significant risks identified

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.

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	Group (where applicable) and Council	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.	<div>We will:</div> <ul style="list-style-type: none">• evaluate the design effectiveness of management controls over journals• analyse the journals listing and determine the criteria for selecting high risk unusual journals• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

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‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified - continued

Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings and investment properties	Group and Council	<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>	<p>We will:</p> <ul style="list-style-type: none"> • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test revaluations made during the year to see if they had been input correctly into the group's asset register • evaluate 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.

Management should expect engagement teams to challenge areas that are complex, significant or highly judgmental. This may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies, with reference to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

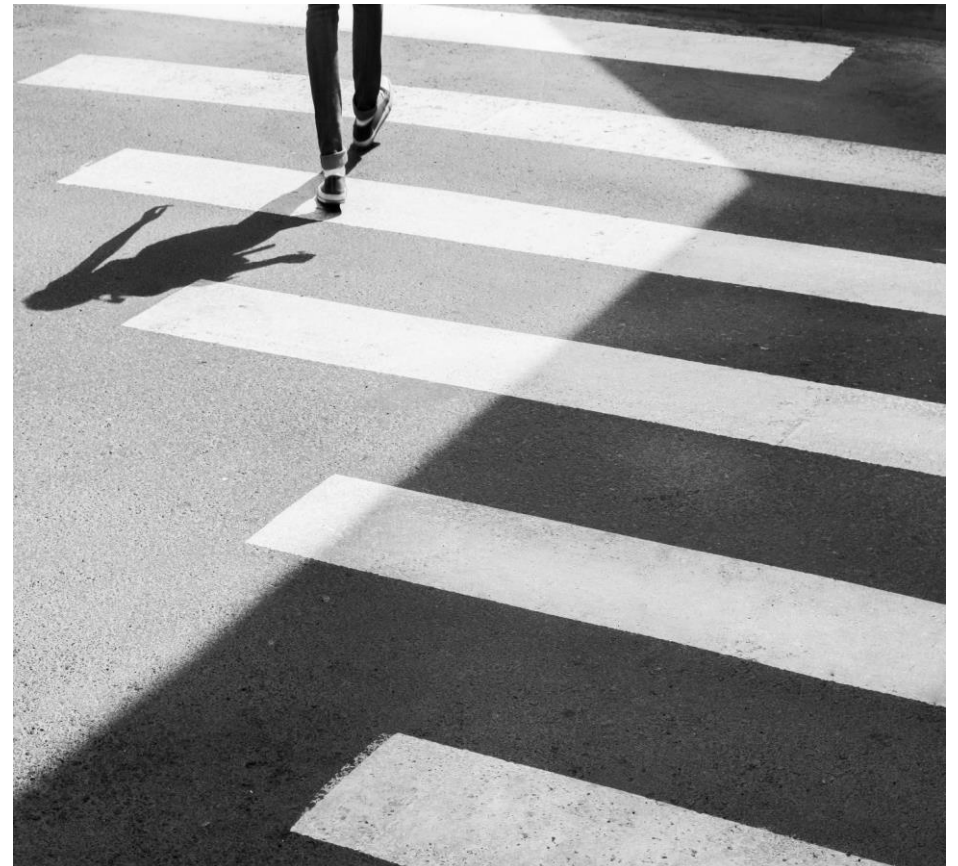
Risk	Risk relates to	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of the pension fund net liability	Council	<p>The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements and group accounts.</p> <p>The pension fund net liability is considered a significant estimate due to the size of the numbers involved (£116.64m in the Council's balance sheet at 31/03/2023) and the sensitivity of the estimate to changes in key assumptions.</p> <p>We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement, and a key audit matter.</p>	<p>We will:</p> <ul style="list-style-type: none"> • update 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 evaluate the design of the associated controls; • evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work; • assess the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation; • assess the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • test 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; • undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • agree the advance payment made to the pension fund during the year to the expected accounting treatment and relevant financial disclosures. • 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.

Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Key changes within the group:

Our planning inquiries have not identified any key changes within the group.



Group audit scope and risk assessment

Component	Individually Significant ?	Level of response required under ISA (UK) 600	Risks identified	Planned audit approach
Bath and North East Somerset Council	Yes	Full scope UK statutory audit performed by Grant Thornton UK LLP	<ul style="list-style-type: none"> See risks identified on pages 8 to 11 	Full scope audit performed by Grant Thornton UK LLP
Aequus Holdings Group Limited, Aequus Development s Limited and Aequus Construction Ltd	Yes	Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements	<ul style="list-style-type: none"> Management override of controls Valuation of investment properties The revenue cycle includes fraudulent transactions 	<p>Audit of one or more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements.</p> <p>The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, guidance and designing procedures, participation in meetings, followed by the review of relevant aspects of the component auditor's audit documentation and meeting with appropriate members of management.</p>

Audit scope

- Audit of the financial information of the component using component materiality
- Audit of one more classes of transactions, account balances or disclosures relating to significant risks of material misstatement of the group financial statements
- Review of component's financial information
- Specified audit procedures relating to risks of material misstatement of the group financial statements
- Analytical procedures at group level

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement and any other information published alongside your financial statements to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements;
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act);
 - application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act;
 - issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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.

Matter	Description	Planned audit procedures
1	Determination We have determined financial statement materiality based on a proportion of the gross expenditure of the group and the Council for the financial year. Materiality at the planning stage of our audit is £7.886m for the group and £7.7m for the Council, which equates to 1.9% of your prior year gross expenditure.	We determine planning materiality in order to: <ul style="list-style-type: none">– establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;– assist in establishing the scope of our audit engagement and audit tests;– determine sample sizes and– assist in evaluating the effect of known and likely misstatements in the financial statements.
2	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered to be material by nature where it may affect instances when greater precision is required. <ul style="list-style-type: none">– We have identified senior officer remuneration as a balance where we will apply a lower materiality level, as these are considered sensitive disclosures. We have set a materiality of £26,800, being 1.9% of the total expenditure on senior officers remuneration in 22/23.

Our approach to materiality

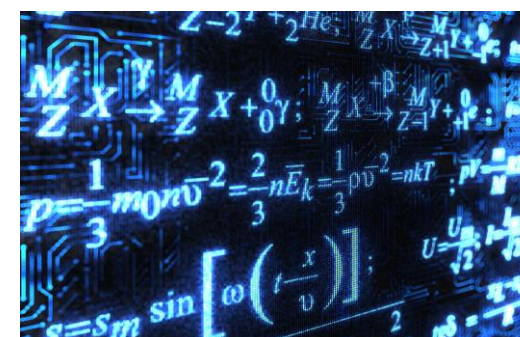
The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p>Other communications relating to materiality we will report to the Corporate Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Corporate Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) ‘Communication with those charged with governance’, we are obliged to report uncorrected omissions or misstatements other than those which are ‘clearly trivial’ to those charged with governance. ISA 260 (UK) defines ‘clearly trivial’ as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Corporate Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Group and Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.394m (PY £0.37m) for the group and £0.385m (PY £0.37m) for the Council. If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Audit Committee to assist it in fulfilling its governance responsibilities.</p>

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.

	Amount (£)	Qualitative factors considered
Materiality for the Council financial statements	£7,700,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure based budget for the financial year with the primary objective to provide services for the local community and therefore gross expenditure at the Net Cost of Services level was deemed as the most appropriate benchmark. This benchmark was used in the prior year.
Materiality for specific transactions, balances or disclosures - senior officer remuneration	£26,818	We considered materiality from the perspective of the users of the financial statements. As these are sensitive disclosures of high public interest we have used 2022/23 expenditure on senior officer remuneration as the benchmark for materiality.
Group materiality	£7,880,000	We considered materiality from the perspective of the users of the financial statements. The group prepares an expenditure based budget for the financial year with the primary objective to provide services for the local community and therefore gross expenditure at the Net Cost of Services level was deemed as the most appropriate benchmark. This benchmark was used in the prior year.



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs. We say more about ISA 315 Revised on slide 28.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

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IT system	Audit area	Spend/Income	Planned level IT audit assessment
Agresso/Civica	Financial reporting	£409,122k	<ul style="list-style-type: none">Our assessment will test the design of the ITGCs
Northgate	Council Tax, Business Rates, Benefits, Grants	£28,496k	<ul style="list-style-type: none">Our assessment will test the design of the ITGCs
iTrent	Payroll	£134,040k	<ul style="list-style-type: none">Our assessment will test the design of the ITGCs

Value for Money arrangements

Approach to Value for Money work for the period ended 31 March 2024

The National Audit Office issued its latest Value for Money guidance to auditors in January 2023. The Code expects auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report any significant weaknesses in the body's arrangements, should they come to their attention. In undertaking their work, auditors are expected to have regard to three specified reporting criteria. These are as set out below:



Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.



Risks of significant VFM weaknesses

As part of our planning work, we considered whether there were any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we needed to perform further procedures on. The risks we have identified are detailed in the first table below, along with the further procedures we will perform. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the second table below.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:

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Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements.

Risks of significant VFM weaknesses – continued

The Audit Code sets out that the auditor’s work is likely to fall into three broad areas:

- planning;
- additional risk-based procedures and evaluation; and
- reporting.

We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. A key part of this is the consideration of prior year significant weaknesses and known areas of risk which is a key part of the risk assessment for 2023/24. We set out our reported assessment below:

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Criteria	2022/23 Auditor judgement on arrangements informing our initial risk assessment		Additional risk-based procedures planned
Financial sustainability	Red	A significant weakness has been identified relating to the Council managing it’s Dedicated Schools Grant (DSG) within the recovery plan it agreed with the Department for Education. Because of this, a key recommendation has been raised, along with three improvement recommendations.	We will follow up progress against the key recommendation(s) made and ensure that our work assesses the current arrangements in place.
Governance	Amber	No significant weaknesses in arrangements identified, but seven improvement recommendations made.	We will undertake sufficient work to ensure that we have documented our understanding of the arrangements in place as required by the Code of Audit Practice.
Improving economy, efficiency and effectiveness	Amber	No significant weaknesses in arrangements identified, but five improvement recommendations made.	We will follow up progress against the improvement recommendation(s) made and ensure that our work assesses the current arrangements in place.

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.

Risks of significant VFM weaknesses – continued

Our planning work for 2023/24 is not yet complete, and we will update you separately once this has concluded. If our planning procedures identify any risks of significant weakness in arrangements we will update members in the progress report.

Audit logistics and team



Alyssa Gomez, Audit In-charge

Key audit contact responsible for the day to day management and delivery of the audit work

David Johnson Audit Manager

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

Beth Bowers, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the Annual Report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Bath & North East Somerset Council to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2023/24 audit is £353,067.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

In setting these fees, we have assumed that the Council will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

Proposed fee 2023/24	
Bath & North East Somerset Council Audit	£353,067
ISA 315	£12,550
Total audit fees (excluding VAT)	£365,617

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Previous year

In 2022/23 the scale fee set by PSAA was £115,164. The actual fee charged for the audit, including audit of subsidiary companies (where applicable) was £182,414.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

IFRS 16 'Leases' and related disclosures

IFRS 16 will need to be implemented by local authorities from 1 April 2024. This Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. As this is a shadow year for the implementation of IFRS 16, we will need to consider the work being undertaken by the Council to ensure a smooth adoption of the new standard.

Introduction

IFRS 16 updates the definition of a lease to:

“a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration.

IFRS 16 requires all leases to be accounted for 'on balance sheet' by the lessee (subject to the exemptions below), a major departure from the requirements of IAS 17 in respect of operating leases.

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. There is a single accounting model for all leases (similar to that of finance leases under IAS 17), with the following exceptions:

- leases of low value assets
- short-term leases (less than 12 months).

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating) although if an NHS body is the intermediary and subletting there is a change in that the judgement between operating and finance lease is made with reference to the right of use asset rather than the underlying asset

Council's systems and processes

We believe that most local authorities will need to reflect the effect of IFRS 16 changes in the following areas:

- accounting policies and disclosures
- application of judgment and estimation
- related internal controls that will require updating, if not overhauling, to reflect changes in accounting policies and processes
- systems to capture the process and maintain new lease data and for ongoing maintenance

Planning enquiries

As part of our planning risk assessment procedures we have considered the implications of the updated standard and the impact on the Council's financial statement. We will continue to discuss this with management and consider as part of the 2023-24 audit.

Further information

Further details on the requirements of IFRS16 can be found in the HM Treasury Financial Reporting Manual. This is available on the following link.

[IFRS 16 Application Guidance December 2020.docx \[publishing.service.gov.uk\]](#)

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons. relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

One matter that we draw attention to in the spirit of reporting in a timely manner is that the Key Audit Partner, Beth Bowers' mother is an admitted member of Avon Pension Fund from September 2023. We have confirmed that there are no conflicts preventing Beth from undertaking her role in the 23-24 financial statements audit and presented the situation to management and TCWG at the Corporate Audit Committee on 22 November 2023, where both confirmed they were comfortable for Beth to continue in her role.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams and component audit firms providing services to the group and Council.

Independence and non-audit services

Other services

The following other services provided by Grant Thornton were identified.

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the group and Council’s policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

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Service	Fees £	Threats	Safeguards
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Audit related

Certification of Housing Benefits Claim	£45,000	Self-Interest (because this is a recurring fee)	The estimated level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £xx in comparison to the total fee for the audit of £365,617 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
Certification of Teacher’s Pension Claim	£8,000	Self-Interest (because this is a recurring fee)	

Communication of audit matters with 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 and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
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 matters in relation to going concern	•	•
Matters in relation to the group audit, including: Scope of work on components, involvement of group auditors in component audits, concerns over quality of component auditors' work, limitations of scope on the group audit, fraud or suspected fraud	•	•
Views about the qualitative aspects of the Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		n/a

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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(deliberate manipulation) involving management and/or which results in material misstatement of the financial statements (not typically council tax fraud)		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

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.

Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Corporate Audit Committee (at next available Audit Committee meeting or in writing to the Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the Corporate Audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Addressing the local audit backlog - consultation

Consultation

The Department for Levelling Up, Housing and Communities (DLUHC), 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:

- FRC landing page - [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)
- DLUHC landing page - [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)
- NAO landing page - [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

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.

Preparing for the backstop

For any outstanding years up to 2022/23, local authorities should:

- Prepare, adopt and publish financial statements in line with Code and Statutory requirements (Accounts and Audit Regs 2015 – ‘true and fair’)
- Support statements with a proper set of working papers and audit trail
- Work with the auditor to support the completion of outstanding audit work (where possible) and for the completion of Value for Money Work.

For 2023/24, local authorities should:

- Agree a timetable and working paper requirements with the auditor
- Put project planning and key milestones in place
- Consider the implications of CIPFA consultation (property valuation and pensions)
- Ensure the Corporate Audit Committee is properly briefed and prepared

As your auditor we will:

- Keep you updated on all national developments
- Set out clear expectations of the information we will require to conclude our work
- Agree a plan for the delivery of our work programme with a commitment to key milestones

Next steps

We await the government’s response to the consultation. We will discuss next steps including any implications for your audit once we have further information.



Avon Pension Fund Audit Plan

Year ending 31 March 2024

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Contents



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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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Key matters

National context

The national and international economic context continues to present challenges for pension funds. Inflationary pressures at home and abroad and wider geo-political issues mean there is volatility in global markets with a consequential impact on the investments held by pension funds.

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 local government pension funds and set employer contribution rates for the period 2023/24 to 2025/26. In November 2023, the Department for Levelling Up, Housing and Communities (DLUHC) published the outcome of their consultation on local government pension scheme investments. The government will now implement proposals which include revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, regulation to require funds to set a plan to invest up to 5% of assets in levelling up the UK and revised investment strategy statement guidance to require funds to consider investments to meet the government's ambition of a 10 % allocation to private equity. The Chancellor has also outlined plans that local government pension funds will be invested in pools of £200bn or more by 2040.

DLUHC have also consulted on proposals to require local government pension scheme administering authorities in England and Wales to assess, manage and report on climate-related risks, in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD). Climate risk (TCFD) reporting in the LGPS is expected to commence from 1 April 2024, with first reports due in late 2025. We are also aware that administration teams will be tasked with implementing the McCloud remedy for qualifying members' pensions which came into force from 1 October 2023.

In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances.

Audit Reporting Delays

Against a backdrop of ongoing audit reporting delays, in October 2023 PSAA found that only five local government accounts had been signed by the September deadline. In June 2023 the Public Accounts Committee (PAC) also produced a report setting out their concerns over these audit reporting delays. We issued our report [About time?](#) In March 2023 which explored the reasons for delayed publication of audited local authority accounts.

Local authorities which administer local government pension funds are required to publish full pension fund accounts in the same document as their local authority accounts. This requirement means that the audited accounts of the host authority and related fund cannot be finalised until both audits have been completed. This co-dependency has compounded delays in the conclusion of pension fund audits and publication of audited accounts and annual reports.

In our view, to enable a timely sign off of the financial statements, it is critical that draft local authority accounts are prepared to a high standard and are supported by strong working papers.

Key matters - continued

Our Responses

- In 2023 Public Sector Audit Appointments Ltd (PSAA) awarded a contract for the audit of the Pension Fund to begin with effect from 2023/24. As a firm, we are absolutely committed to audit quality and financial reporting in the local government sector. Our proposed work and fee, as set out in this Audit Plan has been agreed with the Director of Finance. Later in this Audit Plan we set out the four contractual stage payments for this fee, with payment based on delivery of specified audit milestones.
 - To ensure close working with our local audited bodies and an efficient audit process, our preference as a firm is to work on site with you and your officers. Please confirm in writing if this is acceptable to you, and that your officers will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
 - We offer a private meeting with the Chief Executive twice a year, and with the Chief Financial Officer quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to meet informally with the Chair of your Corporate Audit Committee, to brief them on the status and progress of the audit work to date.
- We will continue to provide you and your Corporate Audit Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our updates to that Committee.
- We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretations, to discuss issues with our experts and to facilitate networking links with other audited bodies to support consistent and accurate financial reporting across the sector.

Introduction and headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Avon Pension Fund ('the Pension Fund') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. The NAO is in the process of updating the Code and we will communicate any implications of the revised code on this audit.

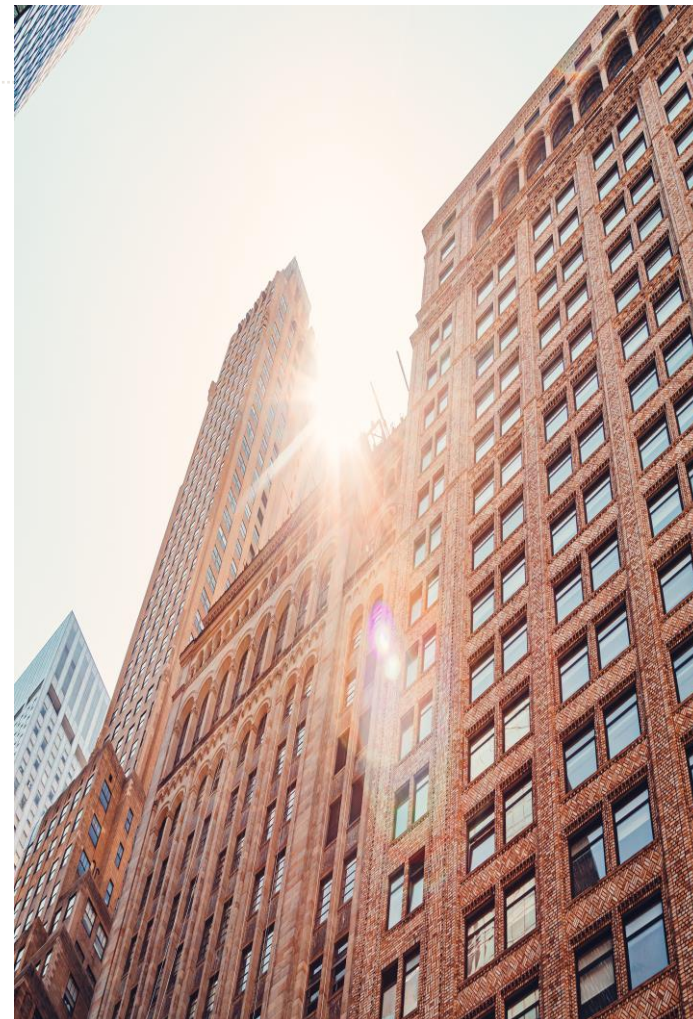
Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Pension Fund. We draw your attention to these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Pension Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Corporate Audit Committee).

The audit of the financial statements does not relieve management or the Corporate Audit Committee of your responsibilities. It is the responsibility of the Pension Fund to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Pension Fund is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Pension Fund's business and is risk based.



Introduction and headlines

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Valuation of Level 3 Investments

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £3.1m (PY £3.1m).

Audit logistics

Our planning work will take place in February and March 2024 and our final audit will take place in July and September 2024. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our preference is for elements of our work to take place on-site alongside your officers.

Our proposed fee for the audit will be £102,052 (PY: £68,755 for the Pension Fund, subject to the Pension Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

Our understanding is that the Custodian does not independently value the Pension Fund's investments, meaning we are not able to rely on the triangulation of the valuations included in the financial statements to investment manager and custodian confirmations for these investments. As a result, we carry out further audit procedures to gain assurance over the valuations of these investments.

For Level 1 and Level 2 investments we will agree these to available market information where available and we will supplement this with other information (e.g. the financial statements for pooled property funds) where market information is not readily available.

See page 9 for further details regarding our approach to auditing the valuation of Level 3 Investments.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2019) 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.

Materiality

We have determined planning materiality to be £62.9m (PY £61.9m) for the Pension Fund, which equates to 1.15% of the total market value of investment assets as at 30 June 2023, plus other assets of the fund as at 31 March 2023.

We have determined a lower specific planning materiality for the Fund Account of £23.8m (PY £23.8m), which equates to 10% of the prior year gross expenditure for the year of the fund account.

Significant risks identified

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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<div>The revenue cycle includes fraudulent transactions (rebutted)</div>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>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> <p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Fund, 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; and• the culture and ethical frameworks of local authorities, including Avon Pension Fund, mean that all forms of fraud are seen as unacceptable.	<p>No specific work is planned as the presumed risk has been rebutted.</p> <p>We will keep this rebuttal under review during the course of our audit and report our findings in the Audit Findings Report.</p>
<div>The expenditure cycle includes fraudulent transactions (rebutted)</div>	<p>Practice Note 10: Audit of Financial Statements of Public Sector Bodies in the United Kingdom (PN10) states:</p> <p>"As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition". Public sector auditors therefore need to consider whether they have any significant concerns about fraudulent financial reporting of expenditure which would need to be treated as a significant risk for the audit.</p> <p>We have rebutted this presumed risk for Avon Pension Fund because:</p> <ul style="list-style-type: none">• expenditure is well controlled and the Fund has a strong control environment; and• the Fund has clear and transparent reporting of its financial plans and financial position to those charged with governance.	<p>No specific work is planned as the presumed risk has been rebutted.</p> <p>We will keep this rebuttal under review during the course of our audit and report our findings in the Audit Findings Report.</p>

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‘Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty.’ (ISA (UK) 315)

Significant risks identified - continued

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.

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Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Management over-ride of controls	<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 therefore identified management override of control, in particular journals, management estimates and transactions outside the course of business as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none">• evaluate the design effectiveness of management controls over journals;• analyse the journals listing and determine the criteria for selecting high risk unusual journals;• test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration;• gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence; and• evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Management should expect engagement teams to challenge in areas that are complex, significant or highly judgmental which may be the case for accounting estimates and similar areas. Management should also expect to provide to engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified - continued

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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of Level 3 Investments Page 57	<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 will:</p> <ul style="list-style-type: none"> • evaluate management's processes for valuing Level 3 investments; • review the nature and basis of estimated values and consider 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 request year-end confirmations from investment managers and custodians; • for a sample of investments, test 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. Reconcile those values to the values at 31 March 2024 with reference to known movements in the intervening period; and • in the absence of available audited accounts, we will evaluate the competence, capabilities and objectivity of the valuation expert; and • where available review investment manager service auditor report on design effectiveness of internal controls.

Other matters

Other work

The Pension Fund is administered by Bath and North East Somerset Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

Therefore, as well as our general responsibilities under the Code of Practice a number of other audit responsibilities also follow in respect of the Pension Fund, such as:

- We 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.
- We consider our other duties under legislation and the Code, as and when required, including:
 - Giving electors the opportunity to raise questions about your 2023/24 financial statements, consider and decide upon any objections received in relation to the 2023/24 financial statements;
 - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
 - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
 - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

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.

Matter	Description	Planned audit procedures
1	Determination We have determined financial statement materiality by applying a reasonable measurement percentage to an appropriate benchmark. Materiality at the planning stage of our audit is £62.9m, which equates to 1.15% of the total market value of your investment assets as at 30 June 2023, plus other assets of the fund as at 31 March 2023.s	We determine planning materiality in order to: <ul style="list-style-type: none"> – establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; – assist in establishing the scope of our audit engagement and audit tests; – determine sample sizes and – assist in evaluating the effect of known and likely misstatements in the financial statements.
2	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements.	An item may be considered material by nature where it may affect instances when greater precision is required. We have determined a lower specific planning materiality for the Fund Account of £23.8 (PY £23.8m), which equates to 10% of the prior year gross expenditure for the year of the fund account. The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which materiality for the financial statements as a whole will be applied.

Our approach to materiality

Matter	Description	Planned audit procedures
3	<p>Reassessment of materiality</p> <p>Our assessment of materiality is kept under review throughout the audit process.</p>	<p>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.</p>
4	<p>Other communications relating to materiality we will report to the Corporate Audit Committee</p> <p>Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Corporate Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.</p>	<p>We report to the Corporate Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</p> <p>In the context of the Pension Fund, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £3.1m (PY £3.1m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Audit Committee to assist it in fulfilling its governance responsibilities.</p>

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.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£62.9m	<p>We have considered the following qualitative factors:</p> <ul style="list-style-type: none"> • Key users of the financial statements and which performance measures key stakeholders for the entity are interested in • Business environment • Control environment • Other sensitivities (e.g. Changes in regulations).
Materiality for the fund account	£23.8m	<p>We have considered the following qualitative factors:</p> <ul style="list-style-type: none"> • Key users of the financial statements and which performance measures key stakeholders for the entity are interested in • Business environment • Control environment • Other sensitivities (e.g. Changes in regulations).



IT audit strategy

In accordance with ISA (UK) 315 Revised, we are required to obtain an understanding of the relevant IT and technical infrastructure and details of the processes that operate within the IT environment. We are also required to consider the information captured to identify any audit relevant risks and design appropriate audit procedures in response. As part of this we obtain an understanding of the controls operating over relevant Information Technology (IT) systems i.e., IT general controls (ITGCs). Our audit will include completing an assessment of the design and implementation of relevant ITGCs.

The following IT systems have been judged to be in scope for our audit and based on the planned financial statement audit approach we will perform the indicated level of assessment:

IT system	Audit area	Planned level IT audit assessment
Agresso	Financial reporting	<ul style="list-style-type: none">ITGC review carried about by IT audit specialist team.
Altair	Member data	<ul style="list-style-type: none">ITGC review carried about by IT audit specialist team.
Active Directory	Network User access	<ul style="list-style-type: none">ITGC review carried about by IT audit specialist team.
Non-specific	Cyber Security	<ul style="list-style-type: none">Review of arrangements performed by IT Audit.

Audit logistics and team



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Beth Bowers, Key Audit Partner

Provides oversight of the delivery of the audit including regular engagement with Audit / Pensions Committees and senior officers.



George Amos, Audit Manager

Plans and manages the delivery of the audit including regular contact with senior officers.

Audited Entity responsibilities

Where audited bodies do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other audited bodies. Where the elapsed time to complete an audit exceeds that agreed due to an entity not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to an entity not meeting their obligations we are not able to guarantee the delivery of the audit to the agreed timescales. In addition, delayed audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit, you need to :

- ensure that you produce draft financial statements of good quality by the deadline you have agreed with us, including all notes ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are cleansed, are made available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples for testing
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

Audit fees and updated Auditing Standards

Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for the Pension Fund to begin with effect from 2023/24.

The scale fee set out in the PSAA contract for the 2023/24 audit is £94,522.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here <https://www.psaa.co.uk/appointing-auditors-and-fees/fee-variations-overview/>

Assumptions

In setting these fees, we have assumed that the Pension Fund will:

- prepare a good quality set of accounts, supported by comprehensive and well-presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Audit fees

Proposed fee 2023/24	
Avon Pension Fund Audit – PSAA Scale Fee	£94,522
ISA 315	£7,530
Total audit fees (excluding VAT)	£102,052

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Previous year

In 2022/23 the scale fee set by PSAA was £25,305. The actual fee charged for the audit was £68,755.

Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. 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.

Relevant professional standards

In preparing our fees, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2019\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

Independence and non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Pension Fund.

Other considerations for communication

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.

Other services

No other services provided by Grant Thornton were identified.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
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 and Key Audit Matters	•	
Confirmation of independence and objectivity of the firm, the engagement team members and all other indirectly covered persons	•	•
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 matters in relation to going concern	•	•
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		•

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Identification or suspicion of fraud(deliberate manipulation) 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		•

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.

Escalation policy

The Department for Levelling Up, Housing and Communities are proposing to introduce an audit backstop date on a rolling basis to encourage timelier completion of local government audits in the future.

As your statutory auditor, we understand the importance of appropriately resourcing audits with qualified staff to ensure high quality standards that meet regulatory expectations and national deadlines. It is the Authority's responsibility to produce true and fair accounts in accordance with the CIPFA Code by the 31 May 2024 and respond to audit information requests and queries in a timely manner.

To help ensure that accounts audits can be completed on time in the future, we have introduced an escalation policy. This policy outlines the steps we will take to address any delays in draft accounts or responding to queries and information requests. If there are any delays, the following steps should be followed:

Step 1 - Initial Communication with Finance Director (within one working day of statutory deadline for draft accounts or agreed deadline for working papers)

We will have a conversation with the Finance Director(s) to identify reasons for the delay and review the Authority's plans to address it. We will set clear expectations for improvement.

Step 2 - Further Reminder (within two weeks of deadline)

If the initial conversation does not lead to improvement, we will send a reminder explaining outstanding queries and information requests, the deadline for responding, and the consequences of not responding by the deadline.

Step 3 - Escalation to Chief Executive (within one month of deadline)

If the delay persists, we will escalate the issue to the Chief Executive, including a detailed summary of the situation, steps taken to address the delay, and agreed deadline for responding..

Step 4 - Escalation to the Audit Committee (at next available Audit Committee meeting or in writing to Audit Committee Chair within 6 weeks of deadline)

If senior management is unable to resolve the delay, we will escalate the issue to the audit committee, including a detailed summary of the situation, steps taken to address the delay, and recommendations for next steps.

Step 5 – Consider use of wider powers (within two months of deadline)

If the delay persists despite all efforts, we will consider using wider powers, e.g. issuing a statutory recommendation. This decision will be made only after all other options have been exhausted. We will consult with an internal risk panel to ensure appropriateness.

By following these steps, we aim to ensure that delays in responding to queries and information requests are addressed in a timely and effective manner, and that we are able to provide timely assurance to key stakeholders including the public on the Authority's financial statements.

Addressing the local audit backlog - consultation

Consultation

The Department for Levelling Up, Housing and Communities (DLUHC), 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:

- FRC landing page - [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)
- DLUHC landing page - [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)
- NAO landing page - [Code of Audit Practice Consultation - National Audit Office \(NAO\)](https://www.nao.org.uk/consultations/code-of-audit-practice)

Our response to the consultation

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.

Preparing for the backstop

For 2023/24, local authorities should:

- Agree a timetable and working paper requirements with the auditor
- Put project planning and key milestones in place
- Consider the implications of CIPFA consultation (property valuation and pensions)
- Ensure the Audit Committee is properly briefed and prepared

As your auditor we will:

- Page 71
- Keep you updated on all national developments
 - Set out clear expectations of the information we will require to conclude our work
 - Agree a plan for the delivery of our work programme with a commitment to key milestones

Next steps

We await the government's response to the consultation. We will discuss next steps including any implications for your audit once we have further information.

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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	1 st May 2024	AGENDA ITEM NUMBER
TITLE:	Annual Governance Statement 2023/2024 & Local Code of Corporate Governance	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - High Level Methodology for Preparing the Annual Governance Statement		
Appendix 2 – B&NES Council Local Code of Corporate Governance 2024 (proposed new version highlighting amendments to 2018 version)		

1 THE ISSUE

- 1.1 The aim of the report is to inform the Committee on the Annual Governance Review process and enable the Committee to fulfil its responsibilities associated with the publication of the Council's Annual Governance Statement 2023/24.
- 1.2 Consider and endorse the adoption of the revised Local Code of Corporate Governance which will form part of the library to the Council's Constitution.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee notes the report on the process to produce the Annual Governance Statement 2023/24.
- 2.2 Endorse the Council's Local Code of Corporate Governance (2024) for adoption by the Council.

3 THE REPORT

3.1 Annual Governance Statement

- 3.1.1 In a PowerPoint presentation to the Corporate Audit Committee at its meeting on the 5th July 2023, Members were provided with a brief introduction to the Annual Governance Review and the production of the Annual Governance Statement which is a 'management' statement, signed by the Council's Chief Executive and Leader of the Council.

3.1.2 In November 2023 this Committee received a presentation on the Council's Statement of Accounts and this included slides on the Council's Annual Governance Statement 2022/23 and the 'significant' reportable issues of Financial Challenge and Children Services increase in service demand and costs.

3.1.3 The annual governance review for 2023/24 is on-going and it is important that the Audit Committee understand the process to carry out the review and publish the Statement.

3.1.4 The adopted methodology / process to compile and obtain sign-off of the Annual Governance Statement has been in operation for a number of years and an overview of the process is recorded in Appendix 1.

3.1.5 The methodology of the governance review requires 'Management Assurances' and 'Corporate Assurance Sources' including:

- The involvement of Statutory Officers, Directors and Heads of Service
- Input from 'key' Corporate Officers – e.g. Procurement, Information Governance

3.1.6 The review of governance covers all significant corporate systems, processes and controls, spanning the whole range of Council activities.

3.1.7 Key milestones in compiling the Annual Governance Statement:

1) Report to Corporate Audit Committee (July 2024) – an opportunity for the Committee to input any views on governance or significant issues.

2) Report to Executive / Corporate Leadership Team.

3) Chief Executive & Leader of the Council sign the Statement linked to the approval of the Annual Accounts.

3.1.8 The Annual Governance Statement will record any 'significant issues' and associated action plans. The definition of a significant issue can be summarised as follows:

- Significant failure in decision making at Council or Executive
- Significant unexpected use of Resources
- Significant performance failing or failures in service delivery
- Significant issues from inspections, audits, complaints etc
- Significant issues failures in respect of statutory duties
- Significant issues from operational issues and third parties

3.2 Local Code of Corporate Governance

3.2.1 The Annual Governance Statement is based on the Council's 'Local Code of Corporate Governance'. As the publication of an Annual Governance Statement is statutory requirement, it's important that the Council takes account of any guidance provided by the Chartered Institute Public Finance Accountants (CIPFA) and the Society of Local Authority Chief Executives (SOLACE).

3.2.2 The 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.

3.2.3 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 to achieve desired outcomes for service users and communities.

3.2.4 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.

3.2.5 Good governance enables the Council to effectively achieve its intended outcomes, whilst acting in the public interest at all times.

3.2.6 In order to demonstrate that the Council has the necessary corporate governance arrangements in place, it's important to adopt a Local Code of Corporate Governance and periodically review the Code based on any developments nationally or locally. The core requirement of a Code is that it is based on the following key principles of good governance:

- 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 optimise 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

3.2.7 The recent 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)

3.2.8 Appendix 2 to this report is a copy of the proposed B&NES Council Local Code of Corporate Governance. Changes to the 2018 version of the Code are highlighted in red. The main change is the format of the Principles Section (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'.

4 STATUTORY CONSIDERATIONS

4.1 The Accounts & Audit Regulations set out the expectations of provision of an Annual Governance Statement. This is supported by CIPFA/SOLACE standards and the Council's Local Code of Corporate Governance. Implications of not providing this statement would include potential qualification of the Accounts, increase in External Audit fees, potential significant reputational risks and ultimately additional costs to rectify.

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. Failure to compile an Annual Governance Statement would result in non-compliance with statutory legislation and leave the Council open to criticism by External Audit and external stakeholders.

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.

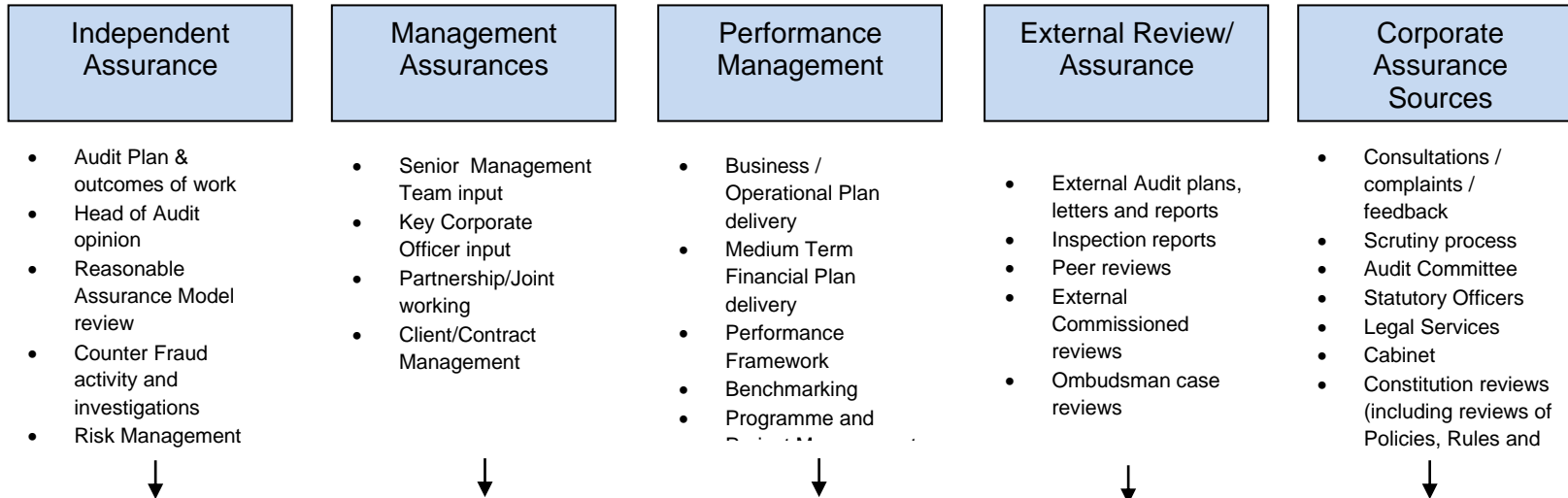
9 OTHER OPTIONS CONSIDERED

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) Jeff Wring (01225 477323)</i>
Background papers	<i>5th July 2023 Corporate Audit Committee - AUDIT & ASSURANCE ANNUAL REPORT 2022/23</i> <i>1st Nov 2023 Corporate Audit Committee – BRIEFING PRESENTATION - ACCOUNTS 2022/23</i> <i>Council 10th May 2018 (Appointment of Committees & Panels and other Annual Business) - Council's Local Code of Corporate Governance</i>
Please contact the report author if you need to access this report in an alternative format	



Set out the arrangements for compilation and approval of the Annual Governance Statement

Audit Committee

1st May 2024

Consideration of draft findings and any potentially significant issues from Annual Governance Review

Executive Leadership Team

by 31st July 2024

Certification and formal Approval of Annual Governance Statement

Chief Executive, Leader and Audit Committee

by 30th September 2024

**Bath & North East
Somerset Council**

Improving People's Lives

Bath & North East Somerset Council

Local Code of Corporate Governance 2024



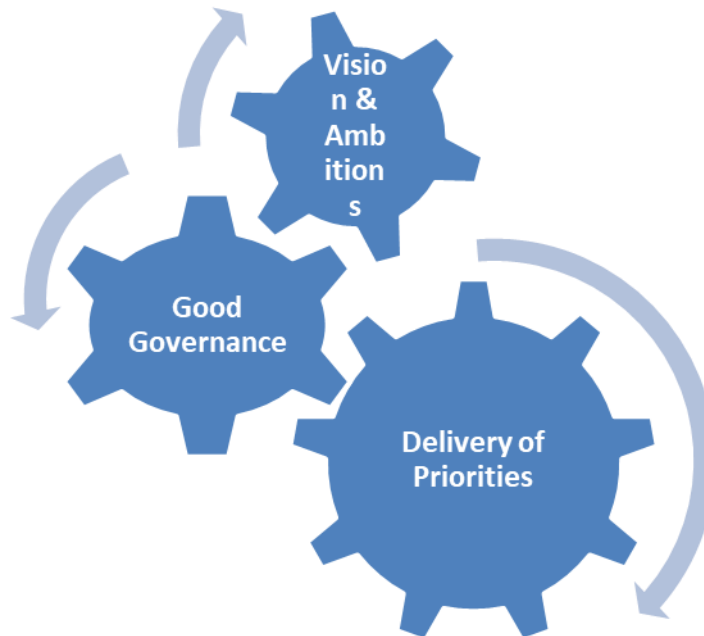
1 Delivering Good Governance

- 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).
 - 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 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
<div>Page 85</div> 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

<p>Demonstrating strong commitment to ethical values</p>	<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 emphasis on agreed ethical values. • 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>	<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. 	

Principle B – Ensuring openness and comprehensive stakeholder engagement		
Sub Principles	Behaviours and Actions that demonstrate good governance	What the Council has in place
Openness	<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
Engaging comprehensively with institutional stakeholder	<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. <ul style="list-style-type: none"> 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 views have been taken into account. • 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 	<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>
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Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits		
Sub Principles	Behaviours and Actions that demonstrate good governance	What the Council has in place
<div>Page 89</div> <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 that will be available. • 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"> • 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 • 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. • Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. 	<ul style="list-style-type: none"> • Complaints and Customer Feedback Policy
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. • 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"> • 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 • Employee Assistance Programme

- 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:
 - 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.

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
Managing risk	<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)

Managing performance	<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
Robust internal control	<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 	

Managing data	<ul style="list-style-type: none"> • Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. • 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. 	
Strong public financial management	<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. 	

Principle G – Implementing good practices in transparency, reporting and audit to effective 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

<p>Assurance and effective accountability</p>	<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. 	
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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	1st May 2024	AGENDA ITEM NUMBER
TITLE:	Annual Report of the Chief Audit Executive 2023/24	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Audit Reviews Position Statement (2023/24)		

1 THE ISSUE

1.1 The Accounts and Audit Regulations 2015 require the Council to maintain an adequate and effective internal audit service and to 'conduct a review of the effectiveness of the system of internal control'. The UK Public Sector Internal Audit Standards requires the Chief Audit Executive (Head of Audit & Assurance) to deliver an annual internal audit opinion and report that can be used by the Council to inform its Annual Governance Statement.

1.2 This is the Annual Report (2023/24) of the Chief Audit Executive (Internal Audit service) which includes a summary of Internal Audit performance, key findings / issues, as well as the formal opinion on the Council's internal control environment (framework of governance, risk management and internal control).

1.3 The Annual Report incorporates:

- a) The annual opinion on the overall adequacy and effectiveness of the Council's governance, risk, and control framework.
- b) A summary of the work that supports the annual opinion.
- c) A statement on conformance with the Public Sector Internal Audit Standards and the results of the Internal Audit Quality Assurance & Improvement Programme.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to:

- a) consider and support the conclusion that the Council's system of internal control is effective.
- b) confirm that the opinion of the Chief Audit Executive, based on his assessment of effectiveness, can be relied upon as a key source of evidence in the Annual Governance Statement 2023/24.

3 THE REPORT

- 3.1 The Annual Internal Audit Plan for 2023/24 was presented to the Corporate Audit Committee on the 15th March 2023. The Plan forms the principal work of the Internal Audit Service and is a significant source of assurance of the effectiveness of the Council's internal control environment.
- 3.2 An Audit Reviews Position Statement 2023/24 (Appendix 1) provides an up-to-date position of the planned internal audit reviews as at 31st March 2024.
- 3.3 The Committee last received formal updates on delivery against the plan on the 1st November 2023 and at its last meeting on 7th February 2024 as part of the report consulting the Committee on the Internal Audit Plan for 2024/25.

3.4 HEADLINES FOR FINANCIAL YEAR 2023/24

The summary position as of 31st March was as follows:

- 26 Internal Audit Reviews started during the financial year.
- 15 were completed and issued as Final version reports. Of the 15, 11 were assigned as Level 3 'Reasonable Assurance' and 4 were Level 4 'Substantial Assurance'.
- 2 were in 'Draft' Report status, with a Level 4 'Substantial Assurance' Audit Opinion.
- 2 Briefing Reports issued (Public Health Grant Budget Management & Cash Handling – Community Resource Centres). An Assurance Level is not assigned to these reviews as they are consultative work.
- 7 were 'Work-In-Progress'.
- Assurance work was carried out and Audit Report Letters despatched to the relevant funding body (e.g. WECA) for 34 grant funded projects / activities to provide independent assurance that B&NES Council had complied with grant expenditure terms and conditions – e.g. eligibility of spend. This was 9 (36%) more than carried out in the previous financial year.
- The Internal Audit service directly carried out one financial irregularity investigation during the financial year. Another case was referred to the Council's One West Investigation team for them to carry out the necessary investigation work. A member of the Internal Audit Team provided oversight to ensure any internal control weaknesses were corrected.
- Anti-Fraud and corruption training / guidance was provided to B&NES employees through the September and November 2023 Anti-Fraud Bulletins, the November bulletin coincided with International Fraud Awareness Week.
- The Internal Audit service has continued its role as the Council's Key Co-ordinator for the Cabinet Office National Fraud Initiative (NFI). The NFI is a data matching exercise that helps to detect and prevent fraud. It is conducted by the Cabinet Office under its statutory data matching powers. B&NES

Council datasets for NFI 2022 included: blue badges, Council Tax, Covid19 grants, electoral registration, housing waiting lists, payroll, pensions, and resident parking permits.

- Took a leading role in the annual governance review of the Council enabling the Annual Governance Statement 2022/23 to be compiled and included in the Council's Statement of Accounts.

3.5 2023/24 INTERNAL AUDIT REVIEW ASSURANCE RATINGS

3.5.1 As stated in 3.4 an analysis of the 'core' audit reviews carried out and issued as 'Final'/'Draft' Reports in 2023/24 identified that:

- 1) 5 reports (29%) provided Substantial Assurance (Level 4)
- 2) 12 reports (71%) provided Reasonable Assurance (Level 3)

3.5.2 The opinion statements for these assurance levels are:

Substantial Assurance - The systems of internal control are good with a number of strengths evident and substantial assurance can be provided as detailed within the Assurance Summary.

Reasonable Assurance - The systems of internal control are satisfactory and reasonable assurance can be provided. However, there are a number of areas detailed in the Assurance Summary which require improvement and specific recommendations are detailed in the Action Plan.

3.5.3 It was pleasing that a 'Limited' or 'No' Assurance report was not issued in 2023/24.

3.6 UNPLANNED WORK

3.6.1 In addition to the core planned internal audit reviews the Internal Audit team has carried out two 'unplanned' reviews following requests from senior management:

- 1) Cash handling at two Community Resource Centres - Cleeve Court and Combe Lea. The review included: resident's cash, amenity funds and petty cash accounts. Alternative financial administration options such as the use of Corporate Purchasing Cards for purchases was also examined as an alternative to petty cash.
- 2) Public Health Service Budget Management to provide an independent review of the service budget allocations, the use of the Public Health grant on 'other Council activity achieving public health outcomes', and the related monitoring and reporting of budgets.

3.6.2 These 'Briefing Reports' do not record an assurance rating as the primary purpose of these reviews was to analyse the specific areas of business/service activity and report findings to management.

3.7 IMPLEMENTATION OF RECOMMENDATIONS

3.7.1 During 2023/24, 23 previous years Audit Reports were followed up to verify the implementation of recommendations.

3.7.2 The Follow-Up process requires management to provide their feedback on implementation of recommendations. If the recommendation is linked to 'High' risk weakness, then the Auditor carrying out the Follow-Up will seek evidence of implementation. It is pleasing to report that the findings were good in that recommendations for 13 of the 23 Reports had all been implemented in line with the management agreed timescales.

3.7.3 Of the remaining 10 Reviews, implementation of recommendations was on-going and/or the implementation dates had been rescheduled. This included four Assurance Level 2 audit reviews – see the table below - which records the position as at the date of the 'follow-up'.

Level 2 'Limited Assurance' Audit Reviews where recommendations were still to be implemented

	Recommendations Raised				
Audit Name	High	Med	Low	Total	Recommendation Status
IT - Cyber Incident Response Plan (CIRP)	6	3	0	9	<p><u>June 23 Follow-Up:</u> 1 'High' - partially implemented linked to Emergency Planning / Bus Continuity delay in CIRP being presented to IT Steering Group.* 2 'High' risk recs - delayed implementation linked to recruitment process.** April'24 Update. *The CIRP was approved by the IT Steering Group on 14th of December 2023. ** Implementation of these two recommendations no longer required based on the MS Azure Sentinel solution (cloud-native tool that helps detect, investigate, and respond to threats if any are found) being implemented for a one year period.</p>
IT - Cyber Security Education & Awareness	5	3	2	10	<p><u>Dec'23 Follow-Up:</u> 4 'H' – agreed revised implementation dates between Jan & July 2024. Staff Learning Zone Mandatory element.</p>
IT – Capacity & Availability	2	2	0	4	<p><u>Jan '24 Follow-Up:</u> 1 'H' implemented but 1 'H' had a revised implementation date (Sept 2024) linked to the migration of server workloads to Azure.</p>
S106 use of funding within timescales	3	2	0	5	<p><u>Feb '24 Follow-Up:</u> 3 'H's' not implemented as Project work delayed. April '24 Update. Business Change Hub resources to be allocated to assist in developing a work programme to get all services areas to use Exacom system to track, monitor and report.</p>

3.8 COMPLIANCE WITH PUBLIC SECTOR INTERNAL AUDIT STANDARDS

3.8.1 The Public Sector Internal Audit Standards (PSIAS) came into effect from 1st April 2013 and replaced the CIPFA Code of Practice for Internal Audit in Local Government, Central Government and the NHS. The PSIAS were last revised with effect from 1st April 2017 and are based on the Institute of Internal Auditors' International Standards. The objectives of the PSIAS are:

- Define the nature of internal auditing within the UK public sector.
- Set basic principles for carrying out internal audit in the public sector.
- Establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
- Establish the basis for the evaluation of internal audit performance and to drive improvement planning.

3.8.2 The Audit Committee are reminded that an external review of Audit West's conformation against the existing standards took place in late 2022 and the results were received in 2023. The review concluded a rating of 'Generally Conforms', which is the top rating and means that North Somerset Council's internal audit service has a charter, and policies and processes that are judged to be in conformance with the PSIAS / Core Principles and Code of Ethics.

3.8.3 The IIA released new Global Internal Audit Standards in January 2024 following a consultation process, these will become effective for Local Government on 1st April 2025. The Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing.

3.8.4 Internal audit functions may start adopting the standards now, however the existing (2017) standards remain approved for a one-year transitional period. Audit West staff will be attending workshops throughout 2024/25 to understand more about the new standards, the work that will be needed to adhere to them, including requirements around external assessment.

3.9 FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK

3.9.1 The Internal Audit Charter states that the Chief Audit Executive is required to give an opinion on the internal control framework.

3.9.2 Statement of the Chief Audit Executive—

Internal Audit has not reviewed all risks and assurances relating to Bath & North East Somerset Council during 2023/24 and cannot provide absolute assurance on the internal control environment. Senior management and members are ultimately responsible for ensuring an effective system of internal control. In terms of breadth of coverage, audit work has been performed across the Council's key services and in relation to its strategic risks.

Recruitment and retention of internal audit professionals has been an issue in 2023/24 and this has resulted in amendments to the internal audit plan. However, sufficient internal audit work has been carried out and it's my opinion taking into account the wider governance framework including assurances provided by other reliable sources such as the Council's External Auditor, that the Council's internal control framework and systems to manage risk are reasonable.

The Council's internal control framework and systems to manage risk had not altered significantly from the previous year.

- Reasonable assurance can be provided over the council's systems of internal control, helping to ensure corporate priorities can be achieved.
- There were not any significant reported breaches of Council's policies, including Financial Regulations and Contract Standing Orders.
- Managers throughout the Council were aware of the importance of maintaining adequate and effective governance arrangements.
- Appropriate arrangements were in operation to prevent and detect fraud and audit reviews and investigations did not identify any systemic failures.
- Senior Management - led by the Chief Operating Officer as risk management sponsor – demonstrate a pro-active approach to the fundamental themes of good governance and risk management.
- There were no fundamental system failures or control breakdowns to business - critical functions.

Financial pressure on the Council continues and in addition to the implications of Brexit and the Covid-19 pandemic, the economy has been impacted by the on-going conflicts in Ukraine and the Middle East which have added inflationary pressures to Council budgets. The financial challenge is a significant issue and the related risks need to be managed.

It is important to maintain an effective framework of internal control, risk management and governance to manage risks and provide services to achieve the Council's objectives. An effective Internal Audit service is a vital component of the Council's governance, providing the third and final line of defence.

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 CIPFA 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, Head of Audit & Assurance (01225 477316)</i>
Background papers	<i>Reports to Corporate Audit Committee 19th May 2022 - Internal Audit Plan - 2022/2023; 24th November 2022 Internal Audit Update Report.</i>
Please contact the report author if you need to access this report in an alternative format	

Audit Review	Status	Assurance Level	Recommendations	
			Made	Agreed
Adult Community Services - Governance - Programme Management	Final Report	4	4	4
Children Services - Implementation of Management Plan	Final Report	3	8	8
Workforce - Recruitment & Retention	Final Report	3	5	5
WECA Funded Schemes (CRSTS) - Use of Funding within timescales	Draft Report	4	10	Awaited
City Regions Sustainable Transport - Use of funds & performance management	Merged with 23-004B			
Home to School Transport - Current and future management & delivery	Final Report	3	13	8
School Theme Review - Schools Financial Value Standard (Maintained Schools)	Final Report	4	N/A	N/A
Planning Enforcement	Final Report	3	10	10
Procurement - Modern Slavery	Final Report	3	5	5
Care Leavers - Extended Duties (Statutory Responsibilities)	Final Report	3	7	7
Procurement - Purchase Card expenditure	Final Report	3	4	4
Avon Pension Fund --Pension Investments Reporting	Final Report	4	4	4
Avon Pension Fund - Scheme of Delegation	WIP			
Avon Pension Fund - Year End Procedures	WIP			
Housing Services - Management of Housing Rent & Charges	Draft Report	4	5	Awaited
Deputyship Service	Final Report	3	10	10
GLL Contract Management - Governance	Final Report	3	8	8
Bankline - Treasury Management Investment and 'other Council payment' Transactions	Final Report	4	6	5
User Access Management - Starters, Leavers (Council) and Post Changes	WIP			
Firewalls	WIP			
Malware and Ransomware	WIP			
Corporate Wi-Fi Networks and Smart Devices.	WIP			
Property - Corporate & Commercial Estate Planned Reactive Maintenance	WIP			
Foster Care Placement Payments	Final Report	3	2	2
IT - Secure configuration (Servers and Systems)	Final Report	3	4	4
Public Health Grant Budget Management - Briefing Report	Briefing Report	N/A	5	5
Cash Handling – Community Resource Centres (CRC's)	Briefing Report	N/A	8	Awaited

Bath & North East Somerset Council			
MEETING:	Corporate Audit Committee		
MEETING DATE:	1 st May 2024	AGENDA ITEM NUMBER	
TITLE:	Internal Audit Plan - 2024/2025		
WARD:	ALL		
AN OPEN PUBLIC ITEM			
List of attachments to this report:			
Appendix 1 – Internal Audit Plan 2024/25			

1 THE ISSUE

1.1 This is a report detailing the proposed Internal Audit Plan for 2024/25.

2 RECOMMENDATION

2.1 The Corporate Audit Committee is asked to:

- Approve the Internal Audit Plan 2024/25 (Appendix 1)

3 THE REPORT

Internal Audit Plan 2024/25

3.1 The Public Sector Internal Audit Standards require Internal Audit to prepare a risk-based plan and this is attached at Appendix 1.

3.2 The list of internal audit reviews recorded in Section 5 of the Internal Audit Plan has resulted from an audit needs assessment using our reasonable assurance model which includes wide consultation with Statutory Officers, Directors and other senior managers. The Corporate Audit Committee was also consulted at its last meeting in February 2024 and during the presentation of the report item and discussion, Committee Members highlighted the importance of monitoring performance related to the Climate & Ecological Emergency Response and also funding to the Third Sector. These areas of interest are included in the list of core Internal Audit Reviews (either directly or indirectly):

- 1) Climate & Ecological Emergency Response - Performance Monitoring / Reporting
- 2) Financial Saving Plan - Monitoring & Delivery Review.

3.3 The Audit Committee has previously fully endorsed the need to have a responsive and flexible Internal Plan. The Audit Committee is being asked to approve the list of audit reviews with the understanding that the list is subject to amendment (addition or change in risk score ranking / priority) based on changes in the risk environment and assurance work requested by my management or prioritised by the Head of Audit & Assurance (acting in the role of Chief Audit Executive). Any amendments to the listing (additions or a change in risk score and priority) will be reported to the Committee. A half year position and end of financial year reports will be presented to Committee on the performance against the Internal Audit Plan. Statutory Officers including the Chief Finance Officer will be consulted on any significant changes to the Committee approved listing of internal audit reviews (Internal Audit Plan).

3.4 The list of Audit Reviews includes audits of areas of Council activity highlighted by the Council's Annual Governance Statement (AGS) or the External Auditor's Annual Letter (reported to Committee on 1st November 2023 - BRIEFING PRESENTATION - ACCOUNTS 2022/23 and EXTERNAL AUDIT UPDATE) which through this reporting are considered 'significant issues' and / or high risk for the Council. These include:

- Financial Saving Plan - Monitoring & Delivery Review (GT VFM)
- DSG -Safety Valve - Programme Management
- Aequus Group - Financial Governance
- Contract Management - Reporting clause waiver (loss of legal rights)
- Risk Management - Decision Making

The plan also includes other high-risk areas such as core financial systems (payroll & payments) and IT cyber security & Recovery (Penetration Testing & Recovery management).

3.5 Section 6 of the Audit Plan document highlights the other key components of the work carried out by the Internal Audit Team:

- 1) Fraud – Prevention & Detection. Further details of this work will be presented as a separate presentation / report to the Committee.
- 2) Corporate Governance – compile the Council's AGS.
- 3) Independent Certification of Grant Funding – currently 41 grants will require examination to provide required assurance to grant funding bodies.

3.6. The proposed Internal Audit Plan for 2024/25 will provide sufficient evidence for the Chief Audit Executive to be able to report and provide an

opinion to the Audit Committee on the Council's Internal Control Environment at the end of the financial year 2024/25.

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 CIPFA 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, undetected fraud and inadequate coverage of risks arising from COVID-19. 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 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	Corporate Audit Committee - 1st November 2023 - BRIEFING PRESENTATION - ACCOUNTS 2022/23 and EXTERNAL AUDIT UPDATE
Please contact the report author if you need to access this report in an alternative format	

Internal Audit Plan 2024/25

Delivering Independent Assurance

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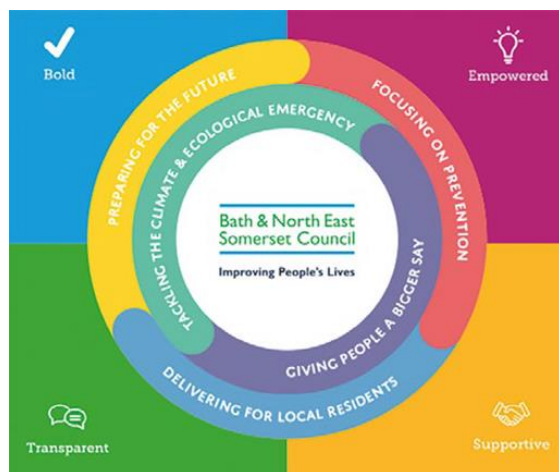
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1. Internal Audit Assurance – A Component of the Council's Governance Framework

Good governance enables Bath & North East Somerset Council to effectively achieve its intended outcomes linked to stated priorities.



The Council's purpose, two core policies and three principles is communicated through its Corporate Strategy (2023 – 2027) which was adopted by Council on 20th July 2023. The Strategy has a single overriding purpose – to improve people's lives.



Internal Audit is one of the wider elements of the framework of our governance arrangements at the Council.



One West and the Internal Audit function fully recognize it has a role to play in achieving the objectives of the Council. We need to be flexible and agile. Independent assurance can provide a helpful and positive role not just to services but to elected Members and the Community at large by demonstrating that the Council is operating effectively and protecting its assets and resources for the benefit of all its stakeholders.

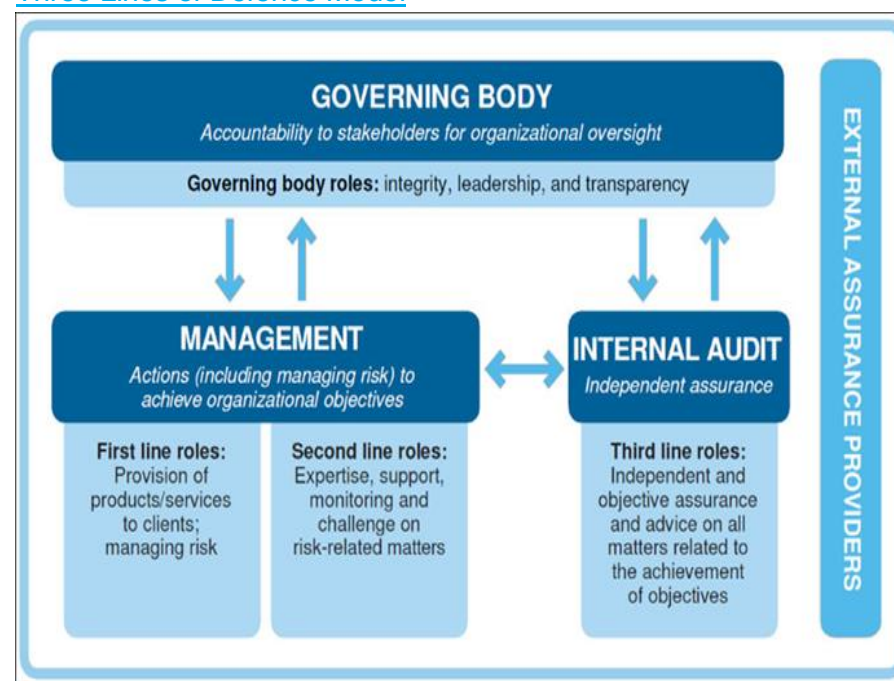
The overriding purpose of the Council is to improve people's lives and good corporate governance is key to being able to deliver on the Council's core policies and principles of:

- Tackling the climate & ecological emergency
- Giving people a bigger say
- Focusing on Prevention
- Delivering for Local Residents
- Preparing for the future

The importance of excellence in resource management and sound governance is fundamental to achieving its purpose and the stated commitments.

The three lines of defence model is a framework that outlines internal audit's role in assuring the effective management of risk and maintaining sound corporate governance.

Three Lines of Defence Model



By being independent of management the Internal Audit function maintains the third line of defence and we work with stakeholders - including Corporate Audit Committee, Statutory Officers and Senior Management.

Internal auditing is defined by the Public Sector Internal Audit Standards (PSIAS) which set out the requirements of a 'Board' and of 'senior management'. For the purposes of the internal audit activity within the Council, the role of the Board within the Standards is taken by the Council's Corporate Audit Committee under its Terms of Reference contained in the Council's Constitution and senior management is the Council's Executive Leadership Teams & Corporate Management Team.

2. Introduction – Internal Audit & the Objective of the Audit Plan

The Accounts & Audit Regulations 2015 (Local Government England & Wales) states that:

“A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance”.

Section 151 of the Local Government Act 1972 requires the Council to designate an Officer to be responsible for “making arrangements for the proper administration” of the Council’s financial affairs. One of the ways by which this duty is discharged is by maintaining an adequate and effective Internal Audit Service.

The Council’s Internal Audit Charter approved by the Corporate Audit Committee clearly records the purpose, authority and principal responsibilities of the Internal Audit Service for Bath & North East Somerset Council. The Charter explains that Internal Audit is responsible for carrying out an appraisal of all the Council’s activities, financial or otherwise by carrying out audit reviews and other assurance work. Based on this work the Head of Audit & Assurance acting as the ‘Chief Audit Executive’ (a role defined in the Public Sector Internal Audit Standards) will provide an annual opinion to the Council (Corporate Audit Committee).

One of the key service objectives of Internal Audit linked to the annual audit opinion is the production of a risk based

Annual Audit Assurance Plan. The PSIA Standards require that the Chief Audit Executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organisation’s goals (as set out in the Council’s Corporate Strategy and Service Plans).

3. How the Internal Audit Plan is compiled – Reasonable Assurance Model

A key component of the audit needs assessment is using the adopted 'Reasonable Assurance Model' to assess the level of Assurance in place over eight themes.

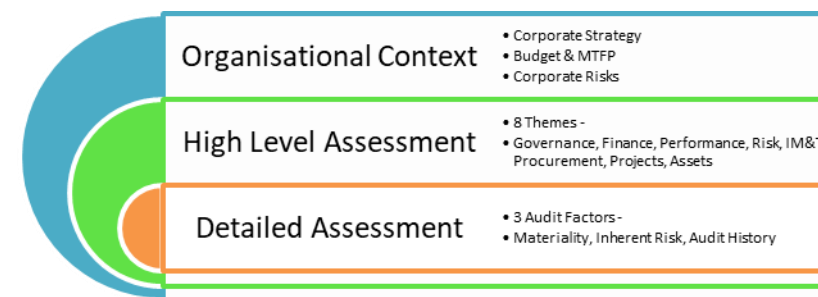


Each Theme has a set of questions and the answers to these questions help assess the level of assurance and the level of risk for each theme. The Reasonable Assurance Model informs the Internal Audit Annual Plan and enables an

assessment of compliance with the seven principles of good governance as recorded in the Council's Local Code of Corporate Governance.

In addition to the Reasonable Assurance Model assessment the annual plan is created by:

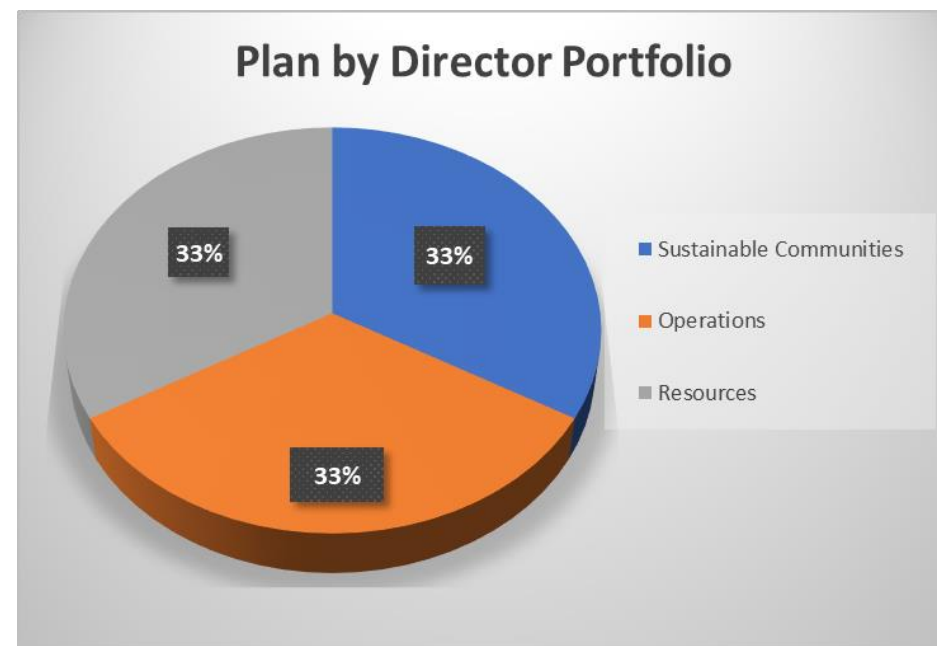
1. Consideration of risks recorded in the Council's Corporate Risk Register and operational risk registers.
2. Horizon scanning – external publications and networking groups e.g. West of England Chief Auditors.
3. Consultation with Directors, key Corporate Officers and Statutory Officers – discussions cover any issues, and new / heightened risks based on new or changes in responsibilities.
4. External Review Body findings or planned reviews.
5. Risk scoring long list of potential areas of audit activity based on factors such as: Internal Audit History (previous assurance opinions, time since last review), Inherent Risk (operational, technical, reputational & people), Materiality (income, expenditure, planned savings), and Audit Management knowledge experience.



In accordance with the PSIA Standards, the plan needs to be flexible to respond to the changing risks and priorities of the Council and, to this end, audit planned activity will be regularly reviewed and changes reported to management and the Corporate Audit Committee.

4. Internal Audit Plan – High Level Service Area/Corporate Assurance

The 2024/25 B&NES Internal Audit Plan consists of a list of audit reviews which has been placed into risk score order. The list which has been capped at 30 audit reviews are presented in the following two pie charts – by Reasonable Assurance Theme and by Director Portfolio.



- In addition to the core audit reviews the Internal Audit Team will:
- 1) Lead on the Annual Governance Review (see Section 6 below)
 - 2) Provide support to maintain a risk management strategy, processes & systems.
 - 3) Co-ordinate and lead on fraud prevention / detection including the Cabinet Office 'National Fraud Initiative' (see Section 6 below).
 - 4) Provide advice on systems of internal control including Council Policies & Procedures (e.g., Financial Regulations & Anti-fraud & corruption policies).
 - 5) Lead and support financial irregularity investigations.
 - 6) Complete grant funding reviews to provide independent assurance to funding bodies of compliance with 'Terms & Conditions'.

5. Long List of Core Internal Audit Reviews

This 'long' listing is recorded in risk order and is subject to on-going review and updating. The number of audit reviews to be carried out over the financial year will be dependent on resource capacity. The current estimate is available capacity will enable 26 Audit Reviews to be completed in the financial year 2024/25.

Management and Corporate Audit Committee will be consulted on changes to the list and work being carried out or completed by the Internal Audit Team. Internal Audit Team Performance Reports will record internal audit reviews started, in progress and completed.

Audit Review	Director Portfolio
Climate & Ecological Emergency Response - Performance Monitoring / Reporting	Sustainable Communities
Learning Disabilities Pooled Budget - Governance	Operations
Financial Saving Plan - Monitoring & Delivery Review (GT VFM)	Resources
Community Sub Contracted Services - Governance (ICB Lead)	Operations
DSG -Safety Valve - Programme Management (Mechanisms & Framework)	Operations
IT - IT Services Recovery Management	Resources
IT - Liquidlogic EYES - Data Integrity Audits	Resources
IT - ITSM - Customer Service Standards	Resources
IT - Penetration Testing - IT Healthcheck Remediation Plan	Resources
Car Parking - Emissions income charging	Operations
Supported Lodgings (Family Placement Team)	Operations
WECA Funding – Fashion Museum (Project Initiation / Resourcing & Funding)	Sustainable Communities
Corporate Estate - Energy Management	Sustainable Communities
Debt Management - Corporate Policy (Development of new policy)	Resources
Aequus Group - Financial Governance (GT VFM)	Sustainable Communities / Resources

Audit Review	Director Portfolio
Homes for Ukraine – LA Housing Fund Grant (Dept of LUHC)	Sustainable Communities
Payments - Supplier Set-Up & Duplicate Payments	Resources
Brokerage (Adults & Children)	Operations
Corporate Parent - Child Protection Independent Reviewing Officers	Operations
Car Parking - Park & Ride Contract	Operations / Sustainable Communities
Fleet Management - Workshop Activity / Trading	Operations
Payroll (Variations - salary award / increment increases / mileage & expenses)	Resources
Contract Management - Reporting clause waiver (loss of legal rights) (GT VFM)	Resources
Temporary Accommodation	Sustainable Communities
Risk Management - Decision Making -adequacy of report risk management assessment (GT VFM)	Sustainable Communities / Resources
WECA bidding - Regeneration Schemes programme management	Sustainable Communities
IT - Public Website Security	Resources
Management of Heritage Collections / Exhibits	Sustainable Communities
Youth Justice - Performance Management	Operations
Bath Christmas Market	Operations

	Indicates audit reviews below the line of available capacity
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(GT VFM) – Grant Thornton External Auditors Annual Report 2021/22 & 2022/23

6. Other Key Components of Internal Audit Planned Work

1) Fraud – Prevention & Detection

Counter-fraud and corruption arrangements are a high priority for the Council and assist in the protection of public funds and transparency & accountability. Under the Council's Financial Regulations, the Internal Audit Team must be informed of any 'financial irregularities' and we are committed to responding timely to any reported or identified cases through carrying out our proactive work. Our proactive anti-fraud and corruption testing is focussed on those areas / systems considered to be most at risk to fraud.

The CIPFA guidance ('Code of practice on managing the risk of fraud and corruption') and the CIPFA Fraud and Corruption Tracker (CFaCT) survey assist in assessing fraud and corruption risks and planning the work of the Internal Audit Team. Nationally, the notable areas of fraud include Housing Benefit, Council Tax, Housing and Tenancy, Procurement, Insurance, Blue Badges, and Direct Payments (Social Care). These areas and the risks are considered as part of the audit planning process.

In terms of other proactive work the Cabinet Office runs a national data matching exercise (National Fraud Initiative - NFI) every two years. Information must be extracted from several Council databases and uploaded to the NFI database run. The next extraction and matching of data is to be carried out in 2024/25, with the matched data reports being made available to participating bodies in January / February 2025. The Internal Audit Team will provide support to service areas

that are required to examine data matching reports and investigate matches flagged.

The Council adopted revised Anti-Fraud and Corruption Policies in 2023 and these will be subject to on-going review and updating as necessary.

Staff awareness of fraud and scams is very important, and the Internal Audit Team provide periodical bulletins to ensure that staff are reminded of the risks and the need for continued diligence.

2) Corporate Governance

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.

The AGS must be seen as a Council wide document and it is reviewed and approved by the Corporate Audit Committee. The Leader of the Council and the Chief Executive are required to sign the document which is then published with the Council's Statement of Accounts.

The Internal Audit Team provide support by using an adopted methodology to carry out an Annual Governance Review.

3) Independent Certification of Grant Funding

Significant funding is provided to the Council by funding bodies such as the West of England Combined Authority and Government Departments. The Internal Audit Team are required to independently verify expenditure and provide opinion on whether expenditure is in compliance with Grant Terms & Conditions.



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

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

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 last 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

- 3.4 This report explains Local Government fraud risks and work carried out to mitigate these risks. At the meeting, the components of this report will be presented by a member of the Internal Audit team who takes a lead role in counter fraud work. The presentation is entitled 'An introduction to Fraud and the role of Internal Audit'.

3.5 **National Picture and Emerging Fraud Risks**

- 3.6 The CIPFA Fraud and Corruption Tracker (CFaCT) survey is the definitive survey of fraud and corruption activity in local government. It tracks the level of fraud and corruption local authorities have detected, the number of investigations undertaken and the types of fraud encountered.

- 3.7 The CIPFA Tracker Report was last published in 2020 and detailed the main themes for national fraud indicators within Local Government. This can be accessed via the CIPFA website:

<https://www.cipfa.org/services/cipfa-solutions/fraud-and-corruption/fraud-and-corruption-tracker>.

- 3.8 The tracker report is supported by the National Audit Office (NAO) and the Local Government Association (LGA). The annual financial loss to fraud in the UK public sector was last estimated to be £40.3bn annually, with £7.3bn of this total being lost in local government. It is noted that more recent central figures are not published or available for consideration.

- 3.9 The current economic climate in the United Kingdom influenced by factors including the Ukraine crisis, recovery from the Covid Pandemic, and the cost-of-living crisis have the potential to increase the risk of fraud and irregularity as never seen before in the Public Sector

- 3.10 Key fraud risk areas in Local Authorities include, Council Tax Fraud, Disabled Parking Concessions (Blue Badge), Business Rates and Housing Fraud.

- 3.11 Information regarding known and emerging fraud risks are obtained from a number of organisations and professional bodies. One of these is the National Anti-Fraud Network (NAFN). NAFN are one of the largest shared services in the country, managed by, and for the benefit of its members. Currently, almost 90% of local authorities are members, including Bath and North East Somerset Council.

- 3.12 Fraud risks raised via NAFN Alerts received by Internal Audit are reviewed and distributed to relevant officers and service areas along with advice on how to action and respond to Alerts. Internal Audit offer follow up support with review of controls in affected areas, investigation and analysis of risk, and reporting to relevant central bodies and third parties.

3.13 National Fraud Initiative

- 3.14 The Internal Audit function also carry out other anti-fraud activity, such as co-ordinating the National Fraud Initiative (NFI) on behalf of the Council's Section 151 Officer.
- 3.15 Participation in the NFI in each two-year cycle is mandatory and incurs a fee payable to the Cabinet Office of £3,810 for a Unitary Authority.
- 3.16 The NFI is a Cabinet Office initiative, matching data from a large number of public and private sector organisations. These organisations provide data from their systems as prescribed by the Cabinet Office. The data is then matched, and data matching reports are made available for each participating organisation to review. It is for each organisation to make the necessary enquiries and any identified fraud is recorded within the NFI system to enable the effectiveness of the initiative to be monitored.
- 3.17 For Local Authorities such as Bath and North East Somerset Council, example data sets for matching purposes include (but are not limited to): Housing Benefit, Council Tax reductions, Payroll, Adult Social Care Personal Budgeting and Disabled Parking (Blue Badges).
- 3.18 Matches may be closed by identification of fraud (resulting in recovery where possible), error, or recorded as no issue. Closed matches result in a value assigned by the Cabinet Office, recorded as 'co-estimated savings'. These figures reflect the anticipated savings and reduction of likely losses made by identifying and amending anomalous record keeping and reducing and removing fraud risks.
- 3.19 Work on the current exercise (2022/23-2023/24) is nearing completion with one final pilot data matching exercise still in progress. A detailed outcome of the overall exercise will be reported to the Audit Committee once complete.
- 3.20 Members are advised that Bath and North East Somerset Council had a total of 3,230 matches to be reviewed across 61 reports. Current figures report co-estimated savings of £471,945. This is an increase of 764 matches and £191,373 compared to the 2020/21-2021/22 exercise.
- 3.21 Savings were identified in Blue Badges, Housing Waiting Lists, and Council Tax Reduction Scheme. A process of recovery is in action via Council Tax Support recharges totalling £4,242.04.

3.22 Internal Audit Targeted Work and Investigations

- 3.23 The risk of Fraud is considered during all internal audit planning activity. This includes right from initially building the Annual Audit Plan (i.e. the audit reviews planned to be carried out during the financial year) through to considering the objectives, fraud risks, controls and focus of each review to be carried out, i.e. each individual audit work programme.
- 3.24 Examples of audit reviews carried out and reported in 2023/24 that have involved an element of counter-fraud review / work include:

- **Payroll - Timesheet Generated Payments**

To ensure that timesheets are processed, resulting in accurate and timely payments and in compliance with Council policy.

- **Procurement - Purchase Card Expenditure**

To ensure that all card expenditure is for legitimate business use and considered 'reasonable'.

- **Deputyship Service**

To ensure security and safeguarding arrangements for client's monies, belongings and property are appropriate and effective.

- **Heritage - Income Collection & Banking**

Cash and electronic payments received at Heritage Service business units are accurately recorded at point of sale / collection.

Income (cash and electronic payments) reconciliation discrepancies are investigated, and necessary action taken promptly.

- **School Theme Review - Schools Financial Value Standard**

Protecting Public Money - Are there adequate arrangements in place to guard against fraud and theft by staff, contractors and suppliers?

- **Travel Perk**

To ensure all bookings made through click travel are compliant with the Councils Corporate Travel Policy

- **Foster Care Placement Payments**

To ensure that foster carer fees/rates are applied correctly, accurately, consistently, and timely.

3.25 **Data Analytics**

3.26 Data analysis and data matching are important tools for identifying fraud and error in local government. The Fighting Fraud and Corruption Locally Strategy for the 2020s recommends that local authorities should share data across its own departments and engage in the use of data analytics as a key response to fraud.

3.27 Data Analytics at Bath and North East Somerset Council incorporates participation in the National Fraud Initiative (see section 3.2), and data matching undertaken as part of audit testing for individual audit reviews using spreadsheets or more advanced internal audit data analytics software (IDEA).

3.28 Examples of audit reviews reported in 2023/24 that have involved an element of Data Analytics include:

- **Income Management – Collection & Reconciliation of Service Provision Income**

Use of data analytics to match Civica transactions to the Council's General and District bank account statements.

- **Bankline - Treasury Management Investment & 'Other Council Payment' Transactions**

Use of data analytics to verify internal control compliance including – matching treasury investment transactions to the Council's & Pension Avon Fund bank account statements.

3.29 **Investigations**

3.30 During Internal Audit investigations, the themes of 'prevent and pursue' as recorded in the Anti-Fraud and Corruption Strategy are the focus of the work of the Auditor. The key objectives are to:

- a) Identify the breakdown in controls and correct this to avoid further losses.
- b) Collect evidence to be able to pursue responsible individuals, i.e. through criminal prosecution or a disciplinary route.

In 2023/24 the Internal Audit Service have carried out investigations into a case of deceit to claim Homes for Ukraine funding (external fraud), and a case of theft and fraud from a Community Resource Centre.

3.31 **Strategy & Policy Framework**

3.32 Nationally, the Fighting Fraud and Corruption Locally 2020 document is the most recent counter fraud and corruption strategy for local government. It provides a blueprint for a coordinated response to fraud and corruption perpetrated against local authorities.

3.33 The Council's own Anti-Fraud & Corruption Strategy 2022-24 adopts the national strategy at a local level and is the "umbrella strategy" that brings together all fraud related policies. Its objective is to ensure that the Council is proactive in preventing and detecting fraudulent activities and corrupt practices and takes the necessary action to punish those involved and recover losses.

3.34 Policies linked to the Strategy include the following:

- i) Whistle Blowing Policy 2022
- ii) Anti-Money Laundering Policy 2022
- iii) Anti-Bribery & Corruption Policy 2022

3.35 **Whistleblowing**

3.36 Internal Audit manage both the internal and external Whistleblowing resource, wherein Council employees and the public can report any dangerous, illegal or unethical activity that they think is going on within the organisation or by partners / contractors.

3.37 This is made available internally on the Intranet and on the public Council website. Submissions can be made by the public or from Council Members and employees, either anonymously or openly. A simple online referral form can be used, or alternatively contact names via email and telephone are provided. The Policy also signposts an alternative reporting route of Prescribed Persons such as the Council's External Auditor.

3.38 In the financial year 2023/24, Whistleblowing 'Report-It' submissions have been received and these have been forwarded to the relevant service areas for review and action. It is interesting to note that there have not been any whistleblowing referrals classed as 'financial irregularity' for the Internal Audit team to investigate.

3.39 The low level of reported fraud and corruption is comforting on one level but we could also conclude that we are just not hearing or identifying inappropriate activity. We will continue to review our counter fraud practices including highlighting to stakeholders their responsibilities and how to report 'concerns'.

3.40 **Staff Training and Awareness**

3.41 A sustained focus on providing fraud information and awareness to staff has continued throughout the year, with regular articles published in the Staff Engagement Newsletter.

3.42 A special article to coincide with 'International Fraud Awareness Week' (12th-18th November 2023) was published, outlining all the key fraud prevention information that is available to officers, and detailing up to date information on the following headings:

- What is Fraud?
- Fraud and Local Government
- Why is Preventing Fraud Important?
- Who Commits Fraud and Why?
- Whistleblowing
- The Evolution of Cyber Fraud
- Our Strategy and Policies
- The Role of Internal Audit in Tackling Fraud
- Training and Resources

3.43 The Internal Audit service have also produced articles for Staff Engagement Newsletters covering the National Fraud Initiative; the new central Government 'Stop! Think Fraud' initiative; the emergence of QR (Quick Response) code fraud, and Whistleblowing.

3.44 Recent work has been carried out to liaise with the eLearning team to bring up to date and increase the content of the online Fraud Awareness training tools accessible to Council employees.

3.45 Through circulation of training, advice and fraud alerts to staff, and continued work with service areas that are particularly exposed to fraud; prevention and detection action by officers has been embedded in processes and practices.

3.46 An example of this was when an attempted mandate fraud was prevented by the Accounts Payable team. They received email correspondence from a fraudster

purporting to be the 'Director' of a company asking the Council to update the suppliers bank details.

- 3.47 The Accounts Payable team followed the correct procedures and telephoned the company Director, using previously verified contact details, to verify the legitimacy of the change of bank details email. The real Director confirmed that this was a scam and that his email address had seemingly been compromised.
- 3.48 The Accounts Payable team were congratulated on preventing this fraud and for continuing to follow the robust controls previously agreed with Internal Audit.

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 CIPFA Codes of Practice and the IIA professional standards for delivery of an adequate Internal Audit Service.

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, 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 – One West & Avon Pension Fund 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	

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	1st May 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	<p>External Audit Plan for Council - Y/E 2023/24</p> <p>External Audit Plan for Avon Pension Fund – Y/E 2023/24</p> <p>Internal Audit Annual Report – Y/E 2023/24</p> <p>Internal Audit Annual Plan – Y/E 2024/25</p> <p>Risk Management Update Report – Fraud Risk</p> <p>Annual Governance Statement & Local Code of Corporate Governance – Update Report</p>	<p>To Approve – Oversight of work of External Auditor</p> <p>To Approve – Oversight of work of External Auditor</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> <p>To Note & Endorse – Oversight of Corporate Governance Arrangements</p>
25 th September 2024	<p>External Audit – Update Report</p> <p>Audit Committee Annual Report 2022/23</p> <p>Annual Accounts 2023/24 – Informal Briefing</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 Approve & Recommend to Council – Report back to Council on delegation of responsibility</p> <p>To Note – Oversight of Financial Governance</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>Y/E 2023/24 External Audit Findings & Accounts & Annual Governance Statement Approval</p> <p>Y/E 2023/24 External Audit Annual Report (Including VFM Assessment Report)</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 – Corporate Risk</p>	<p>To Note – Oversight of work of External Audit</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>Risk Management Update Report – Procurement Risk</p>	<p>To Recommend to Council/Cabinet – 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>30th April 2025</i></p>	<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>