

Audit Committee

Date: Wednesday, 30th April, 2025

Time: 4.00 pm

Venue: Kaposvar Room - Guildhall, Bath

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



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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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Audit Committee - Wednesday, 30th April, 2025
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 - 5TH FEBRUARY 2025 (Pages 5 - 20)

8. SECTION 106 - UPDATE REPORT ON AUDIT FINDINGS (Pages 21 - 26)

9. EXTERNAL AUDIT PLAN - B&NES COUNCIL AND AVON PENSION FUND (Pages 27 - 134)

10. 2024/25 ACCOUNTING POLICIES (Pages 135 - 152)

11. COUNTER FRAUD ANNUAL REPORT (Pages 153 - 196)

12. ANNUAL REPORT OF THE HEAD OF AUDIT AND ASSURANCE 2024/25 (Pages 197 - 206)
13. INTERNAL AUDIT PLAN - 2025/2026 (Pages 207 - 226)
14. RISK MANAGEMENT - ANNUAL UPDATE REPORT - CORPORATE RISK (Pages 227 - 238)
15. AUDIT COMMITTEE - DRAFT WORKPLAN (Pages 239 - 244)

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

BATH AND NORTH EAST SOMERSET

AUDIT COMMITTEE

Wednesday, 5th February, 2025

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

Independent Member: John Barker

Also in attendance: Jeff Wring (Director of Financial Services, Assurance & Pensions, Gary Adams (Head of Financial Management), Andy Cox (Head of Audit and Assurance (One West)), Claire Read (Group Accountant – Financial Accounting & Treasury), Beth Bowers (Senior Manager, Grant Thornton), Mandy Bishop (Chief Operating Officer), Mary Kearney-Knowles (Director of Children's Services and Education) and Christopher Kinsella (Interim Executive Director Resources and Section 151 Officer)

41 EMERGENCY EVACUATION PROCEDURE

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

42 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were none.

43 DECLARATIONS OF INTEREST

There were none.

44 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

Clare Minchington addressed the Committee on the subject of the Liveable Neighbourhoods Programme. A copy of the statement will be attached as an online appendix to these minutes and a summary is set out below.

'I should like to draw the committee's attention to failures in the governance and decision-making surrounding the Liveable Neighbourhoods (LNs) programme.

In June 2021, an LN Bid for Walcot (including Camden Road) was rejected by the Cabinet and instead, a smaller LN initiative for London Road and Snow Hill was approved.

The scaled down Phase 1 LN was approved by Cabinet and consultation was subsequently undertaken with local residents in London Road and Snow Hill. This generated excellent suggestions to improve the liveable nature of the area – unsurprisingly a bus gate on Camden Road was not discussed, as a bus gate on Camden Road which by the Council's own figures carries 6,000 vehicles a day, cannot be seen as small-scale, or as adjacent to London Road, Snow Hill and Kensington Gardens.

A FOI request to BANES in 2023 revealed that the expansion of the scheme from that approved by Cabinet would be a single-member decision, but we have not found such a decision in the Weekly List.

The Council has failed to follow the correct procedure before successfully applying for WECA funding in September 2024 for the Camden bus gate, which was previously rejected by Cabinet. They have also failed to properly consult on the proposal as the focus of consultation activity was rightly around a LN for London Road and Snow Hill.

I would ask the committee to:

1. Reconsider the scoring of the Corporate Governance Risk in the Council's risk register in light of the high likelihood of successful legal challenges to the validity of this ETRO in particular and other ETRO's being implemented across Bath.
2. Commission an internal audit of the LN programme focussing on compliance of BANES with its own consultation and decision-making frameworks, policies and processes.
3. Pay particular attention to the 'independent' examination of financial records conducted by the internal auditors to provide assurance that WECA LN grants are being used in compliance with their Terms and Conditions.

The Chair commented that it was not within the scope of the Committee to talk at length about the Liveable Neighbourhoods Programme, but would ask that they focus on the three final points raised in the statement.

The Director of Financial Services, Assurance & Pensions thanked Clare for the points she had raised and said that a full written response would be given in due course. He added that in terms of the Corporate Governance Risk this was focussed on whether there were appropriate mechanisms in place to ensure lawful decision making can take place through the Constitution. If there was a specific legal risk that was highly significant that would feature as a separate risk. He added that he would speak with the Council's Monitoring Officer for clarity on this matter and update if needed in the response to the statement.

He explained that the Committee were to discuss the development of the Internal Audit Plan for 2025/26 in a later agenda item and asked them to keep this request in mind for their discussions. He added that Internal Audit have already carried out reviews on other areas within the Liveable Neighbourhoods Programme within 2024/25 and would be willing to share that with members if required.

He said that Internal Audit do carry out examinations on all WECA grants and that he was not aware of any issues in relation to the compliance with these terms and conditions.

Clare Minchington commented that the risk of reputational damage to the Council could arise from the decision-making framework not being followed appropriately.

The Chair thanked Clare for her statement and said that the Committee should decide on whether any further action should be taken on this issue following the receipt of the written response from officers.

46 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

47 MINUTES: 27TH NOVEMBER 2024

The Committee **RESOLVED** that the minutes of the meeting held on 27th November 2024 be confirmed as a correct record and signed by the Chair.

48 SEND COLLABORATION FOR BANES (SAFETY VALVE) - RISK MANAGEMENT UPDATE

The Director of Children's Services & Education introduced the report to the Committee and highlighted the following points.

- The report forms part of a series of risk management update reports to the Audit Committee to give it assurance on the system of risk management.
- Since 2019/20, the Council has exceeded the allocated funding, resulting in a deficit primarily within the high needs block, which supports services for individuals with special educational needs and disabilities (SEND).
- In 2022/23, the Council successfully joined the SV program, with an agreed recovery plan and ministerial approval. B&NES secured £19.22m, receiving £7.68m in March 2023. However, due to slippage, the agreement with the DfE is under review, grant payments have been suspended pending a revised agreement. In the 2023-24 financial year, the total paid under the agreement was £0.55m.
- The Council was put into an Enhanced Monitoring pool, which meant it has received additional support from 3 x DfE appointed advisers. The Service also appointed ISOS Partners to review the original submitted plans, and requested, and was granted dedicated support from the Council's Business Change Hub. External expertise was also granted to refine the financial modelling required. The programme is now called the SEND Collaboration for BaNES.

- Updated plans for the SEND Collaboration for BaNES were submitted to DfE on time on 24th May 2024. Detailed feedback was received from DfE advisers on 27th June 2024.
- Following a review of the feedback, a date was agreed with DfE to re-submit the plans, taking into account the comments from the advisers. This was agreed as 1st October and the plans were submitted again on the 30th September 2024. No further feedback on the plans has been provided by DfE and the Council is still awaiting a formal DfE response.
- Internal Audit reviewed the governance and programme management framework for the SEND Collaboration in Q2 and 3 2024, and the report in September 2024 judged there to be substantial assurance.
- Over the past 5 years the growth in EHCPs and requests for EHCPs has grown significantly. The numbers of EHCP requests have increased by 125% over the 5-year period whilst the numbers of EHCPs granted have increased by 75%.
- The SEND Collaboration for BaNES programme has robust governance in place. The Executive Group meets fortnightly to review progress, and reports regularly to ELT and to the Business Change Steering Group.
- A fortnightly briefing is held with the lead member for Children's Services and the Executive Group is responsible for agreeing the updates to the Lead Member, the Children, Adults, Health and Wellbeing Policy Development and Scrutiny Panel, Informal Cabinet and Cabinet.
- Discussions are ongoing with the DfE to ascertain:
 - Whether / when the plans may be signed by the DfE and remaining tranches of funding received.
 - When a clear decision will be made for the development of the Sulis AP and Green Ways SEN Academies.

The Director of Children's Services & Education said that this was both a regional and national challenge and that the Association of Directors of Children's Services has highlighted the pressure that this is bringing to their role and the functions within their respective Local Authorities.

The Executive Director for Operations added that as well as the current additional support detailed within the report further funding is being sought for work associated with SEND in the draft budget for 2025/26.

The Chair commented that it was clear that this was a national issue and noted it had also been highlighted by External Audit.

John Barker asked for confirmation if the slippage was due to a shortfall in expertise or an increase in demand.

The Director of Children's Services & Education replied that there had been an increase in demand from their initial projections. She added that the SEND reforms that were introduced in 2017 changed the age range from those children and young people covered by an EHCP from 6 – 16 years old to 0 – 25 years old.

John Barker asked if the growth in demand was attributable to the upper age group.

The Director of Children's Services & Education replied that it was not particularly as there can be a need for services / support from a young age. She added that the Council were seeking to provide Early Help support outside of their statutory framework.

Councillor Toby Simon commented that it was clear that the funding supplied is not sufficient for the duties that the Council are being asked to carry out. He asked what the impact of this was on the children and young people within B&NES.

The Director of Children's Services & Education replied that the issue of timeliness remains an area that is seeking to be improved. She said that the Council issues around 29% of their EHCP's within the 20 week guideline and were looking to increase this to 50% if possible.

Councillor Malcolm Treby referred to the risk in delays to the capital programme and asked for confirmation that the mitigated score of 9 was sufficient.

The Director of Children's Services replied that she was satisfied that the mitigated score was sufficient to the identified risk.

The Chair referred to the issue of Reforming the Children's Social Care System and asked if information could be provided regarding plans for the Council to set up any Children's Homes.

The Director of Children's Services replied that there was not sufficient Foster Care provision within B&NES and was aware that the Association of Directors of Children's Services had lobbied nationally regarding profiteering of suppliers of such homes.

The Executive Director for Operations added that the option of the Council having its own residential provision for children and young people was being explored.

Councillor Sam Ross commented that it should be noted that recruitment and retention of staff within the service area appears to remain an issue alongside ensuring that a competitive salary is in place.

The Audit Committee **RESOLVED** to note the report.

49 EXTERNAL AUDIT - UPDATE

Beth Bowers, Grant Thornton (External Auditors) introduced the report to the Committee and highlighted the following areas from within it.

- Work in Progress – February 2025
 - Financial Statements Audit – We will undertake our initial planning for the 2024/25 audit in March 2025, and discuss with management a suitable timetable for the interim audit. We begin our work on your draft financial statements in June.
 - We will issue a detailed audit plan, setting out our proposed approach to the audit of the Authority's 2024/25 financial statements at the April Audit Committee.
- Value for Money
 - Under the 2020 Audit Code of Practice, we are required to undertake work to satisfy ourselves that the Authority 'has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources'.
- Audit deliverables
 - Audit Plan – We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2023/24 financial statements. (April 2025)
- Sector Updates
 - IFRS 16 – Leases: Lessee accounting from 1st April 2024 – From the adoption of Local Government of IFRS 16 leases on 1st April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees.
 - Public Sector adaption: In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called 'peppercorn' rentals. This is one instance where the right of use asset and its' associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value. Any difference between market value and the present value of expected payments is accounted for as income. This has similarities with the treatment of donated assets.

- Local Audit backlog
 - On 19th November 2024, the Financial Reporting Council (FRC) shared the latest Public Sector Audit Appointments Ltd (PSAA) data on the number of local government audits outstanding nationally.
 - The FRC showed that on 30th September, on average every local authority buying their external audit services through PSAA had two years audits outstanding.
 - We are pleased to be able to show that Grant Thornton rates of delivery are well ahead of the national average. PSAA data shows that by mid November 2024, Grant Thornton had signed off 74% of all opinions due up to and in respect of 2022/23. For prior year value for money audits , 99% have been completed, putting us significantly ahead of the national average.
 - The 2024/25 audit is planned to conclude earlier than in previous years.

Beth Bowers apologised to the Committee and explained that the title of the section of the report on page 44 on the agenda pack should read 'Pensions Investment Review – Have your say'.

Councillor Toby Simon asked what portfolio the Council has as lessees and how would the issue regarding peppercorn rent affect our accounting and the University of Bath.

The Group Accountant for Financial Accounting & Treasury replied that there were around 30 leases coming into the Council with 8-10 of these having to show on the balance sheet, which will be a change in accounting arrangements.

She added that they will be looking into the matter of peppercorn rents across the Council and that the site of the University of Bath would be assessed as part of this ongoing work.

The Chair commented that he would welcome the Committee receiving further information on this subject to a future meeting.

John Barker commended the work of Grant Thornton regarding the Local Audit backlog. He asked if there was a danger of the goalposts moving nationally which may influence the focus of risk from clients or potential clients.

Beth Bowers replied that as a company they have reduced their portfolio, but have taken on more complex cases. She added that they were clear that priority will be given to those cases that have assurance over those that do not.

She stated that B&NES remains in line to continue within their first phase of audit deliveries as long as the Council can provide the necessary accounts within the agreed timescales.

Councillor Sam Ross asked if the proposed earlier timescales described for future audits were feasible.

The Head of Financial Management replied that they were in regular discussion with the external auditor and planned to issue the draft accounts one month earlier than the deadline, this being the end of May. He added that they had managed to achieve this for the past two years.

Councillor Toby Simon asked if it had yet been decided who would have the role of Section 151 Officer within the Council.

The Interim Executive Director for Resources (S151) replied that this had not been decided yet.

The Director of Financial Services, Assurance & Pensions added that the new Executive Director for Resources, Simon Parker, was due to join the Council on 17th March and that he would not be holding the position of Section 151 Officer.

Councillor Simon asked that once a decision had been made on the role, that the Committee be informed.

The Chair referred to page 34 of the report and asked officers if they have any initial comments on the Localis report and its proposal to 'strengthen internal audit functions to identify emerging financial threats'.

The Head of Audit & Assurance replied that they were due to review the Whistleblowing Policy in the next financial year (2025/26) and said that he believed that there were already strong systems and processes in place.

He added that in terms of strengthening the internal audit function they had been able to increase the capacity of the team by recruiting two further officers since the last meeting of the Committee had been held. He said that the role of internal audit is to look at all threats and risks and to liaise with finance officers to take matters into account when forming the Internal Audit Plan.

The Audit Committee **RESOLVED** to note the External Audit Update Report.

50 TREASURY MANAGEMENT STRATEGY STATEMENT 2025/26

The Group Accountant for Financial Accounting & Treasury introduced the report to the Committee and highlighted the following points from it.

- Treasury risk management at the Authority is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Authority to approve a treasury management strategy before the start of each financial year. This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

- Treasury management is the management of the Authority's cash flows, borrowing and investments, and the associated risks. The successful identification, monitoring and control of financial risk are therefore central to the Authority's prudent financial management.
- Investments held for service or commercial purposes are considered in the Capital and Investment Strategy within the Budget Report which is also included on the agenda for Cabinet & Council for February.
- Economic background - The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its December 2024 meeting, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting.
- The November quarterly Monetary Policy Report (MPR) expected Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker.
- ONS figures reported the annual Consumer Price Index (CPI) inflation rate at 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI also rose, but by more than expected, to 3.6% against a forecast of 3.5% and 3.3% in the previous month. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025.
- Credit outlook - Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again.
- Interest rate forecast - The Authority's treasury management adviser Arlingclose expects the Bank of England's MPC will continue reducing Bank Rate through 2025, taking it to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.
- Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue to remain relatively higher than in the past, due to quantitative tightening and significant bond supply.
- For the purpose of setting the budget, it has been assumed that short term treasury investments will be made at an average rate of 4.00% and long-term strategic investments will yield an average rate of 4.25%. It is forecast that new loans will be borrowed at an average rate of 5.10% during 2025/26.

- Local context - Council's position as at 31st December 2024: The Council held £266.95m of borrowing and £43.1m of treasury investments.
- Liability Benchmark - The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.
- When we compare actual borrowing to the Liability Benchmark the model anticipates that the Council will be in an under borrowed position between 2025 and 2052. When the Council is considering new long-term borrowing, this funding gap can be used, as a useful guide to the optimal amount and length of borrowing required in order to minimise interest rate and credit risk.
- Strategy - Short-term interest rates are currently higher than in the recent past, but are expected to fall in the coming years and it is therefore likely to be more cost effective over the medium term to borrow short term loans. The risks of this approach will be managed by keeping the Council's interest rate exposure within the limit set in the treasury management prudential indicators. By doing so the Council is able to reduce net borrowing costs, over time and overall treasury risk.
- Under the Markets in Financial Instruments Directive (MiFID) II, the Council has opted up to professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Executive Director - Resources believes this to be the most appropriate status.
- Approved counterparties - The Council may invest its surplus funds with any of the counterparty types in Table 3, subject to the limits shown. The Council will consider other factors including; if a S114 Notice has been issued, if exceptional financial support is requested/granted and the status of the authorities' statement of accounts.

Councillor Malcolm Treby referred to Table 2 on page 59 of the agenda pack and stated his concern that the net loans requirement was due to rise by over £200m in the next four years. He asked for it to be confirmed how much of the revenue budget would be as a proportion of this and what was driving the increase.

The Head of Financial Management replied that this was linked to the proposed Capital Programme and that there had been an increase in the loan facility to Aequus Group Holding Ltd, the Council's company that will develop, deliver, own and manage property for both the rental and home owner's market.

He added that this was linked to their business plan and there were potential big developments in the pipeline which could cost £74m over a five-year period. He said that the revenue impact has been factored into the Medium-Term Plan.

John Barker asked whether further Committee member training could be received from Arlingclose.

The Director of Financial Services, Assurance & Pensions replied that officers have already provided training but would look to put something additional in place with regard to further training if the Committee required but that funding needed to be identified to support this.

The Chair asked if the Head of Financial Management could circulate to the Committee the original training slides from Arlingclose in the meantime.

John Barker referred to page 51 and asked if the risk assessment had been carried out internally.

The Head of Financial Management replied that as part of the process briefings would have been received from advisors relating to economic / credit impact, but this was an internal assessment.

The Chair also referred to page 51 and asked for confirmation that the Council had no counterparty links to Icelandic banks.

The Head of Financial Management replied that the Council had no investment at that time. He added that caution is required when deciding on counterparty selection and that he believed that the Council's current list is tight.

The Chair asked for an explanation of the decision for the Council to opt up to MiFID II professional status.

The Group Accountant for Financial Accounting & Treasury replied that before MiFID II the Council would have been recognised as a Professional Client and that when it was introduced it would have been given a Customer status. She added that the decision to move up to Professional status would see no change in transparency levels and allows for the Council to receive the same level of support from our treasury management advisors and have access to products including money market funds, pooled funds, treasury bills, bonds and shares.

Councillor Toby Simon commented that he was worried about lending to other Local Authorities and urged officers to act with caution.

John Barker said that formal standards must be in place for any lending between Local Authorities.

The Committee **RESOLVED** to:

- i) Recommend the actions proposed within the Treasury Management Strategy Statement (Appendix 1) to Council;
- ii) Note the Treasury Management Indicators detailed in Appendix 1.

51 INTERNAL AUDIT PLAN 2024/25 UPDATE AND CONSULTATION ON THE DEVELOPMENT OF THE INTERNAL AUDIT PLAN 2025/2026

The Head of Audit & Assurance introduced the report to the Committee and highlighted the following points.

- The report provides an update on progress in completing the Internal Audit Plan 2024/25 audit reviews.
- Appendix 1 records progress on completing the Internal Audit Plan 2024/25 core audit reviews.
 - 8 Final 'Assurance' Reports or 'Briefing' Reports Issued
 - 4 Draft Reports Issued
 - 9 Audits Work-In-Progress / Audit Brief Agreed
 - 5 Audits to start – linked to the agreed operation of a 'flexible' Audit Plan, the Head of Audit & Assurance has liaised with the Director of Children's Services & Education to replace the Brokerage audit with a review of Adult Care Adaptations as concerns have been highlighted in terms of delays in provision of necessary adaptations (reliant on effective co-ordination between Council Occupational Therapy and Housing Teams and also property landlords e.g. Curo).
 - The planning process is based on the fundamental requirement that the Audit Plan proposed will deliver sufficient work to enable the Chief Internal Auditor to independently assess the internal control framework of the Council and provide a 'reasonable assurance' opinion at the end of each year. The model we have adopted, and use is the 'Reasonable Assurance Model'.
 - The Audit Committee is a key stakeholder and has responsibility for approving the Internal Audit Plan. The purpose of this report is to obtain Committee Member views and feedback on areas / themes which should be considered during the planning process for potential inclusion in the Internal Audit Plan. The Plan is to be submitted to the Committee at its next meeting on 30th April 2025.
 - From the planning work carried out to date, the following 'themes' are emerging which need to be considered further to scope Internal Audit core audit reviews:

- Children's Services - Special Educational Needs / Designated Schools Grant – Safety Valve Delivery Plan; provision of services in compliance with statutory responsibilities.
- Adult Services – Safeguarding, fulfilling statutory responsibilities and responding to CQC findings and recommendations.
- External funding and delivery of projects
- Debt Management – effective management of Council income / debt.
- IT – Cyber Security and Artificial Intelligence
- Contract Management

The Chair said that he welcomed the guidance that had been given and that it was his view that the Liveable Neighbourhoods Programme should be considered, depending on the outcome of the officer's report following the public statement that had been made earlier in the meeting.

John Barker proposed whether the new Procurement Act could be added to the scope for potential reviews.

The Director of Financial Services, Assurance & Pensions replied that this was a new piece of legislation and that the Council itself was still awaiting ministerial guidance on it. He added that there would need to be sufficient samples within this work area to be able to audit.

Councillor Malcolm Treby suggested the following two topics for review:

- Ransomware Attacks – Preparedness
- Effectiveness of Policy Development & Scrutiny (PDS) Panels

The Head of Audit & Assurance replied that Cyber Security was 25% of the core Audit Plan and that they would work with colleagues within IT Services on any areas of specific focus. He added that they could consider adding PDS Panels to their long list and reminded members that there is an assessment process to give a focus on the areas of the most risk.

Councillor Toby Simon questioned whether any lessons could be learned from a review of the Libraries system. He referred to the IT Services Recovery Management Audit Review which was listed as Draft with an Assurance Level of 2 and asked when this would be shared with the Committee.

The Head of Audit & Assurance replied that he was in conversation with partners in the South West about the potential for a Libraries review. He added that when the IT Services Recovery Management Audit Review report had been finalised, if the Assurance Level remains at 2, it would be shared with the Committee.

The Chair said that he agreed with the comments made by Councillor Treby that information into the PDS Panels had been lacking in recent months. He added that

he wished for all concerned to remain on top of the Climate & Ecological Emergency Response - Performance Monitoring / Reporting.

Councillor Sam Ross suggested that a review of Section 106 spending and funding not spent be considered.

The Head of Audit & Assurance replied that there were already plans to bring a presentation to the Committee meeting in April regarding Section 106 and CIL (Community Infrastructure Levy).

The Committee **RESOLVED** to:

- i) Note the progress in delivery of the 'core' audit reviews in 2024/25 Annual Audit Assurance Plan.
- ii) 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 2025/26.

52 ANNUAL GOVERNANCE STATEMENT 2024/2025

The Head of Audit & Assurance introduced the report to the Committee. He explained that in November 2024 the Audit Committee received a presentation on the Council's Statement of Accounts and this included slides on the Council's Annual Governance Statement 2023/24 and the 'significant' reportable issues of Financial Challenge (Service Demand & Cost Pressures) and Children Services (Dedicated Schools Grant Deficit & the Safety Valve Agreement).

He stated that an update on the position with regard to the DSG Deficit and Safety Valve Agreement had earlier been presented to the Committee including details on actions and progress. He added that it was still highly possible that this issue will remain significant in relation to the Annual Governance Statement in 2024/25.

The Financial Challenge issue remains severe, work on the Children's Transformation Plan progresses well but service demand remains very high putting extreme pressure on the Council's overall budgets. A £1.42M forecast overspend was presented to Cabinet in November reflecting our quarter 2 position and a further Q3 update will be presented to Cabinet in February.

The Chair thanked the Head of Audit & Assurance for all the work he has undertaken on behalf of the Council over many years and wished him a very good retirement.

The Head of Audit & Assurance thanked him and said his role had been both enjoyable and challenging over the years and thanked the Director of Financial Services, Assurance & Pensions for all his support over the years.

The Committee **RESOLVED** to note the report.

53 **AUDIT COMMITTEE - DRAFT WORKPLAN**

The Director of Financial Services, Assurance & Pensions introduced this item to the Committee. He highlighted that a Section 106 Update – Risk Management Update Report was due for the April meeting and that the Committee could consider how much further independent assurance is required following the receipt of that report.

Councillor Malcolm Treby reiterated the earlier point raised by Councillor Simon that the IT Services Recovery Management review should be shared with the Committee.

The Director of Financial Services, Assurance & Pensions replied that this report would be contained within the Internal Audit Annual Report for 2024/25 which was due for the Committee's April meeting.

John Barker asked if an update could be provided on the Local Audit proposals following the recent consultation.

The Director of Financial Services, Assurance & Pensions replied that this issue was on their watching brief list, pending the outcome of the consultation. He added that a response to the consultation was submitted and that they strongly supported the areas that had been highlighted by the members of the Committee.

Councillor Malcolm Treby asked if an update could be provided on the previously reported External Audit findings.

The Director of Financial Services, Assurance & Pensions replied that this would be provided to the Committee once a follow-up had been completed.

John Barker asked if any progress had been made on training dates for the Committee.

The Director of Financial Services, Assurance & Pensions replied that an email had been sent during the course of the meeting inviting members to a training session on March 19th 2025.

The Committee **RESOLVED** to note the 2024/25 workplan for the Committee.

The meeting ended at 6.04 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services

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Bath & North East Somerset Council		
MEETING/ DECISION MAKER:	Audit Committee	
MEETING/ DECISION DATE:	30 th April 2025	EXECUTIVE FORWARD PLAN REFERENCE:
		E 9999
TITLE:	Section 106 – Update Report on Audit Findings	
WARD:	All	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		

1 THE ISSUE

- 1.1 An internal audit in 2022 reviewed S106 funding and the use of secured funds, resulting in a 'Limited Assurance' rating which was reported to the Audit Committee in November 2022.
- 1.2 The audit report identified three high-risk areas, two medium-risk areas, and two opportunities. While the medium-risk areas were mitigated and one opportunity delivered, the high-risk areas remained unresolved, principally due to lack of consistent use of the Council's S106 data management system ("Exacom") and a lack of capacity within teams. This led to the assurance rating staying 'limited', as reported in [May 2024](#).
- 1.3 A project group was formed in July 2024 to work in collaboration with Planning, finance, and legal services to address the outstanding risks.
- 1.4 This report updates progress since July 2024 on mitigating high-risk areas and delivering the remaining opportunity, with timescales for completion.
- 1.5 On completion of this project, the audit team will be invited back to confirm assurance.

2 RECOMMENDATION

2.1 The Audit Committee is asked to note the report, specifically -:

- a) The plans to mitigate the outstanding risks identified in the audit report
- b) Plans to use the public facing module
- c) The timescales for implementation, roll out, and delivery of the project.

3 THE REPORT

Background

3.1 The high-level risk recommendations in the 2022 audit report were:

- (1) *“The Project Module in Exacom¹ should be fully utilised as the central database, recording full details of committed / actual spend sums to ensure effective monitoring of unallocated balances, and use of all funds within prescribed timescales”.*
- (2) *“Roles and responsibilities for maintaining the Exacom Project Module to be agreed with all relevant parties, including ongoing monitoring arrangements and agreement that any required action identified by the CIL / S106 MO or the Project Finance Team is implemented within agreed timescales”.*
- (3) *“The CIL / S106 MO should introduce a proactive and systematic monitoring process for reviewing balances and spend timescales to ensure funds are committed (with planned completion date) / spent within timescale”.*

3.2 The audit report also identified an opportunity to utilise Exacom’s “Public Facing Module” as an online portal allowing the public, Parish and Town Council’s and Ward Members to see the collection, management, allocation and spend of planning obligations in their area – this would improve transparency and accountability.

3.3 Between July and September 2024, the project team researched Exacom's underuse, interviewing stakeholders and benchmarking best practices.

3.4 This identified inconsistent use of Exacom by services who relied on their own records instead. This led to a lack of transparency and oversight.

3.5 The inconsistent approach to S106 fund management is a resource burden on the S106 Monitoring Officer's time and has resulted in unspent funds being returned to developers, totalling around £245k.

3.6 The team further identified that there is c.£11m in developer contributions at risk of repayment by 2027, with c.£4.6m at risk in the next 18 months, due to inconsistent fund management and lack of oversight. Efforts have been made with individual service areas to mitigate this risk and ensure unspent funds are allocated to the relevant projects.

¹ Exacom is the Council's data management system for CIL and S106

- 3.7 Having completed the initial analysis and considered various options for improvement a report was taken to the Business Change steering group in October 2024 for approval to proceed with four workstreams:
- a) Workstream 1 – Centralising all Section 106 funding information in one system.
 - b) Workstream 2 – Employ a new Section 106 officer in the Planning team
 - c) Workstream 3 – Establish a link between the Council's core financial system (Agresso) and Exacom
 - d) Workstream 4 – Implement Exacom's Public Facing Module (PFM)
- 3.8 Each workstream has been designed to address each of the outstanding high-risk recommendations and deliver the identified opportunity.
- 3.9 The Council's senior auditor has been engaged in the development and progress of each of these workstreams and is content that assurance will be provided if these workstreams are delivered.

Workstream 1 - Update

- 3.10 To complete workstream 1, the Council hired external consultants "*The Obligations Office Ltd*", a partner of Exacom. They specialise in updating S106 databases. They started in January 2025 and are working through all current and historic S106 agreements. This work will finish by the end of April 2025, centralising all records. Having all data centralised will enable the Public Facing Module to be activated. The cost for this service was £68,833 (+VAT), funded by transformation reserves (approved in November 2024).
- 3.11 So far, the consultants have identified about £2m in uncollected S106 contributions. These relate to cases where a demand notice has been issued but remains unpaid by developers. In May 2025 the consultants are due to produce a report on all outstanding monies to enable the Council to prioritise collection.
- 3.12 The consultant's work has highlighted issues in current internal processes. The uncollected monies were missed due to lack of capacity in the obligations team. This issue will be resolved through new ways of working (Workstream 2).

Workstream 2 - Update

- 3.13 The project team have identified and agreed new processes and governance. Planning will control all developer contributions through a single account and services will request money from this account for specific projects.
- 3.14 This approach ensures central oversight of fund collection, allocation, and spending. It enables Planning to hold services accountable and removes the risk of repaying developers by ensuring any upcoming repayment triggers are identified and flagged early.
- 3.15 Concurrent to the management of funds, planning will be responsible for ensuring there are no outstanding funds by proactively chasing developers for payment.

- 3.16 Critical to this workstream is the need for an additional resource in Planning to support the CIL/S106 Monitoring Officer to be funded by surplus CIL/S106 administration funds.
- 3.17 The Planning Service are currently reviewing staffing options as part of a wider structure review. It has therefore been recommended that an additional resource is employed on a fixed term basis initially – potentially drawing on existing internal resources - to allow the service to review the impact and roll out of the new ways of working and to identify how any increase in demand might be managed.

Workstream 3 - Update

- 3.18 This workstream has not progressed as it relies on an upgrade to the Council's central finance system (Agresso). The project team have been engaging with the Financial Systems Review Project Team and integration of Exacom into the new Agresso system is scheduled for later this year (noting the new finance system is not scheduled to go live until April 2026).
- 3.19 Whilst the Agresso/Exacom integration has not yet progressed, the project team have fixed the link with Civica (the Council's online payment system) so customers can now pay S106 (and CIL) online. This has reduced the need for manual processing and will ensure that Exacom is updated when monies are paid.

Workstream 4 - Update

- 3.20 The project team reviewed Exacom's Public Facing Module (PFM) and discussed its potential for accountability and transparency with other Councils who have already deployed it. The PFM has also been demonstrated to key stakeholders to showcase its capabilities and how it can be used to support services.
- 3.21 The deployment of the PFM depends on completing workstream 1 (updating Exacom data) and workstream 2 (adopting new ways of working and adding resources). The council has already procured the PFM module as part of its current contract with Exacom.
- 3.22 The intention is to commence testing the PFM internally from May 2025 before a public launch in Q3 2025 to ensure familiarity and identify any data gaps that require resolving. It is intended that Members will be briefed on the PFM before it goes live.
- 3.23 Activation of the PFM will provide public transparency over developer obligations. It will also help services to plan infrastructure delivery, improving project timeliness using S106 and CIL funding.

Summary

- 3.24 The objective of the project team is to deliver and mitigate the outstanding recommendations in the 2022 audit report to provide overall assurance to the Council that it has control and oversight of its S106 funds. The project now is nearing completion.

- 3.25 Centralisation of data is complete and the roll out of the new ways of working will commence in June 2025 (subject to internal resourcing). The public facing module will be available as an internal resource to allow for testing from June 2025 onwards and it is anticipated that the public launch will happen in Q3 2025.
- 3.26 The only outstanding matter is the integration of Exacom and Agresso however this is subject to a wider Council project to update the corporate financial management systems. The new finance system is due to go live in April 2026 and the project team are working to ensure integration is complete prior to the launch date.
- 3.27 Audit colleagues have been kept informed as to the direction of this project and the progress to date and are content that once delivered, the risks identified in the 2022 audit report will be resolved.
- 3.28 Completion of this project will deliver the required actions in the audit report and provide assurance that the processes surrounding the management, monitoring and reporting of S106 are comprehensive, up-to-date, and accurate.
- 3.29 It is recommended that audit are invited back in Q3 2025 to confirm assurance with the recommendations with a follow up session in Q1 2026 once the wider financial systems project has completed.

4 STATUTORY CONSIDERATIONS

- 4.1 S106 agreements are required to comply with three legal tests: they must be necessary to make a development acceptable in planning terms, directly related to the development, and fairly and reasonably related in scale and kind to the development. Unlike the Community Infrastructure Levy, S106 is ringfenced to what is specified in the legal agreement accompanying the relevant planning application and as such these funds cannot be used as a general pool of funding. The Council is accountable for how it uses its S106 funds and is required to publish an annual report (the Infrastructure Funding Statement) detailing the collection and expenditure of its S106 funds.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The financial totals are laid out in the detail of the report including the amounts at risk. Adopting the new ways of working will require staff resource to ensure the system is maintained and to enable accurate and transparent reporting through the Public Facing Module. The Planning Department currently generates a surplus in administrative fees associated with S106 and CIL which are sufficient to cover the required resource.
- 5.2 CIL and S106 admin fees are ringfenced by the relevant legislation and regulations to the administration of developer obligations.
- 5.3 The Planning Service are currently reviewing staff requirements and structures as part of the Smarter Structures programme.

6 RISK MANAGEMENT

- 6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision making risk management guidance. Risks have been articulated through the Audit Report

7 EQUALITIES

- 7.1 EqIA not completed as this is an update to Audit Committee to provide information about the work undertaken to mitigate risks identified in a 2022 audit report.

8 CLIMATE CHANGE

- 8.1 Developer contributions are sought to mitigate the impact of development on its immediate area, this precise mitigation will be dependent on the specifics of the planning application however can include initiatives to support retrofitting/ installation of solar on affordable housing, delivery of green infrastructure, supporting sustainable travel, or supporting nature conservation projects.
- 8.2 Ensuring the council has oversight of its secured funds enables the timely delivery of relevant projects that can support the council's climate and ecological emergency commitments, reduces the risk of repaying funds to developers, and improves transparency and accountability.

9 OTHER OPTIONS CONSIDERED

- 9.1 This is an update report on progress to achieve audit recommendations.

10 CONSULTATION

- 10.1N/A

Contact person	Louise Morris (Head of Planning and Building Control)
Background papers	Link to Business Change Hub Project Brief - Project brief.docx Link to Business Change Gateway Report - Proposed Workstreams Report.docx
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:	30th April 2025	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 2024/25</p> <p>Appendix 2 – External Audit Plan for the Avon Pension Fund 2024/25</p>		

1 THE ISSUE

- 1.1 The External Auditor will present their Audit Plans for the Council and Avon Pension Fund for the year 2024/25.

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to –

Endorse the 2024/25 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 2024/25 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 2024/25 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 – Financial Services, Assurance & Pensions (S151 Officer) (01225 477323)
Background papers	
Please contact the report author if you need to access this report in an alternative format	

The Audit Plan for Bath and North East Somerset Council

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Year ending 31 March 2025

30 April 2025



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01 Key developments impacting our audit approach

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Local Government Reorganisation

External factors

English Devolution White Paper

On 16 December 2024, the Secretary of State for Housing, Communities and Local Government, Angela Rayner, Presented to Parliament the English Devolution White Paper.

The White Paper sets out the direction of travel for the devolution of power across England. Devolution is seen by the government as being fundamental in achieving the change the public expect and deserve. The government's aim is for devolution to promote growth, a joined-up delivery of public services, and politics being done with communities, not to them. England is one of the most centralised countries in the developed world. The goal is universal coverage of strategic authorities in England.

Strategic authorities will be a combination of pre-existing Combined Authorities and Mayoral Strategic Authorities (MSAs). They will be funded through an integrated settlement which can be used by the Authority across housing, regeneration, local growth, local transport, retrofit, skills and employment support. This removes the complexity of numerous grants, conditions and reporting requirements, simplifying it into a single mutually agreed outcomes framework monitored over a supply review period. In combination with this Mayors will be given more control over the devolution of transport, skills & employment support, housing and planning, environment and climate change, supporting business and research, reforming and joining up public services.

The government plans to facilitate a programme of local government reorganisation for 2-tier areas across England. It will also facilitate the reorganisation of unitary councils where there is evidence of failure, or where their size and/or boundaries are a hinderance to local decision making. This will be done in a phased approach and for most will mean creating councils serving a population of 500 000 or more. Along with devolution government wants to reset its relationship with local government, end micro-management and enable local governments through multi-year settlements.

The next steps are:

- A widening and deepening of devolution, expanding on the 2 new Mayors and 6 non-mayoral devolutions already noted in the white paper, with a priority programme for those with plans ready for action;
- An invitation from all remaining 2-tier areas and unitary councils where appropriate, to submit proposals for local reorganisation;
- And re-committing to the English Devolution Bill by putting the devolution framework into statute and moving to a systematic approach that ensures local leaders have the powers they need.

Update

Jim McMahon, Minister for Local Government and English Devolution, wrote to two-tier authorities in February 2025 to set out a timetable for reorganisation proposals to be submitted. We are expecting an interim plan by 21 March 2025 and a full proposal by 28 November 2025.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

The government’s strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:

- Coordinating the system – including leading the local audit system and championing auditors’ statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the MHCLG, with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Key developments impacting our audit approach

National Position

Local governments face many challenges, the pandemic along with the cost of living crisis has left local governments with economic, social, and health challenges to address:

Staffing: A key challenge facing councils in maintaining service sustainability is the growing difficulties in relation to workforce recruitment and retention. Councils struggle to attract and retain qualified staff, especially younger talent. Many councils have outdated recruitment processes and are heavily reliant on agency staff.

Climate change: As the impacts of climate change become increasingly evident, local government plays a pivotal role in mitigating and adapting to these changes. The UK's targets for achieving net zero carbon emissions and local authority pledges must align into cohesive policies with common goals. This includes ongoing local economy investment in renewable energy, promoting sustainable transportation and implementing measures to enhance resilience against extreme weather events.

Housing crisis: The shortage of affordable housing continues to be an issue. There aren't enough social rented homes to meet demand and it's difficult to find land for new housing developments. New requirements around net zero and other environmental considerations make it more complex to get planning permission. Local authorities therefore face the challenge of providing adequate housing while balancing environmental sustainability and statutory planning requirements.

Funding : Local governments face many challenges in securing funding, including declining grant income, slow tax revenue growth, and rising demand for services. These challenges can make it difficult for local government to balance their budgets, assess their revenue base, enforce taxes, and prevent tax evasion. Social care costs, maintaining aging infrastructure, SEND and homelessness are driving up council spending and cuts to discretionary services impact local communities. Strained budgets are making it challenging to fund essential services, infrastructure projects and the ongoing stream of section 114 notices will not come as a surprise this year.

Digital Transformation : The fast pace of technological advancement poses both opportunities and challenges for local government. The adoption of digital tools and platforms is crucial for improving service delivery, enhancing communication and streamlining administrative processes. However, many communities still lack access or ability to navigate essential technology which creates a digital divide. Local government needs to ensure inclusivity in its digital strategies, addressing disparities and ensuring all residents can benefit from the opportunities technology offers.

Cybersecurity: Local government needs to protect against malware and ransomware attacks. They also need to navigate central government policy shifts and constraints. With increased reliance on digital platforms, they become more vulnerable to cyber threats. Safeguarding sensitive data and ensuring the integrity of critical systems are paramount and local authorities must invest in robust cybersecurity measures, employee training and contingency plans to protect themselves.

Our Response

Building and maintaining public trust is arguably the cornerstone of effective governance. Local government must prioritise transparency, open communication and meaningful public engagement to foster positivity within communities.

Despite councils' best efforts, financial pressures are affecting the scale, range and quality of council services provided to local residents. The clearest evidence of this is that councils' service spending is increasingly focused on adult and children's social care, SEND and homelessness. Ultimately spending is increasingly concentrated on fewer people, so councils are less able to support local and national agendas on key issues such as housing, economic growth, and climate change

Sound strategic financial management, collaboration with other levels of government and exploring alternative funding sources are vital for local authorities to overcome financial constraints and deliver quality services.

Our value for money audit work continues to identify significant weaknesses in all criteria of the Code of Audit Practice. This shows that local authorities are facing increasing pressure to provide services while managing change and reducing costs. We understand that the environment in which our audited bodies operate is dynamic and challenging and this understanding allows us to have insightful conversations and adapt our approach to delivering our audit work accordingly.

We know the difficulties and challenges faced within our Local Authority bodies and know there is a focus on improving quality and reducing costs. We will work with you as you strive to deliver these aims.

Key developments impacting our audit approach

Local Context

New accounting standards and reporting developments

- Local authorities will need to implement IFRS 16 Leases from 1 April 2024. The main difference from IAS 17 will be that leases previously assessed as operating leases by lessees will need to be accounted for on balance sheet as a liability and associated right of use asset. More information can be found on slide 9.
- The FRC issued revisions to ISA (UK) 600 ‘Audits of group financial statements (including the work of component auditors)’. The revised standard includes new and revised requirements that better aligns the standard with recently revised standards such as ISQM 1, ISA 220 (Revised) and ISA 315 (Revised 2019). The new and revised requirements strengthen the auditor’s responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component auditor, and documentation. The changes are to keep the standard fit for purpose in a wide range of circumstances and the developing environment.

Our Response

- Detailed review of the authority’s implementation of IFRS 16. More information can be found on slide 9.
- Enhanced procedures in respect of audits of group financial statements

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Director of Finance.
 - To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team.
- We would like to offer a formal 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 Audit Committee, to brief them on the status and progress of the audit work to date.
- Our Value for Money work will continue to consider the arrangements in place for you to secure economy, efficiency and effectiveness in the use of your resources.
 - We will continue to provide you and your Audit Committee with sector updates providing our insight on issues from a range of sources via our Audit Committee updates.
 - We hold annual financial reporting workshops for our audited bodies to access the latest technical guidance and interpretation, discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.

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IFRS 16 Leases



Summary

IFRS 16 Leases is now mandatory for all Local Government (LG) bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. 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.

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.

This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

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

There are however the following exceptions:

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

Lessor accounting is substantially unchanged leading to asymmetry of approach for some leases (operating). However, if an LG body is an intermediary lessor, there is a change in that the judgement, as to whether the lease out is an operating or finance lease, is made with reference to the right of use asset rather than the underlying asset. The principles of IFRS 16 will also apply to the accounting for PFI assets and liabilities.

Systems and processes

We believe that most LG Bodies 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
- accounting for what were operating leases
- identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate

Planning enquiries

As part of our planning risk assessment procedures, we make enquiries of management to understand and document the process around the new standard including performing a walkthrough. Our discussions are ongoing and we will continue to discuss with management to agree an appropriate timeline for completion

The Backstop

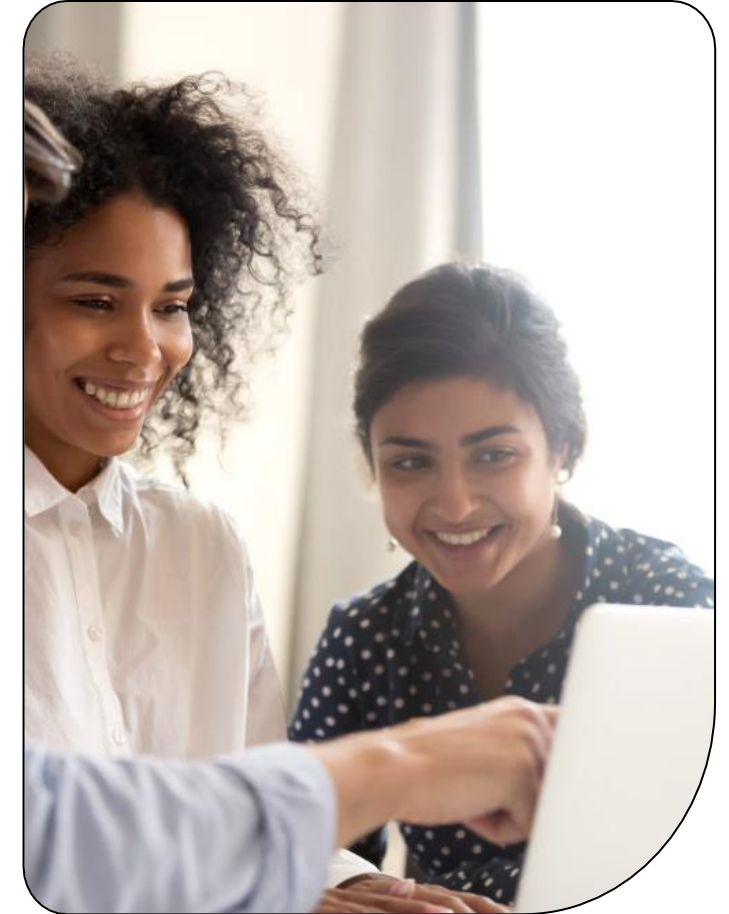
Local Government National Context – The Backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- for years ended 31 March 2023 and earlier by 13 December 2024; and
- for years ended 31 March 2024 by 28 February 2025; and
- for years ended 31 March 2025 by 27 February 2026.

The Statutory Instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

We issued unmodified audit opinions on the 2022/23 and 2023/24 Bath and North East Somerset Council financial statements in advance of the backstop dates.



02 Introduction and Headlines

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Introduction and headlines



Purpose

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

Respective responsibilities

- The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Bath and North East Somerset Council. We draw your attention to these documents.

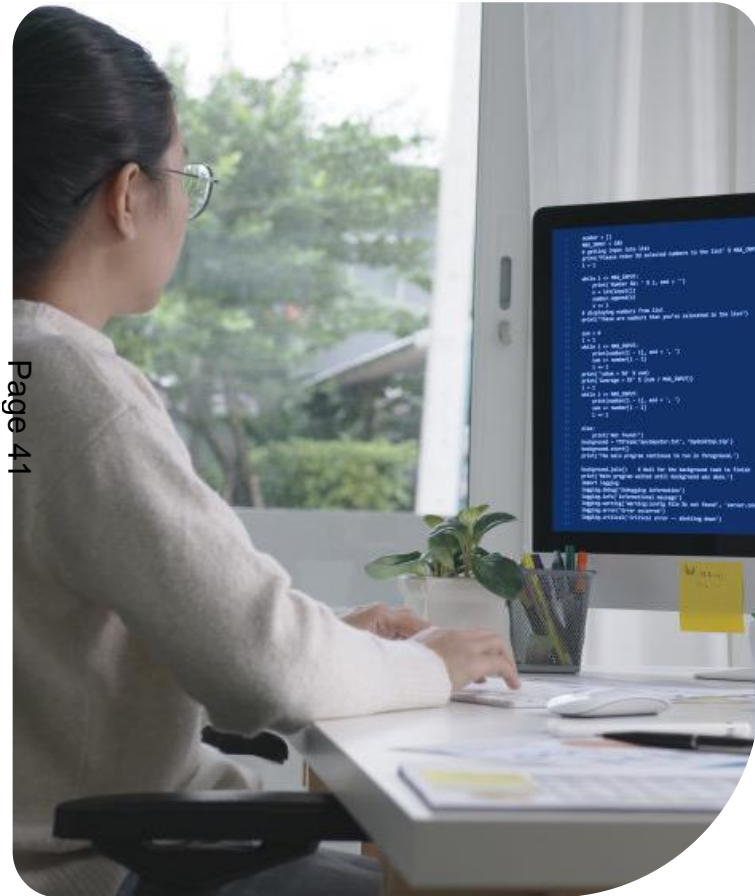
Scope of our Audit

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's and Group's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Audit 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 (continued)



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 control
- 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 Development Limited and Aequus Construction Limited

Materiality

We have determined planning materiality to be £10.620m (PY £7.700m) for the Council, which equates to 2.4% of your prior year gross operating costs for the year. Materiality benchmarks have increased for 2024-25 following discussion with the Financial reporting council and the maximum for BaNES is 2.5% up from 2% in 2023-24. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. As part of our risk assessment, we have considered the impact of unadjusted prior period errors. Performance materiality remains the same at 75%.

Clearly trivial has been set at £0.531m (PY £0.385m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has not identified any significant weakness areas or related risks, requiring separate attention. We will continue to monitor and update our risk assessment and responses until we issue our Auditor's Annual Report.

Audit logistics

Our interim visit took place in February – March 2025 and our final visit will take place in July – September 2025. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £396,300 (PY: £365,617) 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 2024) 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

03 Identified risks

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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.

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	Council	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: <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.

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“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide 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 risk	Risk relates to	Audit team’s assessment	Planned audit procedures
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue</p>	Council	<p>We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams.</p> <p>Where we have rebutted the risk of fraud in revenue recognition for revenue streams this is due to the low fraud risk in the nature of the underlying transactions, or immaterial nature of the revenue streams both individually and collectively.</p> <p>We considered the risk of fraud particularly for Roman Bath Income using the Fraud Triangle (Opportunity, Incentive and Rationalisation). The team arrived at the conclusion that this is not an area that requires special audit consideration as none of the above factors (highlighted in ISA (UK) 315) apply. Although fraud risk factors surrounding this stream of income are low, the audit team considered that the likelihood and magnitude of potential material misstatement is high given the level and volume of transactions.</p>	<p>We do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.</p>
<p>The expenditure cycle includes fraudulent transactions</p> <p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p>	Group and Council	<p>We have identified and completed a risk assessment of all expenditure streams for the Council. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk. This is due to the low fraud risk in the nature of the underlying nature of the transaction, or immaterial nature of the expenditure streams both individually and collectively.</p> <p>There is a risk of fraudulent expenditure recognition, for the Council to report a certain year end position. During the year ended 31 March 2025 the Council’s approved capital programme was £71.91 million, with a material level of capital additions. Therefore, if the Council were to fraudulently recognise expenditure, we believe it would be through the inappropriate capitalisation of revenue items.</p>	<p>We do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.</p>

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of land and buildings	Council	<p>The Council 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 (£303.503m in the Council balance sheet at 31/03/24) 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.</p> <p>We therefore identified valuation of land and buildings, 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 Council'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.
Valuation of Investment Properties	Council	<p>The Council revalue its material investment properties on an annual basis. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved (£242.016m in the Council balance sheet at 31/03/24) and the sensitivity of this estimate to changes in key assumptions.</p> <p>We therefore identified valuation of 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 Council'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.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
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 (£83.136m in the Council’s balance sheet at 31/03/2024) 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.

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.

04 Group Audit

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Group audit scope and risk assessment

In accordance with ISA (UK) 600 Revised, 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.

Component	Risk of material misstatement to the group	Planned audit approach and level of response required under ISA (UK) 600 Revised	Response performed by	Risks identified	Auditor
Bath and North East Somerset Council	Yes	Audit of the entire financial information of the component	Group auditor	See risks identified in pg. 15-18	Grant Thornton UK
Aequus Holdings Group Limited	No	The Council set up AHGL as the parent company for ADL and ACL. It is not material and therefore will not be consolidated into the group financial statements	Group auditor	See below	Grant Thornton UK
Aequus Development Limited	No	We have based our assessment on the audited 2023-24 financial statements and from this we have concluded that there are no material components. However, we note that the short term borrowings are material at a consolidated statements level and therefore we will undertake the following <ul style="list-style-type: none">Analytical procedures at group levelReview of consolidation accounting treatment	Group auditor	N/A	Grant Thornton UK
Aequus Construction Limited	No	As above. Our assessment has not identified any significant components. We will undertake the following work: <ul style="list-style-type: none">Analytical procedures at group levelReview of consolidation accounting treatment	Group auditor	N/A	Grant Thornton UK

Involvement in the work of component auditors

In order to use the work of the component auditor, we will require the ability to access relevant component auditor documentation to complete our group audit. The nature, time and extent of our involvement in the work of Bishop Fleming LLP will begin with a discussion on risks, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of Bishop Fleming’s audit documentation and meeting with appropriate members of management.

We will also require that the component auditor is independent under the independence requirements of the FRC and this may be stricter than the requirements for completing their local reports.

If we are unable to secure access to the component auditor’s working papers we will report the impact of such impediments on the audit of the group financial statements.

Where a member of the Grant Thornton International network is involved, we will communicate to them your policy on non-audit services. You will ensure that each component entity within your group is aware of your policy.

Fraud and litigation

We have not been made aware of any actual or attempted frauds in the year during our planning procedures performed to date. Should any factors arise in relation to fraud risk or actual or attempted fraud we ask that you inform us of this at the earliest possible opportunity.

05 Our approach to materiality

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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
01	Determination We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council and Group, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none"> 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
02	Other factors An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none"> An item may be considered to be material by nature when it relates to: <ul style="list-style-type: none"> instances where greater precision is required
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"> 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
04	Matters we will report to the Audit Committee 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 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.	<ul style="list-style-type: none"> We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council and Group, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £0.531m for the Group and Council (PY £0.385m for Council and £0.415m for Group). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

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Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

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 entity financial statements	10,620,000	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 the group financial statements	10,720,000	In line with guidance, the materiality adopted for the Group is higher than Single Entity. We have lowered the group PM and triviality to the same threshold as the single entity. It should be noted that Bath and North East Somerset are 99% of the group and, therefore, it is appropriate to have an entity materiality that is 99% of the group materiality
Materiality for specific transactions, balances or disclosures – Senior Officer Remuneration	20,000	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 £20,000 as the benchmark for materiality.

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06 Progress against prior year audit recommendations

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Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Council’s financial statements, which resulted in 7 recommendations being reported in our 2023/24 Audit Findings Report. We are pleased to report that management have implemented three of our recommendations and four are still to be addressed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	Testing of useful economic lives identified a number of assets which are fully depreciated but remain on the balance sheet as operational. Management have processes in place to confirm that assets are still operational but this is not formally documented. There is no evidence that management have reviewed disposed assets or those that are still operation to assess whether useful economic lives are appropriate. The gross book value of these is material and there is a risk that the Council are holding assets that they no longer own or that the economic lives applied to the assets are not appropriate.	We have held a number of conversations with management to discuss the issue previously communicated. This has included the reason for the issue being identified and the implications and the steps that management can take to address the recommendation. This is a year end process and we will assess management’s treatment as part of the financial statement audit.
Addressed	Management included related parties which were not material and which did not meet the requirements of the Code	Management removed these in 2023-24 and it is considered that recommendation has been addressed.
Addressed	We identified one individual from Finance Team who was granted admin access rights within Civica system to update user names and service lines of individuals in preparation for Midcall project of the Council. The access was only removed when it was raised by the engagement team.	The admin user's access has been revoked to ensure the security and integrity of the system. The specific scenario was one where for a project an individual needed the access temporarily and was requested from the service area. Management were awaiting confirmation that the access was no longer required to remove the access.
In progress	There is no formal approval process for posting journals so finance team members are effectively posting their own journals. All journals above £500k are approved by Senior Finance Manager or group accountants, respectively	<p>Over the course of the next 18 months the financial systems team will be implementing an upgraded finance system. As part of the design of the new system the journal authorisation process will be reviewed.</p> <p>Current retrospective checks will remain in place whilst the review is undertaken and timescales of any potential system changes are assessed and evaluated.</p> <p>The Council’s Financial Regulations are currently being updated, and will set out the Councils process for posting and approving journals.</p>
In progress	Within the MRP calculation management had assets with a useful economic life beyond the prescribed 50 years. The guidance allows for this where a suitably qualified person has assessed the asset and confirmed that the extended life is appropriate. Whilst management has demonstrated this upon challenge there was no formal recognition of the process prior to audit	Those assets over 50 years are from prior to the change in regulations in 2018. We will review the MRP calculation as part of the financial statements audit

Progress against prior year audit recommendations

(continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed	Review of access rights within Logotech, the Council's database management system, identified three users who have all administrative rights to all parts of the system. There is no audit record of new users or leavers and therefore it is possible for these individuals to add and remove users and change underlying data. There is a risk that inappropriate adjustments can be made which could have an impact on the financial statements. Review of asset records as part of our testing has not identified any specific issues.	The responsibility for system administration of the Logotech Asset Register software and user access will transfer to the Financial Systems team to separate this role from the system users in the Capital Project Finance Team. A protocol will be introduced for processing new users and leavers. All current users will be reviewed with appropriate change controls put in place that require manager approval.
In progress	Four notes in the accounts were identified as unnecessary due to their size. When challenged, the client responded that they wished to retain the policies, either to show the movements in year, to protect their referencing or for completeness. A deficiency has been raised for this, relating to over-disclosure from the Council. The notes in question are 17 Assets for Sale, 18 Inventories, 27 Trading Operations and 39 Exceptional Items.	Management will give consideration to removing these disclosure notes in future years should they continue to immaterial. We will consider this as part of the financial statements audit

07 IT audit strategy

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IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach, we will perform the indicated level of assessment:

IT application	Audit area	Planned level IT audit assessment
Agresso	Financial Reporting	<ul style="list-style-type: none">Our assessment will test the design of the ITGCs
Civica	Cash Receipting	<ul style="list-style-type: none">Our assessment will test the design of the ITGCs
iTrent	Payroll	<ul style="list-style-type: none">Our assessment will test the design of the ITGCs
Logotech	Fixed Asset Register	<ul style="list-style-type: none">Our assessment will test the design of the ITGCs

09 Value for Money Arrangements

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Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. 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:

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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.



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.



Risks of significant VFM weaknesses

As part of our initial 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 on the table overleaf along with the further procedures we will perform. We will continue to review the body's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. 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:



Statutory recommendation

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 weakness in VFM arrangements (continued)

Initial Risk assessment of the Council’s VFM arrangements

The Code of Audit Practice 2024 (the 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. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2024/25. We will continue to evaluate risks of significant weakness and if further risks are identified , we will report these to those charged with governance. We set out our reported assessment below:

Criteria	2023/24 Auditor judgement on arrangements	2024/25 risk assessment	2024/25 risk-based procedures
Financial sustainability	R	<p>One significant weakness raised in relation to arrangements identified relating to the Council managing its Dedicated Schools Grant (DSG) recovery plan. This has resulted in one key recommendation</p> <p>Risk of significant weakness in arrangements</p> <p>The DSG deficit (High needs block) has continued to deteriorate. The Council is forecasting an underlying over budget position for 2024/25 of £11.927m, which would increase the cumulative deficit to £34.19m at the 31 March 2025. The Council is part of the Safety Valve Programme which was originally agreed in March 2023. A revised Safety Valve agreement has been submitted to the Department for Education (DfE) which has yet to be agreed and as a result payments from the DfE have been suspended.</p> <p>We consider these arrangements to be a risk of significant weakness with regards to financial sustainability for the Council.</p>	<p>We will review:</p> <ul style="list-style-type: none">- the action taken in response to our key recommendation raised in 2023/24- the yearend DSG deficit position- what additional mitigation actions are planned- the current position with the Department for Education, including the revised management plan
Governance	A	<p>No significant weaknesses in arrangements identified, but seven improvement recommendations made.</p> <p>No risks of significant weakness identified</p>	<p>As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code.</p>
Improving economy, efficiency and effectiveness	A	<p>No significant weaknesses in arrangements identified, but five improvement recommendations made.</p> <p>No risks of significant weakness identified</p>	<p>As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code and follow up improvement recommendations made in 2023/24.</p>

We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our auditor’s annual report. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. We report our value for money work in our Auditor’s Annual Report. Any significant weaknesses identified once we have completed our work will be reflected in your Auditor’s Report and included within our audit opinion.

- 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.

10 Logistics

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Logistics

The proposed audit timeline



Our team and communications

Grant Thornton core team



Beth Bower
Key Audit Partner

- Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers
- Key contact for senior management and Audit and Governance Committee
- Overall quality assurance



David Johnson
Audit Manager

- Provides oversight of the delivery of the audit including regular engagement with Governance Committees and senior officers
- Audit planning
- Resource management
- Performance management reporting



Carmen Ng
Audit In-charge

- Key audit contact responsible for the day to day
- Management and delivery of audit work
- Audit fieldwork

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none">• Annual client service review	<ul style="list-style-type: none">• The Audit Plan• Audit Progress and Sector Update Reports• The Audit Findings Report• Auditor’s Annual Report	<ul style="list-style-type: none">• Weekly meetings to discuss progress during Planning and Fieldwork stage• Communication of Query log and Sample tracker• Communication of issues log	<ul style="list-style-type: none">• Technical updates
Informal communications	<ul style="list-style-type: none">• Open channel for discussion		<ul style="list-style-type: none">• Communication of audit issues as they arise	<ul style="list-style-type: none">• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit In Charge and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

11 Fees and related matters

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Our fee estimate

Our estimate of the audit fees is set out in the table across, along with the fees billed in the prior year

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC’s [Ethical Standard \(revised 2024\)](#) 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.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audit for Bath and North East Somerset Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2024/25 audit is £386,300.

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 [Fee Variations Overview – PSAA](#)

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.

Company	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Scale fee	353,067	386,300
ISA 315	12,550	Included in scale fee
IFRS 16 (estimate)	-	10,000
Objection	TBC*	
Total (Exc. VAT)	365,617*	396,300

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit 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.

Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:

- valuer for valuation of land and building, including Council Dwellings, and investment properties;
- actuary for valuation pension fund liability; and
- expert for valuation of financial instruments (where appropriate).

Previous year

In 2023/24 the scale fee set by PSAA was £353,067. The actual fee charged for the audit, including audit of subsidiary companies (where applicable) was £365,617 prior to determining the proposed fee for the objection work (which is ongoing).

12 Independence considerations

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Independence considerations (continued)

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

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

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

Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to 30 April 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the group’s policy on the allotment of non-audit work to your auditor

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

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Bath and North East Somerset Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in that non-audit fees are not greater than audit fees.

Assurance Service Fees

Service	Fees £	Threats Identified	Safeguards applied
Certification of Housing Benefit Subsidy return	99,464 (2022/23)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £271,724 in comparison to the total proposed fee for the audit of £396,300 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.
	86,130 (2023/24)		
	86,130 (2024/25 estimated)	Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants
		Management threat	
Certification of Teacher’s Pension return	12,500 (2022/23)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £50,000 in comparison to the total proposed fee for the audit of £396,300 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.
	25,000 (2023/24)		
	12,500 (2024/25 estimated)	Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants
		Management threat	

This covers all services provided by us and our network to the group, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

13 Communication of audit matters with those charged with governance

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Communication of audit matters with those charged with governance

Page 14

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	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant 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 Council and Group's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

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.

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.

14 Delivering audit quality

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Delivering audit quality

Page 73

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

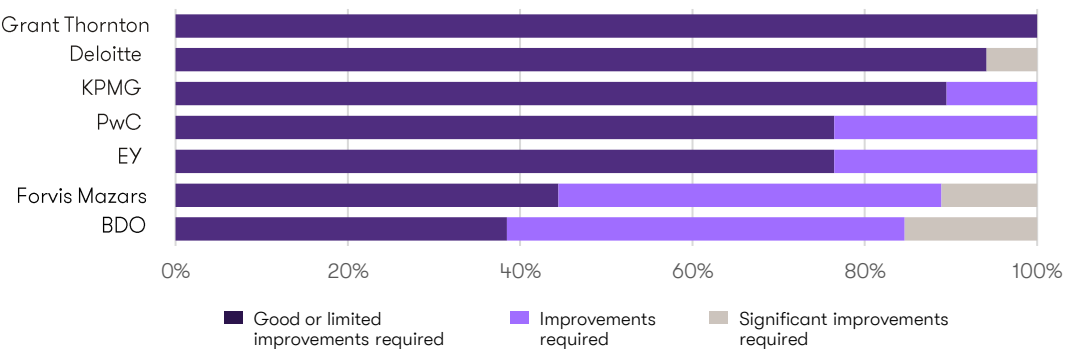
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



15 Appendices

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Escalation Policy



The Backstop

The Department for Levelling Up, Housing and Communities have introduced an audit backstop date on a rolling basis to encourage timelier completion of local government audits.

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 statutory deadline and respond to audit information requests and queries in a timely manner.

Escalation Process

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.

Aim

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.

IFRS reporters New or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The 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.
- This year will be the first year IFRS 16 is adopted fully within Local Government.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

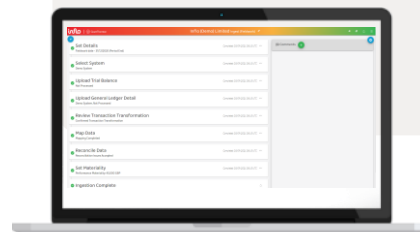


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

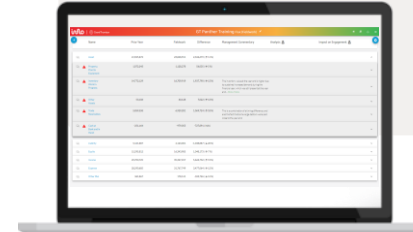


03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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The Audit Plan for Avon Pension Fund

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Year ending 31 March 2025

22 April 2025



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01 Key developments impacting our audit approach

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Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

- The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:
 - Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the Ministry of Housing, Communities and Local Government (MHCLG), with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

Local Audit Reform

External factors

Proposals for an overhaul of the local audit system

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

Our Response

Please refer to the previous slide.

Key developments impacting our audit approach

National Context	Local Context
<p>Administration and Governance</p> <p>The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.</p> <p>In respect of administration and governance some key matters impacting 2024/25:</p> <p>The Pension Regulator’s (TPR) General Code of Practice came into effect on 28 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code provides an opportunity for funds to review current practices but also presents challenges during what is already a busy time for the LGPS.</p> <ul style="list-style-type: none">• The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the ‘connection deadline’ 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should ‘connect by’ 31 October 2025.	<p>No changes will be made to our audit strategy for the Avon Pension Fund audit in light of this. We are in frequent contact with Management who inform us of any breaches reported to TPR and we are not aware of any made during the 2024/25 financial year to date.</p> <p>Regarding the connection to the ecosystem, The Fund have a plan and are currently on track to meet the connection deadline of 31/10/2025.”</p>

Key developments impacting our audit approach

National Context

Administration and Governance

- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund's annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

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.

Local Context

Mercer, the Fund's actuary, have historically included an allowance for McCloud within their reported figures, in line with the remedy, as reported in their Accounting Assumptions & Other Considerations briefing note. It is of their view that no further adjustments are required in relation to McCloud.

We will review this assumption in 2024/25, in line with guidance from our auditor's expert, PwC, to confirm whether this judgement remains appropriate.

Key developments impacting our audit approach (continued)

National and International Context	Local Context
<p>Investments and Funding</p> <p>Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary’s Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.</p> <p>At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.</p> <p>The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.</p>	<ul style="list-style-type: none"> • For Avon Pension Fund , the 2022 triennial valuation was undertaken by Mercer and showed that the funding level has increased by 2% (from 94% to 96%), reducing the shortfall of the fund from £284m to £238m. Since the 2022 valuation the funding position has strengthened, therefore we expect this funding position to be higher following the 2025 valuation and the shortfall to decrease, however this will only transpire once the valuation has been performed and will depend on market performance in the intervening period. • We expect requests to be received from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2025 valuation process. If these are received then this will be additional work outside the normal course of our audit work and will be the subject of additional fees/fee variations. We will discuss the scope and timing of this work with the Fund should it arise. This will not transpire until the 2025/26 financial statements audit.

Key developments impacting our audit approach (continued)

National and International Context	Local Context
<p data-bbox="107 354 473 389">Investments and Funding</p> <p data-bbox="107 408 1274 819">In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government’s proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS AAs and LGPS pools. The consultation closed in January 2025 and outcomes from it are now awaited.</p>	<ul data-bbox="1312 354 2443 668" style="list-style-type: none">• Through our frequent liaison meetings with the Fund’s management we have ascertained that there is no significant change in the investment strategy of the Fund in 2024/25, therefore there will be no significant change in our audit approach to testing the investments held as at 31 March 2025.• We are aware of the government’s proposals for greater investment pooling transitions with Brunel Pensions Partnership, with more functions such as calls and distributions that will be brought into the scope of their operations. This does not pose any additional risks to our audit.

Key developments impacting our audit approach (continued)

Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government and local government pension schemes. Our proposed work and fee, as set out further in this Audit Plan, which has been shared and agreed with Management.
 - To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
 - We meet bi-monthly with Management of the Fund, to maintain an open channel of communication to ensure we remain up to date with local context and emerging issues, so we can react appropriately in our audit responses.
- At an appropriate point within the audit, we would also like to:
- meet informally with the Chair of your Audit Committee, to brief them on the status and progress of the audit work to date, and
 - In line with best practice, offer to meet in private with the full Audit Committee.
- We will continue to provide you and your 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 interpretation , discuss issues with our experts and create networking links with other clients to support consistent and accurate financial reporting across the sector.
 - We provided some local Audit Committee training to members, led by Beth Bowers, on the 19th March 2025.



02 Introduction and Headlines

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Introduction and headlines



Purpose

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

Respective responsibilities

- The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. 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 the Fund. We draw your attention to these documents in the links below.
- [Terms of Appointment from 2023/24 - PSAA](#)
- [Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA](#)

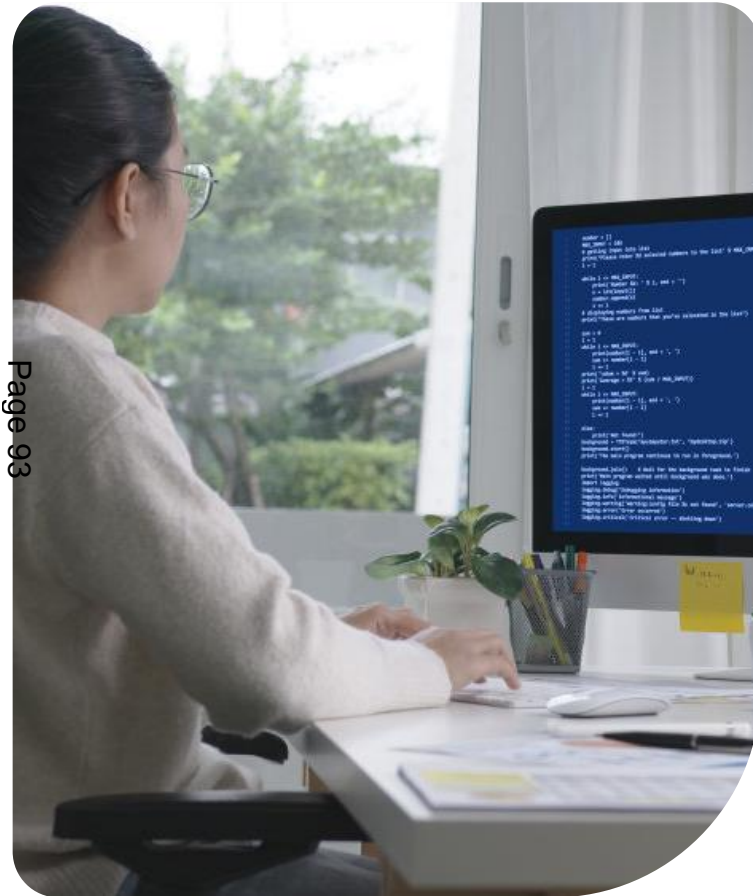
Scope of our Audit

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 Fund's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and we consider whether there are sufficient arrangements in place at the Fund.

The audit of the financial statements does not relieve management or the Audit Committee of their responsibilities. It is the responsibility of the 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 Fund is fulfilling these responsibilities.

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

Introduction and headlines (continued)



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 control
- 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.

Materiality

We have determined planning materiality to be £102.5m (PY £62.9m) for the Pension Fund, which equates to 1.7% of your estimated gross investment assets as at 31 December 2024.

We have determined a lower specific planning materiality for the Fund Account of £27.25m (PY £23.8m), which equates to 10% of prior year gross expenditure on the fund account.

Clearly trivial has been set at £5.1m (PY £3.1m).

Audit logistics

Our interim work will take place in January 2025, March 2025 and April 2025 and our final visit will take place in June to August 2025. Our key deliverables are this Audit Plan, Auditor's Report and our Audit Findings Report.

Our proposed fee for the audit is £114,092 (PY: £112,867) for the Fund, subject to the 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.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) 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.

03 Identified risks

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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.

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Management override of controls	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: <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.

Significant risks identified (continued)



“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).



Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide 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 risk	Risk relates to	Audit team's assessment	Planned audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue	<p>We have identified and completed a risk assessment of all revenue streams for the Fund. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, 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 public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.
The expenditure cycle includes fraudulent transactions	Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.	<p>We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are very limited; and • the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable. <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
Valuation of Level 3 Investments	The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.	By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the balance (£1.4m) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk.	<p>We will:</p> <ul style="list-style-type: none"> • Evaluate management's processes for valuing Level 3 investments; • Obtain and review the audited financial statements of the investment accounts, where these are at a different reporting date to the Fund's financial statements the valuations will be compared accounting for cashflows; • Obtain and review the corresponding investment manager report as at the investment accounts and the Fund accounts reporting dates where appropriate; • Review purchase and sale transactions of the investment near the reporting date where appropriate; • Review the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts; • Review management's classification of the assets; • Obtain and review investment manager service auditor report on design and operating effectiveness of internal controls where appropriate.

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.

- 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 2024/25 financial statements, consider and decide upon any objections received in relation to the 2024/25 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.

04 Our approach to materiality

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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
01	<p>Determination</p> <p>We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements</p>	<ul style="list-style-type: none"> 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.
02	<p>Other factors</p> <p>An item does not necessarily have to be large to be considered to have a material effect on the financial statements</p>	<ul style="list-style-type: none"> An item may be considered to be material by nature when it relates to instances where greater precision is required. Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. the Fund Account). Details of lower specific materialities applied can be found on the next page.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Our approach to materiality (continued)

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
03	Reassessment of materiality Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"> 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
04	Matters we will report to the Audit Committee 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 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.	<ul style="list-style-type: none"> We report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Fund, we propose that an individual difference is clearly trivial if it is less than £5.1m (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 Audit Committee to assist it in fulfilling its governance responsibilities.



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

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
Headline materiality for the Fund’s financial statements. Performance materiality is set at 75% of this level (£76.9m).	£102.5m	We have considered the following qualitative factors: Key users of the financial statements and which performance measures key stakeholders for the entity are interested in <ul style="list-style-type: none">• Business environment• Control environment• Other sensitivities (e.g. Changes in regulations).
Specific Materiality for 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 headline materiality will be applied.	£27.25m	We have considered the following qualitative factors: Key users of the financial statements and which performance measures key stakeholders for the entity are interested in <ol style="list-style-type: none">1. Business environment2. Control environment3. Other sensitivities (e.g. Changes in regulations).



05 Progress against prior year audit recommendations

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Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Fund’s financial statements, which resulted in 2 recommendations being reported in our 2023/24 Audit Findings Report and 2 other recommendations remaining from previous audits. We are pleased to report that management have implemented all our recommendations that were raised during the 2023/24 audit and the historic recommendations remain in progress, to be monitored during the 2024/25 audit

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Addressed	<p>Contributions Receivable - The Finance officer reconciles the LGPS50 with the amounts received in Agresso on a daily basis. The Pensions & Projects Accountant reviews the reconciliations periodically. Upon testing the effective design and implementation of this control, the auditor identified that there is no formal documentation of the control for authorization of reconciliation and journals before they flow into the ledgers.</p> <p>We recommended that the review of the reconciliation and subsequent authorisation is formally documented to allow for a clear audit trail to be viewed.</p>	<p>Reviews have been carried out twice in 24/25 (once in July and once in December), with a ‘light touch’ review performed in September due to changing work commitments of the Assistant Finance Manager. This will be continue to be performed and documented to maintain a clear audit trail.</p>
Addressed	<p>Bank Reconciliations - There is only one individual who signs off the bank reconciliations. There have been extended periods of leave during 23/24 for this person and as a result the reconciliations were not signed off in a timely manner.</p>	<p>There are now two individuals who can sign off the bank reconciliation to avoid this issue.</p>

Progress against prior year audit recommendations [continued]

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
In progress	<p>Inadequate oversight around generic user in Agresso application</p> <p>During the audit, we obtained and inspected the evidence relating to the administration of generic accounts with privileged access within the Agresso application and observed that the access to a generic account [Administrator] is shared between the multiple administrators from Finance systems department. The Council has no controls in place to monitor the appropriateness of the activities performed by the account.</p> <p>Risk:</p> <p>The use of generic or shared accounts with high-level privileges increases the risk of unauthorised or inappropriate changes to the application or database. Where unauthorised activities are performed, they will not be traceable to an individual.</p> <p>Also, without appropriate audit logging and monitoring, unauthorised activities may not be detected in a timely manner, can go unnoticed, and evidence of whether the attack led to a breach can be inconclusive.</p>	<p>The Financial System has to have administration in order to maintain and operate the system. Due to these roles that are undertaken the Financial Systems team have unique knowledge of the system that no-one else within the organisation would have, therefore there is zero benefit for other areas to have this oversight as they would not have the knowledge as to why these changes have been made.</p> <p>Due to segregation of duties no-one within the Financial Systems team posts journals, nor amends data, therefore the Financial Systems team cannot make changes to important information without other areas of the business seeing this and querying what has happened. In addition, the various Intel Agents send the changes to the relevant areas when changes are made within Agresso, and changes to this data is only made at the request and authorisation of Service Areas or Consultants suggesting a fix.</p> <p>Our IT Audit work will be completed in 24/25 to conclude whether this risk remains.</p>
In progress	<p>The audit team would recommend that there should be a functionality is the system where each journals is authorised by an approver before being posted into the ledger. We are aware that retrospective reviews occur monthly, however real-time review would be considered best practice.</p>	<p>Management proposed to investigate if the implementation of this would be practical alongside the Council. BANES are planning to implement a new finance system from 1st April 2026, so no changes are likely before this date.</p>

06 IT audit strategy

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IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audit and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audit will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment 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 specialist team.

07 Interim audit work

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Interim Audit Work

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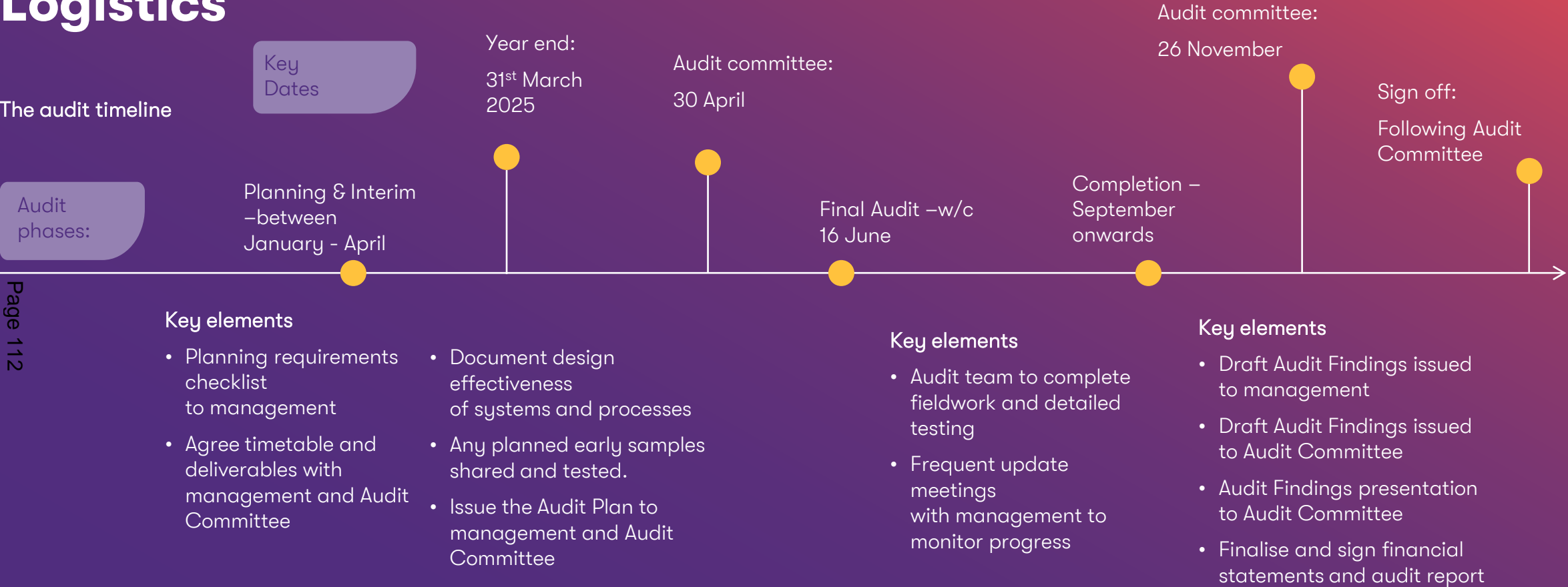
Description	Work commentary
Benefits Payable	<p>We have:</p> <ul style="list-style-type: none">• Refreshed our understanding of the control environment and business processes which drive the benefits paid by the fund.• Requested and received Benefits data up to Month 9, ensured this is complete and accurate and selected advanced samples to test in April, to ease the workload during the final accounts audit.
Contributions Receivable	<p>We have:</p> <ul style="list-style-type: none">• Refreshed our understanding of the control environment and business processes which drive the contributions received by the fund.• Requested and received Contributions data up to Month 9, ensured this is complete and accurate and selected advanced samples to test in April, to ease the workload during the final accounts audit.
Starters and Leavers	<p>We have:</p> <ul style="list-style-type: none">• Requested and received Starters & Leavers data up to Month 9, ensured this is complete and accurate and selected advanced samples to test in April, to ease the workload during the final accounts audit.

08 Logistics

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Logistics

The audit timeline



Our team and communications

Grant Thornton core team

Beth AC 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

Ananya Mehta

In-charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of specialists and other technical support (eg IT audit, Digital Audit)

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none">• Client Surveys	<ul style="list-style-type: none">• The Audit Plan• The Audit Findings Report	<ul style="list-style-type: none">• Bi-monthly liaison meetings with Management	<ul style="list-style-type: none">• Technical updates
Informal communications	<ul style="list-style-type: none">• Open channel for discussion		<ul style="list-style-type: none">• Communication of audit issues as they arise• Weekly meetings with the audit team to discuss progress	<ul style="list-style-type: none">• Notification of up-coming issues

As part of our overall service delivery we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

09 Fees and related matters

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Our fee estimate

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) 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.

PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a Contract of audit for Avon Pension Fund 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 2024/25 audit is £105,842.

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

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

Our fee estimate:

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the 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 while 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.

Our fee estimate

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior year

Description	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Avon Pension Fund Audit	94,522	105,842
ISA 315	7,845	N/A
IAS 19 letters*	5,500	8,250
Rate IAS 19 letter request*	5,000 (proposed)	N/A
Total (Exc. VAT)	112,867**	114,092

*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. Please note the 2024/25 IAS 19 letters fee is an estimate based on the requests we received in 2023/24. The fee level for this work is also to be confirmed for this financial year.

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Previous year

**In 2023/24 the scale fee set by PSAA was £94,522. The fee charged for the audit to date, was £107,867, with anticipated further fees of £5,000 (as per table, left), taking the total to £112,867. The ISA 315 additional fee has now been baked into the 2024/25 scale fee, alongside an inflationary uplift.

10 Independence considerations

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Independence considerations

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

Matter	Potential threats	Safeguards	Conclusion
<div><div>Page 11 of 18</div><div><p>The Key Audit Partner, 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.</p><p>The Audit Manager, George Amos, has a similar situation, where a close family member also has a pension with the fund, but is no longer an active contributor, nor are they of retirement age at which they would be drawing pension. Consultation was also taken and cleared by ethics, meaning that George can continue to fulfil their role on this audit engagement.</p></div></div>	Self Interest	Layers of review and ability to call in further reviewers of work. Confidentiality agreements within contracts.	Appropriate safeguards are in place. There have been no changes to these relation since the consultations were made for the 2023/24 audit and therefore, we deem this conclusion to remain appropriate.

Independence considerations (continued)

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund and/or Administering Authority that may reasonably be thought to bear on our integrity, independence and objectivity, following appropriate consultation with our ethics team, as detailed on page 39.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund and/or Administering Authority or investments in the Fund and/or Administering Authority held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund/Administering Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund and/or Administering Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund's and/or Administering Authority's board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We have considered whether the ethical outcomes required by the overarching principles and supporting ethical provisions of the FRC Ethical Standard have been met by both the relevant requirements and with reference to the perspective of an objective, reasonable and informed third party. This assessment has also considered the matters reported above individually and in aggregate.

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

Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year to March 2025, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Fund's policy on the allotment of non-audit work to your auditor

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Avon Pension Fund. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees which are detailed on page 42.

Grant Thornton UK LLP also acts as the statutory auditor of the administering authority and its subsidiaries. The fees for the audit and non-audit services charged for this entity are reported in its Audit Plan. We consider that such services and fees do not impair our independence.

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This covers all services provided by us and our network to the Fund, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

Fees and non-audit services (continued)

Assurance Service Fees

Service	£	Threats Identified	Safeguards applied
Audit Related Assurance			
IAS19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice for the 2023/24 audit and for 2024/25 audit.	£10,500 (proposed for 2023/24) £8,250 (proposed for 2024/25 - £2,750 per letter)	Self-Interest, Self-Review and Management	<p>Self-Interest – Fee is recurring but not significant compared to the audit of the financial statements, and is fixed based on the number of admitted bodies who request an assurance letter. Further, the work is on audit related services and integrated with the testing of controls undertaken as part of the audit. The main self interest threat would arise if we reported weaknesses that would impact the content of these letters to Those Charged With Governance (TCWG) that they then put pressure on us not to report to other auditors that are seeking to rely on the information reported. The safeguard to this would be to have a safeguarding partner review the Audit Findings Report. We therefore are comfortable there is no self-interest threat, the work is undertaken by the same team of individuals as the work considered as work under the Code.</p> <p>Self Review - We have not prepared the financial information on which our assurances will be used by the requesting auditor. Any decisions whether to change controls over, or edits required to, financial information arising from our findings will be a matter for informed management.</p> <p>Management - We may make recommendations to the Pension Fund in respect of control weaknesses, in the same way as we would in an audit of financial statements. Informed management understand the operation of systems and can challenge our recommendations as appropriate.</p> <p>We are comfortable that the proposed safeguards are sufficient to mitigate the threats to independence. IAS 19 assurances letter are a standard response that is provided to a number of admitted bodies by pension fund auditors across the country. Summary outcomes of the work are reported to TCWG in the council through audit findings reports and they are aware of the Firm and have the role of overseeing work of external audit. Again, we are satisfied they would be of the view that this is work that external auditors would undertake and they are appropriately informed. Therefore, we are satisfied independence and safeguards appropriate from perspective of objective, reasonable and informed third parties.</p>
Non-audit related	No non-audit related services identified		

11 Communication of audit matters with those charged with governance

Communication of audit matters with those charged with governance

Page 123

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	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●

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.

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.

Communication of audit matters with those charged with governance (continued)

Our communication plan	Audit Plan	Audit Findings
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

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

12 Delivering audit quality

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Delivering audit quality

Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

Oversight and control

Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to.

We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits.

It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell
Partner, UK Head
of Audit



Delivering audit quality (continued)

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Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

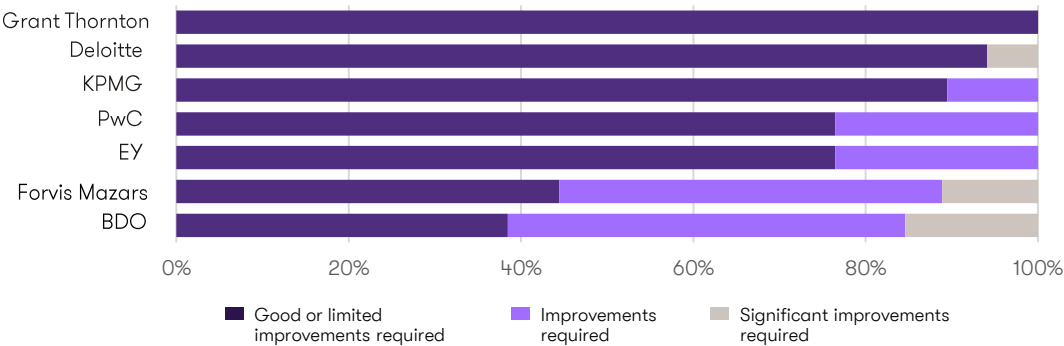
Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

FRC's Audit Quality Inspection and Supervision Inspection
(% of files awarded in each grading, in the most recent report for each firm)



13 Appendices

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IFRS reporters new or revised accounting standards that are in effect

First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The 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.
- This year will be the first year IFRS 16 is adopted fully within Local Government. It is not expected to have a significant impact on pension fund accounts and auditors.

IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

IFRS reporters Future financial reporting changes

IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

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Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

- Introducing new defined categories for the presentation of income and expenses in the income statement
- Introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal.
- Disclosure of management defined performance measures
- Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

Page 131

What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

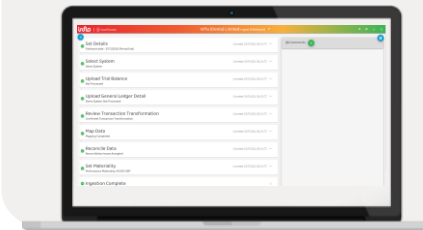


02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system



The Grant Thornton Digital Audit – Inflo

A suite of tools utilised throughout the audit process

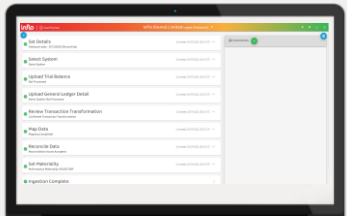
03 Detect

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Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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Bath & North East Somerset Council	
MEETING:	Audit Committee
MEETING DATE:	30th April 2025
TITLE:	2024/25 Accounting Policies
WARD:	All
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Accounting Policy 1.20 - Leases Appendix 2 – All Accounting Policies	

1 THE ISSUE

- 1.1 The Accounting Policies form part of the Council's annual Statement of Accounts, produced in accordance with the CIPFA Code of Practice on Local Authority Accounting (based on International Financial Reporting Standards). These require approval by those charged with governance.
- 1.2 Starting with the 2024-25 Statement of Accounts, CIPFA has mandated the adoption of IFRS 16 Leases. This standard requires significant changes for the accounting treatment of leases, resulting in changes to Accounting Policy 1.20 – Leases.

2 RECOMMENDATIONS

The Audit Committee is asked to:

- 2.1 Approve Accounting Policy 1.20 - Leases (**Appendix 1**)
- 2.2 Note that other than Accounting Policy 1.20 – Leases, the Accounting Policies included as **Appendix 2** have not changed since they were approved as part of the Council's 2023/24 Statement of Accounts.

3 THE REPORT

Background

- 3.1 Mandatory adoption of the financial reporting standard IFRS 16 Leases is required under the 2024/25 CIPFA Code of Practice on Local Authority Accounting, with an implementation date of 1 April 2024.
- 3.2 IFRS 16 Leases has significant changes for the accounting treatment of leases, and brings into consideration all leases including those with peppercorn or nil considerations.

- 3.3 The implementation of IFRS16 Leases does not have implications on the Council's budget or General Fund reserves, as the changes relate to the reporting and presentation required within the Council's Statement of Accounts.
- 3.4 **Appendix 1** details the proposed updated Accounting Policy 1.20 – Leases, which has been written with reference to the CIPFA Code of Practice. The main changes in accounting treatment of leases as a result of the implementation of IFRS 16 are detailed below, in situations where the Council is either a lessee or a lessor.

The Council as a Lessee

- 3.5 As a lessee, the Council is required to recognise all leased assets in its Balance Sheet as a "Right-Of-Use" asset, with the exception of short term leases or where a lease is for a low value asset. The Council is also required to recognise a corresponding "Lease Liability" in the Balance Sheet, for the future payments due to be paid.
- 3.6 Work to date suggests that the lease liabilities reported on the Council's balance sheet will increase by approximately £7.7m as a result of the mandatory adoption of IFRS 16 Leases, with an equivalent or greater increase to the value of the Right-Of-Use assets relating to these leases.
- 3.7 Some of the contracts containing land and building leases require a valuation for the land and buildings Right-Of-Use assets. This has been done in line with our annual revaluation process for Council assets.

The Council as a Lessor

- 3.8 As a lessor, the Council has reviewed the accounting treatment of all peppercorn and nil consideration leases to third parties, and where the lease is determined to be a finance lease, the associated asset is required to be derecognised (all or part) in the Council's Balance Sheet.
- 3.9 There were a significant amount of Peppercorn and nil consideration leases that required reviewing in order to determine the appropriate accounting treatment. As a result, the Council's assets in the Balance Sheet will decrease by approximately £10m as a result of the derecognition.

Existing Accounting Policies

- 3.10 For completeness, **Appendix 2** includes the full set of Accounting Policies for 2024/25, which remain otherwise unchanged from those already approved by the Audit Committee as part of the 2023/24 Statement of Accounts.

4 STATUTORY CONSIDERATIONS

- 4.1 This report fulfils the Authority's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The review of the Council's Accounting Policies are carried out annually along with the production of the Statement of Accounts.

6 RISK MANAGEMENT

6.1 The Council's on-going financial position is an identified risk that is regularly monitored.

7 CLIMATE CHANGE

7.1 The Council's Statement of Accounts is a statutory requirement. As this is a report about the Accounting Policies used for the production of the Council's Statement of Accounts, it does not include any decisions that have a direct impact on Climate Change.

8 OTHER OPTIONS CONSIDERED

8.1 None. The CIPFA Code of Practice requires Authorities to set Accounting Policies in accordance with IAS 8 Accounting Policies.

9 CONSULTATION

9.1 Consultation has been carried out with the Director of Financial Services, Assurance & Pensions.

Contact person	<i>Jamie Whittard - 01225 477213; Claire Read – 01225 477019</i> Jamie_Whittard@bathnes.gov.uk ; Claire_Read@bathnes.gov.uk
Background papers	<i>CIPFA LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25.</i> <i>CIPFA Bulletin 11 Accounting for Assets Owned by Religious Bodies and Used by Schools: https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-11-accounting-for-assets-owned-by-religious-bodies-and-used-by-schools</i>
Please contact the report author if you need to access this report in an alternative format	

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1 ACCOUNTING POLICIES

1.1 General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting policies. These practices primarily comprise of the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (the Code), supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

1.2 Qualitative Characteristics of Financial Statements

Relevance - The accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds, and for making financial decisions.

Materiality - The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted, provided that in aggregate, they would not affect the interpretation of the accounts.

Faithful Representation - The financial information in the accounts is a faithful representation of the economic performance of the Council as they have been prepared to reflect the reality or substance of the transaction, are free from deliberate or systematic bias, are free from material error and contain all the information necessary to aid understanding.

Verifiability - Different knowledgeable and independent observers will be able to reach the same conclusion from the information presented in the accounts.

Timeliness - The information provided in the accounts is available to decision makers in time to be capable of influencing their decisions.

Understandability - These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and Local Government. Every effort has been made to use plain language, and where technical terms are unavoidable, they have been explained in the glossary contained within the accounts.

1.3 Underlying Assumptions

Accruals Basis

The financial statements, other than the cash flow, are prepared on an accruals basis. Income and expenditure is recognised in the accounts in the period in which it is earned or incurred, not as the cash is received or paid.

Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

Primacy of Legislation Requirements

In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following are examples of legislative accounting requirements which have been applied when completing the accounts:

- * Capital receipts from the disposal of property, plant & equipment are treated in accordance with the provisions of the Local Government Act 2003.
- * The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.

1.4 Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- * Fees, charges and rents due from customers are accounted for as income at the date the Council provides the relevant goods or services.
- * Supplies are recorded as expenditure when they are consumed - where there is a gap between the date supplies are received, and their consumption, they are carried as inventories on the Balance Sheet.
- * Works are charged as expenditure when they are completed, before which they are carried as Works In Progress on the Balance Sheet.
- * Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- * Where income and expenditure has been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where it is doubtful that debts will be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- * Income and expenditure are credited and debited to the relevant service account, unless they properly represent capital receipts or capital expenditure.
- * Employee benefits are accounted for as they are earned.

1.5 Revenue Recognition

Revenue is defined as the gross inflow of economic benefits or service potential during the reporting period when these inflows result in an increase in net wealth.

Revenue is measured at the fair value of the consideration received or receivable. In most cases, the consideration receivable is in the form of cash and cash equivalents, and the amount of revenue is the amount of cash and cash equivalents receivable. Where the Council is acting as an agent of another organisation, the amounts collected for that organisation are excluded from revenue.

Revenue relating to the sale of goods is recognised when the amount of revenue can be measured reliably, it is probable that the revenue will be received by the Council, and the risks and rewards of ownership have been passed to the purchaser. Revenue relating to the provision of services is recognised when the amount of revenue can be measured reliably, it is probable that the revenue will be received by the Council, and the stage of completion of the service can be measured.

In order to comply with IFRS 15, a review of the Council's sources of revenue from contracts with external customers has been completed, with the conclusion that there was no material income streams that require separate disclosure.

1.6 Tax Income (Council Tax & Non-Domestic Rates)

Non Domestic Rates (NDR)

- Retained Business Rate income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.
- Top Up income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

Council Tax

- Council Tax income included in the Comprehensive Income & Expenditure Statement for the year will be treated as accrued income.

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement (CIES) is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund adjustment account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of year balances in respect of Council Tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

1.7 Provisions

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by a transfer of economic benefits, but where the timing of the transfer is uncertain. For instance, the Council may be involved in a court case that could eventually result in the making of a settlement or the payment of compensation.

Provisions are charged to the appropriate service revenue account in the year that the Council becomes aware of the obligation, based on the best estimate of the likely settlement. When payments are eventually made, they are charged to the provision set up in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes more likely than not that a transfer of economic benefits will not now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service revenue account.

Where some or all of the payment required to settle a provision is expected to be met by another party (e.g. from an insurance claim), this is only recognised as income in the relevant service revenue account if it is virtually certain that reimbursement will be received if the obligation is settled.

1.8 Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service revenue account in that year to score against the Surplus of Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against Council Tax for the expenditure.

Certain reserves are kept to manage the accounting processes for tangible fixed assets and retirement benefits and do not represent usable resources for the Council - these reserves are explained in the relevant policies below. Capital reserves are not available for revenue purposes.

1.9 Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

- * the Authority will comply with the conditions attached to the payments, and
- * the grants or contributions will be received.

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be transferred to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement. Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.10 Employee Benefits

Benefits Payable During Employment: Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees, and are recognised as an expense for services in the year in which employees render service to the Authority. An accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end, which employees can carry forward into the next financial year. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that the holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits: Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date, or an officer's decision to accept voluntary redundancy in exchange for those benefits, and are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income & Expenditure Statement at the earlier of when the Authority can no longer withdraw the offer of those benefits, or when the Authority recognises costs for restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant Accounting Standard. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits, and replace them with debits for the cash paid to the Pension Fund and pensioner and

Post-Employment Benefits

Employees of the Council are members of two separate pension schemes:

The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education (DfE).

The Local Government Pension Scheme (Avon Pension Fund). The Fund itself is administered entirely by Bath & North East Somerset Council under arrangements made following the abolition of the former Avon County Council on 31 March 1996. Bath & North East Somerset Council is one of over 200 contributing employers into the Avon Pension Fund.

Both schemes provided defined benefits to members (retirement lump sums and pensions), earned as employees who worked for the Council.

However, the arrangements for the Teachers' scheme mean that liabilities for these benefits cannot be identified to the Council. The scheme is therefore accounted for as if it were a Defined Contribution Scheme - no liability for future payments of benefits is recognised in the Balance Sheet. The Children's and Education line in the Comprehensive Income & Expenditure Statement is charged with the employer's contributions payable to Teacher's Pensions in the year.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a Defined Benefit Scheme:

The liabilities of the Avon Pension Fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the Projected Unit Method - i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc., and projected earnings for current employees.

Liabilities are discounted to their value at current prices, using a discount rate of 4.9% (based on the indicative rate of return on high quality corporate bonds [all corporate bonds that have an AA rating from at least one of Moody's and S&P Global Ratings]).

The assets of the Avon Pension Fund attributable to the Council are included in the balance sheet at their fair value:

- Quoted Securities - bid price
- Unquoted Securities - professional estimate
- Unlisted Securities - average of the bid and offer rates
- Property - market value.

The change in the net pensions liability is analysed into the following components:

Service Costs:

- Current service cost - the increase in the present value of the liabilities as result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked.
- Past service cost - the change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the Authority in the number of employees covered by a plan) - debited to the Surplus or Deficit on The Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non-Distributed Costs
- Any gain or loss on settlement - arising when an Authority enters into a transaction which eliminates all further legal or constructive obligations for part or all of the benefits provided under a Defined Benefit Plan.

Net interest on the net defined benefit liability (asset), i.e. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income & Expenditure Statement - this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period - taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

Remeasurements of the Net Defined Benefit Liability (asset) comprising:

- the return on plan assets - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- actuarial gains and losses - changes in the present value of the defined benefit obligation resulting from: a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred), and b) the effects of changes in actuarial assumptions - charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.

Contributions by Scheme Participants - the increase in scheme liabilities and assets due to payments made into the scheme by employees (where increased contribution increases pensions due to the employee in the future).

Contributions by the Employer - the increase in scheme assets due to payments made into the scheme by employer.

Benefits Paid - payments to discharge liabilities directly to pensioners.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the Pension Fund or directly to pensioners in the year, not the amount calculated according to the relevant Accounting Standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff (including teachers) are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

1.11 VAT

Income and expenditure excludes any amounts related to VAT, as all VAT collected is payable to HM Revenue and Customs and all VAT paid is recoverable from them. VAT receivable is excluded from income

1.12 Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

1.13 Property, Plant & Equipment (excluding Infrastructure Assets)

Property, plant and equipment are assets held for use in the provision of services or for administrative purposes on a continuing basis.

Recognition: expenditure on the acquisition, creation or enhancement of property, plant and equipment is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred. In relation to Assets Under Construction, these are recognised at invoiced cost. Once an Asset Under Construction has reached practical completion, it will become operational and will be transferred to the appropriate asset class.

Measurement: Assets are initially measured at cost, comprising of the purchase price and any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The authority does not capitalise borrowing costs incurred while assets are under construction. Assets are then carried in the Balance Sheet using the following measurement

- * dwellings, other land and buildings, vehicles, plant and equipment - current value, unless there is no market-based evidence because of the specialist nature of the asset then depreciated replacement cost
- * surplus assets - fair value, determined by the measurement of the highest and best use value of the asset.
- * all other assets - current value determined as the amount that would be paid for the asset in its existing use.

Where there is no market-based evidence of current value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Non-current assets are valued in accordance with the guidance published by the Royal Institution of Chartered Surveyors. Valuations are undertaken by the Council's Property Services Department on a recurring, minimum 5 year basis and reviewed annually for impairment and material changes. The valuations were done on the basis of Existing Use Value, Market Value or, in the case of specialised properties on the basis of, Depreciated Replacement Cost in accordance with the RICS Valuation Standards. Valuations are reviewed and signed off by Richard Long FRICS (Registered Valuer), Head of Property Services. The carrying value of asset in the Balance Sheet ahead of new valuations can be different due to both depreciation, an assumed diminution in value, as well as new capital spend.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the revaluation reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the revaluation reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement.

Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

Impairment: Assets are assessed at each year end as to whether there is any indication that an asset may be impaired.

Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- * where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of accumulated gains).
- * where there is no balance or insufficient balance in the Revaluation Reserve, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the

Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation: depreciation is provided for on all assets with a determinable finite life (except for investment properties) by allocating the value of the asset in the Balance Sheet over the periods expected to benefit from their use. Changes to depreciation charges to reflect revaluations and additions are made a year in arrears.

Depreciation is calculated on the following bases:

- * other buildings - straight-line allocation over the life of the property as estimated by the valuer
- * vehicles, plant and equipment - straight-line allocation over the life of the asset as advised by a suitably qualified officer
- * community assets - straight line allocation over the life of the property as estimated by the valuer
- * assets under construction - assets are not depreciated until they become operational.

Where an asset has major components whose cost is significant in relation to the total cost of the item (i.e. 20% or more of the asset as a whole), with different estimated useful lives, these are depreciated separately. Assets with a value of less than £500,000 are not subject to the Componentisation Policy.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being

Disposals and Non-Current Assets Held for Sale: when it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as Held for Sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision not to sell.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal. Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Usable Capital Receipts reserve, and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the reserve in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against Council Tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account then reversed out in the Movement in Reserves Statement so there is no impact on the level of council tax.

Charges to Revenue for Property, Plant & Equipment

Service revenue accounts, support services and trading accounts are debited with the following amounts to record the real cost of holding fixed assets during the year:

- * depreciation attributable to the assets used by the relevant service
- * impairment losses attributable to the clear consumption of economic benefit on property, plant and equipment used by the service and other losses where there are no accumulated gains in the Revaluation Reserve against which they can be written off
- * amortisation of intangible fixed assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement in accordance with its approved Minimum Revenue Provision (MRP) Policy. Depreciation, impairment losses and amortisations are therefore replaced by revenue provision in the Movement in Reserves Statement, by way of an adjusting transaction with the Capital Adjustment Account for the difference between the two.

1.13a Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network

Recognition: expenditure on the acquisition or replacement of the network is capitalised on an accruals basis, provided that it yields benefits to the Council and the services that it provides for more than one financial year. Expenditure that secures but does not extend the previously assessed standards of performance of assets (e.g. repairs and maintenance) is charged to revenue as it is incurred.

Measurement: Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 which was deemed at that time to be historical cost.

Impairment: Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Depreciation : Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network follows CIPFA Guidance using estimates endorsed by The UK Roads Leadership Group Asset Management Board, which the Council's Designated Traffic Manager has assessed as reasonable:-

Part of Highway Network	Useful Life
Pedestrian Schemes	25
Cycle Schemes	25
Traffic & Safety Schemes	20
Public Transport Facilities	25
Drainage	25
Resurfacing	25
Stabilisation & Structures	100
Street Lighting	40

Disposals and derecognition : When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

1.14 Intangible Assets

Expenditure on assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it will bring benefits to the Council for more than one financial year. The balance is amortised to the relevant service revenue account over the economic life of the investment on a straight line basis to reflect the pattern of consumption of benefits.

Intangible assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the authority can be determined by reference to an active market. In practice, no intangible asset held by the authority meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gain or loss arising on the disposal or abandonment of an intangible asset is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund balance. The gains and losses are therefore reversed out of the General Fund balance in the Movement in Reserves Statement and posted to the capital adjustment account and the capital receipts reserve.

1.15 Investment Property

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used in any way to facilitate the delivery of services or production of goods.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. Properties are not depreciated but values are reviewed on a recurring annual basis according to market conditions at year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rental received in relation to Investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and the Capital Receipts Reserve.

1.16 Heritage Assets

The Council's museum, galleries, Record Office and libraries hold a number of collections of historical artefacts. The collections include archaeological artefacts, coin collections, fine and decorative art collections, fashionable dress, accessories and associated paperwork collections, rare books, maps, manuscripts and local history collections.

They are maintained for their contribution to knowledge and culture and are held in order to preserve them for future generations. Details relating to accessibility of these items to the public is available on the Council's website.

Museum Collections

Museum collections will be reported in the Balance Sheet at market value where the information is available. In other circumstances, valuations for insurance purposes will be used if appropriate. Valuations need not be all recurring and are not required to be carried out or verified by external valuers, and so in most cases will be undertaken by the Museum's Curator. Where officers are unable to value items themselves, external expertise may be used.

Acquisitions will only relate to existing subject fields and areas of collection. The collections will not be extended into new areas. This is in line with the policy set by the Museums and Archives Service. New acquisitions will be recognised at cost for assets purchased. Donated assets will be recognised at valuation if available or insurance values where relevant.

Chandeliers

The chandeliers located in the Guildhall will be reported in the balance sheet at a valuation representing their insurance value.

Statues and Monuments

The Authority has a number of statues, fountains, memorials and monuments throughout the area. As there is no readily available valuation held by the Council and no definitive market value for these types of assets they will not be recognised on the Council's Balance Sheet.

Historical Buildings

The Council owns many historic buildings. Buildings such as the Roman Baths, Victoria Art Gallery and Guildhall are operational buildings and as such remain classified within Property, Plant and Equipment in the Council's balance sheet. Others are held within the Council's Investment Estate. The accounting treatment of these buildings will not change. Some of these buildings contain some items of antique furniture.

1.17 Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows and, in future years, we will track movements between these levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 - unobservable inputs for the asset or liability.

1.18 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Previously called 'Deferred charges' this is expenditure that may be capitalised under statutory provisions but does not result in the creation of tangible assets. Revenue expenditure funded from capital incurred during the year has been written off as expenditure to the relevant service revenue account in the year. Where the Council has determined to meet the costs from existing capital resources or by borrowing, a transfer to the Capital Adjustment Account then reverses out the amounts charged on General Fund Balances in the Movement in Reserves Statement so there is no impact on the level of Council Tax.

1.19 Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Authority's cash management.

1.20 Leases

A lease is a contract that conveys the right to control the use of an identified asset for a period of time, through rights to both obtain all the economic benefits or service potential of the asset.

This includes arrangements with nil consideration, peppercorn or nominal payments.

The Authority as Lessee

All leases are classified as finance leases, and are included on the balance sheet, unless they meet one of the following exemptions:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- the lease is for a short term, defined as less than 365 days at inception or at implementation, (including extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Exempt lease payments are charged directly to revenue service expenditure in the Comprehensive Income and Expenditure Statement, whereas the accounting for finance leases are as follows:

Initial measurement

Finance leases are recognised as right-of-use assets with a corresponding lease liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later).

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments,
- variable lease payments that depend on an index or rate,
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for assets held under non-commercial leases. Typically these are leases for nil consideration of a peppercorn and are valued using market prices or rentals for equivalent land and properties.

Right-of use assets held under index-linked leases are adjusted for changes in the relevant index.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The authority as lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

Operating Leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

1.21 Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year in the loan

Where premiums and discounts have been charged to the CIES, regulations allow the impact on the General Fund balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the CIES to the net charge required against the General Fund balance is managed by a transfer to or from the financial instrument adjustment account in the Movement in Reserves Statement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cash flow characteristics. There are three main classes of financial assets, measured at:

- * amortised cost
- * fair value through profit or loss (FVPL), and
- * fair value through other comprehensive income (FVOCI)

The Council's business model is to hold investments to collect contractual cash flows i.e. payments of interest and principal. Most of the Council's financial assets are therefore classified as amortised costs, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Costs

Financial assets measured at amortised costs are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income & Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest), and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises material expected credit losses on its financial assets held at amortised costs, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing these losses. Where risk has increased significantly since the instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis on 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss (FVPL)

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurement of the financial assets are based on the following techniques:

- * instruments with quoted market prices
- * other instruments with fixed and determinable payments - discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the accounting policy set out in section 1.17 Fair Value Measurement.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

IFRS9 Financial Instruments sets out that investments in equity should be classified at fair value through profit and loss unless there is an irrevocable election to recognise changes in fair value through other comprehensive income. The Council will assess each investment on an individual basis and assign an IFRS9 category. The assessment will be based on the underlying purpose for holding the financial instrument.

Any changes in the fair value of the instruments held at fair value through profit or loss will be recognised in the net cost of services in the CIES and will have a General Fund impact.

Instruments Entered into Before 1 April 2006

The Authority entered into a number of financial guarantees that are not required to be accounted for as financial instruments. These guarantees are reflected in the Statement of Accounts to the extent that provisions might be required or a contingent liability note is needed under the policies set out in 1.24.

1.22 Inventories and Work in Progress

Inventories and work in progress are included in the Balance Sheet at the lower of cost and net realisable value. The cost of inventories is assigned using the FIFO costing formula.

1.23 Controlled Companies

During 2024/25 the Authority had three controlled companies - Aequus Group Holdings Limited, Aequus Construction Limited and Aequus Developments Limited. The turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL) is considered significant enough to produce Group Accounts, with further details in Note 45 below.

1.24 Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but wither is not probable that an outflow of resources will be required, or the amount of the obligation cannot be measured reliably. Contingent Liabilities are not recognised in the accounting statements but disclosed by way of a note giving a brief explanation of any possible obligations and an estimate of the likely financial effect if known.

1.25 Accounting for Schools

In determining these accounting policies we have considered the treatment of land and building separately and referred to the requirements and considerations within the following publications and standards:

- The Code of Practice on Local Authority Accounting in the United Kingdom;
- IAS 16 Property, plant and equipment as adopted by the Code

The Code of Practice on Local Authority Accounting concluded that schools are separate entities and that under IFRS 10, Maintained Schools (but not Free Schools or Academies) meet the definition of entities controlled by local authorities which should be consolidated in group accounts. However, rather than requiring local authorities to prepare group accounts, the Code requires local authorities to account for Maintained Schools within their single entity accounts. This includes schools Income and Expenditure as well as assets and liabilities.

Academies and Free Schools are managed completely independently of the Council with funding provided directly by Central Government, with the exception of some top up funding typically for Special Needs. The Council has granted long leases as part of the Academies transfer which includes a peppercorn rent, with the net present value of future minimum lease payments deemed to be nil in the finance lease calculation. No revenue or capital amounts are therefore recognised in the Council's accounts for these schools.

No adjustment is made in the Council's accounts for a Maintained School in the process of conversion to Academy, as it is still possible for them to withdraw from the conversion process, and only treated outside of the Council's accounts from the date of the transfer.

In respect of Maintained Schools, the Council oversees many different types of school including Community, Voluntary Aided and Voluntary Controlled schools, as well as a Foundation School, and has included all income and expenditure and liabilities for these schools in the accounts.

The recognition of Community Schools Non-current Assets within the Property Plant and Equipment Land and Building Valuations is in accordance with usual Service provision and is generally straightforward, with the Council being the freeholder of land and buildings. However, for other Maintained Schools (Voluntary Aided, Voluntary Controlled Schools and Foundation Schools) the accounting is a little more complex, in particular where ownership with the Trustee is not formalised. A further consideration is that the ownership of these school sites can be split into areas of Playing Fields and Buildings, and individual buildings.

A review of Land Registry records has established ownership of the asset by Trustees. However, there is no formal documentation that assigns control of economic benefits and service potential from Trustees to the schools. This arrangement is termed by CIPFA in LAAP101 as a "mere license", terminable by a Trustee at any time without causal action and the Diocese of Clifton has confirmed this as their view for the Catholic schools. It was concluded that "mere licenses" under a lease accounting analysis would not be recognised as assets.

The substance of the arrangement was further tested under IAS16 and IAS17. We considered the tests for legal ownership and future economic benefit, especially with regard to sale proceeds, were clearly determined by matching to Land Registry records held, a view endorsed by valuers that the cost or value of the asset could be measured reliably. We further considered service control tests and we recognise that both parties have influence on decision making, with on balance Trustees being the ultimate decision makers, especially in the longer term. Also in reality the Council has never had cause to challenge Trustee decision making. Our judgement therefore, was to value Trustee schools as Council assets only if their transfers had not been completed. The Land Registry record is the substance of the arrangement as to whether the value of non-current assets should be included in our financial statements.

The Council's adopted policy in the Financial Statements for the accounting treatment of Non-Current Assets Used by Local Authority Maintained Schools that fall within the Authority's boundary is as follows:

- Where assets are fully transferred to a Diocese or Trustee Body and there is strong supporting evidence of a transfer, the Authority will not include these assets on its Balance Sheet.
- Where elements of an asset are retained by the Authority and there are Land Titles to support this, the Authority will include these as assets on its Balance Sheet.
- Where transfer to a Diocese or Trustee Body is not complete or pending, the Authority will include these assets on its Balance Sheet.
- Where there is no evidence to support transfer to a Diocese or Trustee Body, the Authority will include these assets on its Balance Sheet.

1.26 Group Accounts

Group Accounts are covered by IFRS Standard 10 - Consolidated Financial Statements, IFRS 11 - Joint Arrangements, IFRS 12 - Disclosure of Interests in Other Entities, IAS27 - Separate Financial Statements and IAS 28 - Investments in Associates and Joint Ventures. An assessment of the criteria for the completion of Group Accounts has been undertaken and the conclusion reached that the turnover and assets held by Aequus Developments Ltd (ADL) and Aequus Construction Ltd. (ACL) is considered significant enough to produce Group Accounts, and have therefore been consolidated with the accounts of Bath & North East Somerset Council in the group accounts section of the Statement of Accounts.

All material assets and liabilities relating to maintained schools are included in the Council's accounts. Owing to the nature of schools, it is highly unlikely that there would be any losses.

1.27 Joint Working Arrangements

Where the Authority has a joint working arrangement with other organisations, the Authority's share of income and expenditure is accounted for only in the Authority's accounts. An example of this would be Adoption West.

1.28 Pooled Budget Arrangements

Under the Section 75 Pooled Funding Arrangement where the Council is lead commissioner and responsible for making contract payments, the Council and Integrated Care Board [ICB] (previously CCG) have adopted a Net Accounting Policy resulting in costs and income attributable to ICB funded Health and Care services being offset to ensure there is no risks of reporting this expenditure in the Council's statement of accounts. Where the ICB is lead commissioner, costs which they fund and pay together with the payment to the Council as lead, are reported in the ICB Statement of Accounts in line with NHS accounting guidance. An example of this is the Better Care Fund.

1.29 Events After the Reporting Period

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date that the Statement of Accounts is authorised for issue. Two types of events can be identified:

- 1) those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- 2) those that are indicative of conditions that arose after the reporting period - the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

1.30 City Region Deal

The Council has applied the principles of IPSAS 23 'Revenue from non-Exchange transactions' (taxes and transfers) in accounting for the transactions and balances relating to the City Region Deal.

Growth paid to the accountable body (South Gloucestershire Council - SGC) for the Business Rate Pool (BRP) is recognised by the Council as a debtor (and by SGC as an associated creditor) until such point that the funds are paid out by the BRP to fund Economic Development Fund (EDF) payments in respect of approved programmes.

Income

Income receivable by B&NES from the BRP is recognised as revenue in the year it occurs.

Expenditure

Expenditure is recognised by the Council on payments being made to the BRP. Expenditure is recognised in proportion to the degree that the Council has contributed to the BRP through its growth figure, and is capped at the limit of the Council's payment of growth to the BRP in this period, and any previous growth figures paid over which have not been previously paid by the BRP.

Appendix 1

Accounting Policy 1.20 Leases

A lease is a contract that conveys the right to control the use of an identified asset for a period of time, through rights to both obtain all the economic benefits or service potential of the asset.

This includes arrangements with nil consideration, peppercorn or nominal payments.

The authority as lessee

All leases are classified as finance leases, and are included on the balance sheet, unless they meet one of the following exemptions:

- for low-value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and
- the lease is for a short term, defined as less than 365 days at inception or at implementation, (including extension options that the authority is reasonably certain to exercise and any termination options that the authority is reasonably certain not to exercise).

Exempt lease payments are charged directly to revenue service expenditure in the Comprehensive Income and Expenditure Statement, whereas the accounting for finance leases are as follows:

Initial measurement

Finance leases are recognised as right-of-use assets with a corresponding lease liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later).

The authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- fixed payments,
- variable lease payments that depend on an index or rate,
- amounts expected to be payable under a residual value guarantee
- the exercise price under a purchase option that the authority is reasonably certain to exercise
- lease payments in an optional renewal period if the authority is reasonably certain to exercise an extension option
- penalties for early termination of a lease, unless the authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The authority considers the cost model to be a reasonable proxy except for assets held under non-commercial leases. Typically these are leases for nil consideration of a peppercorn and are valued using market prices or rentals for equivalent land and properties.

Right-of use assets held under index-linked leases are adjusted for changes in the relevant index.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method.

The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the estimate of the amount expected to be payable under a residual value guarantee
- the authority changes its assessment of whether it will exercise a purchase, extension or termination option.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

The authority as lessor

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Finance leases

Where the authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet is written off to the other operating expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. A gain, representing the authority's net investment in the lease, is credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the capital adjustment account from the General Fund balance in the Movement in Reserves Statement.

Operating leases

Where the authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

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Bath & North East Somerset Council		
MEETING:	Audit Committee	
MEETING DATE:	30 th April 2025	AGENDA ITEM NUMBER
TITLE:	Counter Fraud Annual Report	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 - Anti-Fraud & Corruption Strategy 2025		
Appendix 2 - Whistleblowing Policy 2025		
Appendix 3 - Anti-Money Laundering Policy 2025		
Appendix 4 - Anti-Bribery & Corruption Policy 2025		

1 THE ISSUE

- 1.1 The Council's Audit Committee has responsibility, within its terms of reference, for overseeing the risk management framework of the Council, including the arrangements for Counter Fraud and Fraud Prevention.

2 RECOMMENDATION

- 2.1 The Audit Committee is asked to note the Counter Fraud Annual Report, and review and approve the updated Anti-Fraud & Corruption Strategy and associated policies as detailed below:
- i. Note work carried out by Internal Audit in relation to Anti-Fraud & Corruption
 - ii. Review and approve the updated Anti-Fraud & Corruption Strategy (*Appendix 1*)
 - iii. Review and approve the updated Whistleblowing Policy (*Appendix 2*)
 - iv. Review and approve the updated Anti-Money Laundering Policy (*Appendix 3*)
 - v. Review and approve the updated Anti-Bribery & Corruption Policy (*Appendix 4*)

3 THE REPORT

- 3.1 This report outlines the work carried out to review and update the Anti-Fraud & Corruption Strategy and related policies which are being presented for consultation. It also provides the Audit Committee with an overview on the National Fraud Initiative (NFI) and information related to investigations carried out by Internal Audit.

4 NATIONAL PICTURE AND EMERGING FRAUD RISKS

- 4.1 The Chartered Institute of Public Finance and Accountancy (CIPFA) has a key role in coordinating the fight against fraud and corruption across the public sector.

In 2020 CIPFA, the Local Government Association and key partners published the refreshed Counter Fraud and Corruption Strategy for local government 'Fighting Fraud and Corruption Locally 2020'. This sets out the strategic approach local authorities should take and the main areas of focus (pillars) in response to fraud and corruption risks, as illustrated below:

Pillar	Description
Govern	Having robust arrangements and executive support to ensure anti-fraud, bribery & corruption measures are embedded throughout the organisation.
Acknowledge	Accessing and understanding fraud risks. Committing the right support and tackling fraud and corruption. Demonstrating that it has a robust anti-fraud response. Communicating the risks to those charged with governance.
Prevent	Making the best use of information and technology. Enhancing fraud controls and processes. Developing a more effective anti-fraud culture. Communicating its activity and successes.
Pursue	Prioritising fraud recovery and use of civil sanctions. Developing capability and capacity to punish offenders. Collaborating across geographical and sectoral boundaries. Learning lessons and closing the gaps.
Protect	Against serious and organised crime. Protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to an authority.

- 4.2 Bath and North East Somerset Council's Anti-Fraud and Corruption Strategy (see Appendix 1) acknowledges and includes these pillars in its objectives to ensure that the Council's approach to fraud continues to be in line with best practice.
- 4.3 The CIPFA 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.
- 4.4 Key fraud risks specific to Local Authorities continue to include:
- Council Tax Fraud
 - Disabled Parking Concessions (Blue Badge)
 - Business Rates
 - Housing Fraud
 - Procurement
 - Cyber Fraud

5 FRAUD PREVENTION NETWORKS

- 5.1 The Internal Audit Service obtains information regarding known and emerging fraud risks from a number of sources, 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, and is hosted by Tameside Metropolitan Borough Council. Currently, almost 90%

of local authorities are members, including Bath and North East Somerset Council.

As part of the above arrangement with NAFN, Internal Audit has a process in place for onward sharing and discussion of NAFN alerts. This process is in place to raise awareness across the Council of local and national fraud risks and to highlight or investigate areas of known concern.

- 5.2 One West are also a member of the West of England Fraud Group. This forum is used to share best practice, discuss changes in legislation and emerging fraud risks, and also fraud initiatives across Local Authorities in the West of England. Recent meetings have covered topics such as Council Tax fraud, Airbnb tenancy fraud, career polygamy, and cyber fraud.

6 NATIONAL FRAUD INITIATIVE

- 6.1 The Internal Audit function also co-ordinate the National Fraud Initiative (NFI) on behalf of the Council's Section 151 Officer.
- 6.2 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.
- 6.3 The Cabinet Office runs the initiative, an exercise that matches data within and between public and private sector bodies to prevent and detect fraud. Data matching involves comparing electronic records held by the same or another body, data is then matched and (data matching) reports are made available for each participating organisation to review. Where a match is found it indicates that there is an inconsistency which requires further investigation, and at this point no assumption can be made as to whether there is fraud or error. It is then for each organisation to make the necessary enquiries to understand whether the matched data has identified any genuine issues and this is then recorded within the NFI system to enable the effectiveness of the initiative to be monitored.

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).

- 6.4 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.
- 6.5 The matches from the 2024-25 NFI exercise were released in December 2024, with additional matches released in January 2025. Investigation of these matches is ongoing and the full results of the NFI exercise will be reported to the Audit Committee upon full completion of the task.

7 INTERNAL AUDIT TARGETED WORK AND INVESTIGATIONS

- 7.1 The risk of Fraud is considered during all internal audit planning activity and members can see evidence of this throughout this annual report. 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.

7.2 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.

7.3 In 2024/25 the Internal Audit Service carried out investigations into salary payments being made to an individual who was set up on the Council's payroll system as a new starter and received salary payments despite not actually starting their employment, fraudulent claims for Early Years Entitlement from a child carer, and a reported loss of cash from the one stop shop in Bath.

In addition to identifying the amount of the 'overpayments' and taking recovery action, work was carried out to identify the internal control failures and to implement actions to avoid a repeat.

8 DATA ANALYTICS

8.1 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.

8.2 Data Analytics at Bath and North East Somerset Council incorporates participation in the National Fraud Initiative (see section 6), and data matching undertaken as part of audit testing for individual audit reviews using spreadsheets or more advanced internal audit data analytics software (IDEA).

Examples of audit reviews reported in 2024/25 that have involved an element of Data Analytics include Payroll Variations and Creditor Payments.

9 STAFF TRAINING AND AWARENESS

9.1 Fraud information and awareness is promoted and communicated to staff throughout the year. The Staff Engagement updates circulated via email are a key channel for this communication.

9.2 'International Fraud Awareness Week' took place between 17th-23rd November 2024 and a special article was published outlining all the key fraud prevention information that is available to Council officers. Up to date information and articles were also provided as follows:

- What is Fraud?
- Protecting Bath and North East Somerset Council
- Mandatory Fraud Awareness Training & 'Five Minutes of Fraud' Training Videos
- Council Strategy and Policies
- Examples of Known Fraud Risks

- Internal Fraud Risks
- Focus on Corporate Credit Cards
- Whistleblowing: Speak Up, Protect Our Organisation
- What You Can Do

- 9.3 Internal Audit also produced several other articles for staff, one of which was an important reminder that all Council employees are required to undertake mandatory general fraud prevention training and should retake training as a refresher if desired.

10 STRATEGY & POLICY FRAMEWORK

- 10.1 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.
- 10.2 Bath and North East Somerset Council's own Anti-Fraud & Corruption Strategy takes the national strategy and adopts it at a local level. This is therefore the "umbrella strategy" that brings together all fraud related policies within the Council. Its objective is to ensure that the local authority is proactive in preventing and detecting fraudulent activities and corrupt practices and takes the necessary action to punish those involved and recover losses. The Council's Anti-Fraud and Corruption Strategy has been newly refreshed, updated, and is presented for approved at this Committee meeting (see Appendix 1).
- 10.3 Policies linked to the Strategy have also been reviewed and updated, and are also presented for approval. These include the Whistleblowing Policy, the Anti-Money Laundering Policy and Guidance, and the Anti-Bribery & Corruption Policy (see Appendix 2, 3 and 4 respectively).

11 STATUTORY CONSIDERATIONS

- 11.1 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.

12 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

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

13 RISK MANAGEMENT

- 13.1 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.

14 EQUALITIES

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

15 CLIMATE CHANGE

- 15.1 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.

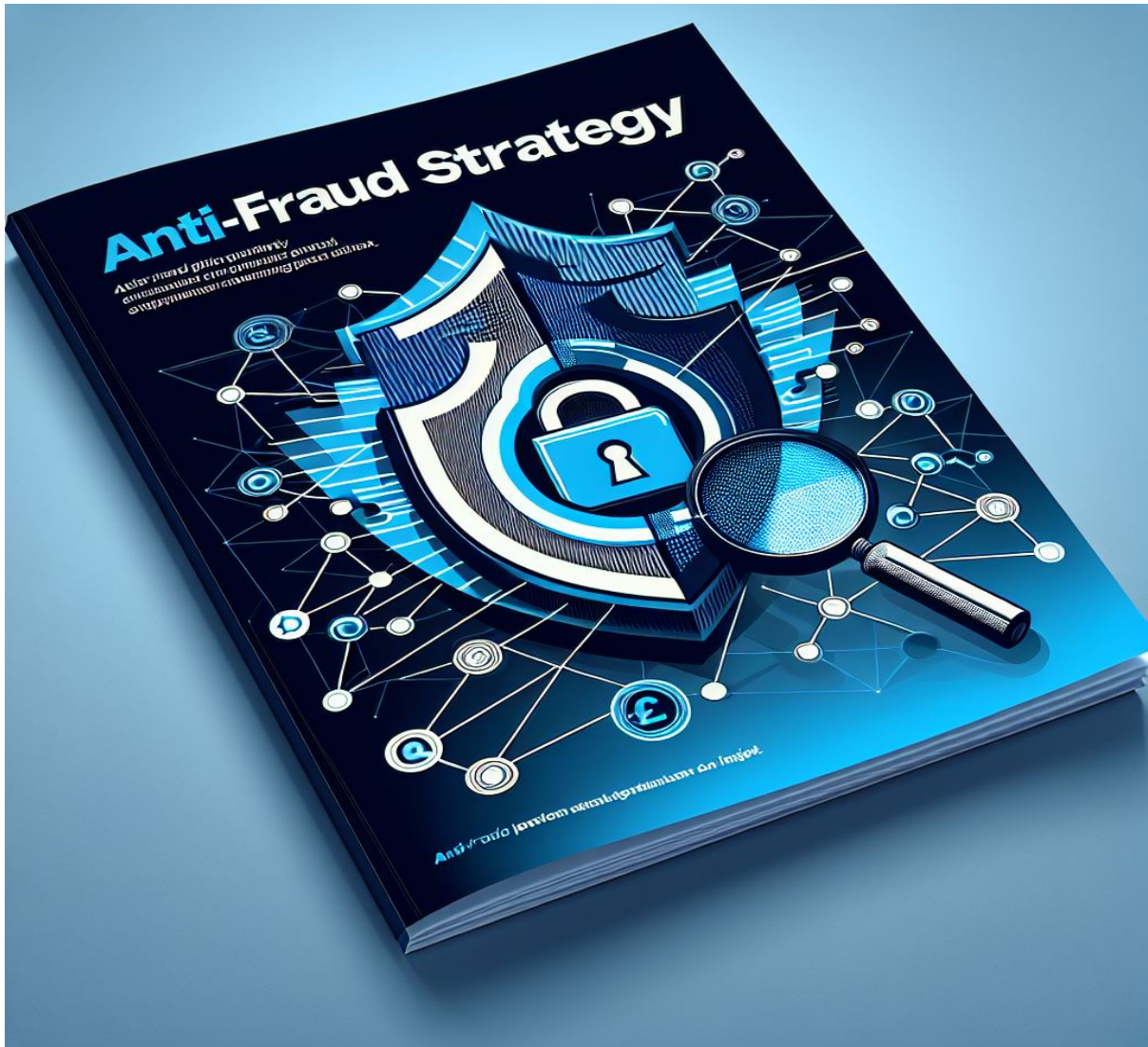
16 OTHER OPTIONS CONSIDERED

- 16.1 None.

17 CONSULTATION

- 17.1 The Audit Committee is asked to note the Counter Fraud Update Report and approve the updated Anti-Fraud and Corruption Strategy and associated policies.

Contact person	Jeff Wring, Director of Financial Services, Assurance & Pensions (One West) Tariq Rahman, Head of Audit & Assurance
Background papers	
Please contact the report author if you need to access this report in an alternative format	



Anti-Fraud and Corruption Strategy 2025

Anti-Fraud and Corruption Strategy 2025

Introduction and Context

What is Fraud?

The Fraud Act 2006 provides one general offence of fraud which can be committed in three different ways:

- (i) By false representation
- (ii) By failing to disclose information
- (iii) By abuse of position.

¹

For the purpose of this strategy, fraud may also be classified as the use of deception with the intention of:

- **Corruption** - gaining an advantage, financial or otherwise, personally and for family or friends; or abuse of position – abusing the council's resources for personal gain
- **Theft** - removal or misuse of funds, assets or cash causing a financial loss to the Council or,
- **False Accounting** - dishonestly destroying, defacing, concealing, or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another.

Fraud continues to pose a major financial threat to Local Authorities, with estimates from the Chartered Institute of Public Finance and Accountancy (CIPFA) suggesting that every year in the UK, up to £49bn of public money is lost to fraud. Any losses are magnified based on the increasing constraints and challenges on finances.

To maintain strong defences against fraud, the Council must foster resilience and innovation, ensuring that all staff, stakeholders, and the public are aware of fraud prevention threats and solutions.

The services provided by a Unitary Authority are varied and of significant financial value and volume and therefore the risk is high. The main conditions that are commonly found when fraud occurs are shown in the 'Fraud Triangle':



¹ Fraud Act 2006 (<http://www.legislation.gov.uk/ukpga/2006/35/contents>)

In summary, the Council controls millions of pounds of assets and therefore employees, Members and Council partners need to be vigilant to the risk of fraud and corruption in everyday business.

Protecting the Council

We have a duty to protect the public purse and the Council's assets, and the aim of the strategy is to maintain and improve prevention, detection, awareness and response to fraud and corruption. We wish to further develop the organisational culture in the fight against fraud and corruption by raising awareness and encouraging staff to report any issue or suspicion of malpractice at the earliest stage.

Fraud and corruption amounts to unnecessary cost. Identification of fraud and corruption at an early stage will allow the Council to deal with the issue in an efficient and effective manner.

The Council will take all appropriate action to prevent fraud and corruption and respond when cases of attempted or committed fraud are identified. The Council will always seek to reduce any such risk of fraud.

Zero Tolerance

Bath and North East Somerset Council applies a zero tolerance approach in relation to fraud and corruption and is determined to pursue a strategy of bringing to account those involved in fraud and corruption through its robust HR Policies. By providing guidance and maximising awareness it will help instil a zero tolerance attitude to fraud and corruption, meaning that staff, contractors, and volunteers neither have the motivation nor the opportunity to commit fraud.

Where internal fraud is identified, disciplinary action may be taken. In addition to this and where appropriate, cases may be referred to the Police for onward criminal investigation and sanction and/ or reported to Action Fraud and/ or the National Anti-Fraud Network.

Creating an Anti-Fraud Culture

The best defence against fraud, corruption and bribery is to create a strong anti-fraud culture within the organisation.

The Council promotes the 'seven principles of public life' put forward by the Nolan Committee and expects all of its staff and partners (including contractors), and councillors to be aware of and to follow principles, legal rules, procedures, and practices, to protect legitimate interests at all times. (Nolan Principles²).

Bath and North East Somerset Council is committed to these principles of good governance and confirms this through the adoption, monitoring and development of the Council's Local Code of Corporate Governance.

² <https://www.gov.uk/government/publications/the-7-principles-of-public-life>

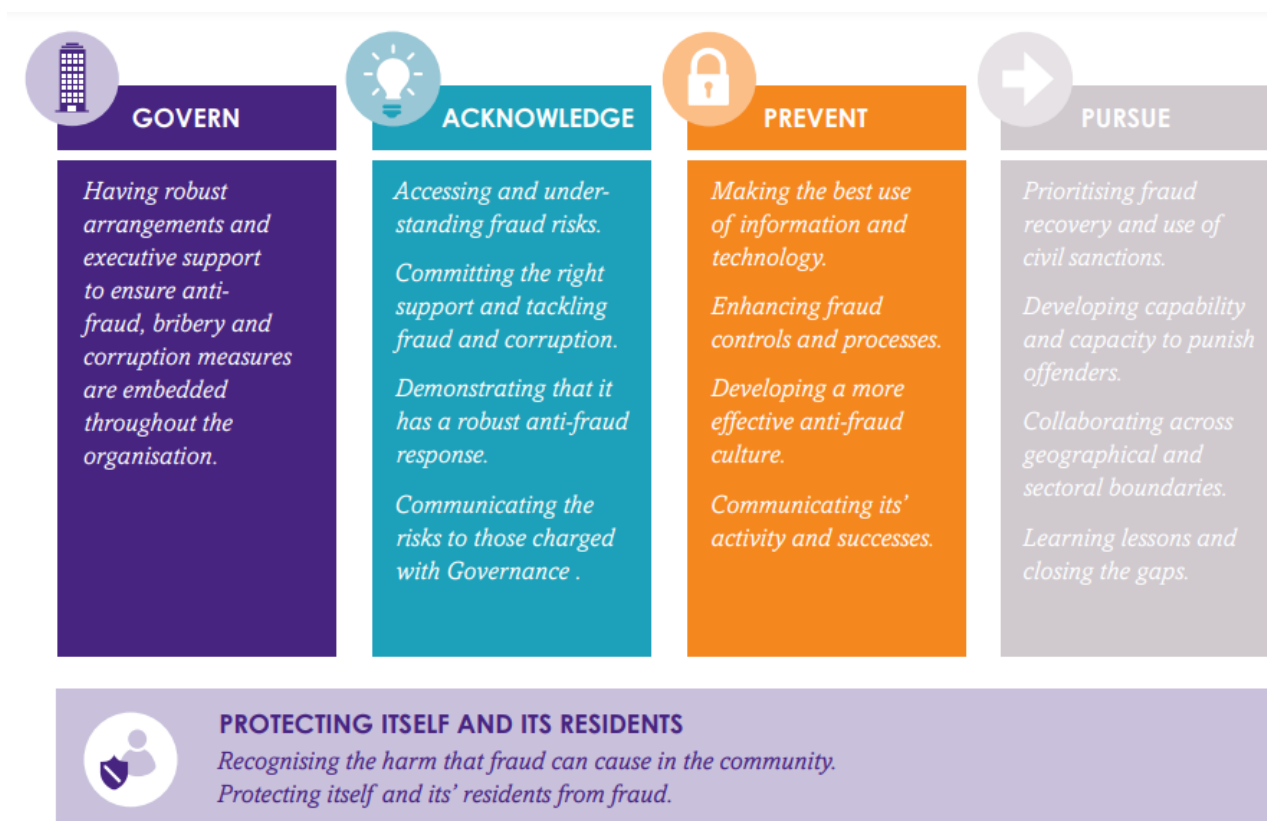
The Strategy

Scope - The strategy applies to any individual undertaking Council specific activity:

- All employees whether full or part time, permanent or temporary
- Elected Members
- All staff working in Local Authority schools
- All contractors, agencies and partners working within the Council.

The Fighting Fraud and Corruption Locally 2020 Strategy³ is the most recent updated counter fraud and corruption strategy for local government. Supported by CIPFA, it is the definitive guide for council leaders, chief executives, finance directors and all those with governance responsibilities. The most recent strategy is based on input from 250 councils across England and builds on current good practice. It also makes recommendations for a more co-ordinated response to fighting fraud within local authorities on a local level.

Bath and North East Somerset Council's strategy includes the four principles (pillars) of activity that CIPFA recommend Local Authorities should concentrate efforts on. This ensures that the Council's approach to fraud continues to be in line with best practice.



³ CIFAS Fighting Fraud and Corruption Locally <https://www.cifas.org.uk/insight/public-affairs-policy/fighting-fraud-corruption-local-authorities/ffcl-strategy-2020>

Key Themes and Objectives

The Council's objectives within each theme are underpinned by the '6 Cs':

- **Culture** - creating a culture in which beating fraud and corruption is part of daily business.
- **Capability** - ensuring that the range of counter fraud measures is appropriate to fraud risks.
- **Capacity** - deploying the right level of resource to deal with the level of risk.
- **Competence** - having the right skills and standards.
- **Communication** - raising awareness, sharing information, and celebrating successes.
- **Collaboration** - working together internally and externally, with colleagues and other Local Authorities, and with other agencies: sharing resources, skills and learning, good practice and innovation, and information.

Our objectives for each theme are outlined below:

Govern

Having robust arrangements in place and executive support to ensure that anti-fraud, bribery and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.

- Ensure strategies & policies exist which underpin the Council's approach to fraud
- Ensure senior managers are kept informed of fraud and investigation work, including through regular reporting to Statutory Officers and key updates to the s151 officer
- Provide regular updates to the Audit Committee, including details of any fraud, investigations, and internal audit reviews which identify exposure to fraud
- Provide training and information to staff, including through a mandatory online Fraud course for employees and regular awareness articles via staff newsletters
- Members & employees are aware of the need to disclose gifts, hospitality & conflicts of interest and provide such information as required

Acknowledge

Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.

- Ensure on-going effectiveness and resilience of anti-fraud arrangements
- Ensure all senior staff and managers in key service areas are aware of and comply with the anti-fraud & corruption strategy and effectively disseminate guidance to officers
- Whistle Blowing Policy and referral system for internal and external reporting
- Contractors/ third parties informed of the strategy and procedures
- Provide resources for staff on the intranet to allow them to better understand and acknowledge fraud risks and how to respond accordingly

Prevent

Preventing and detecting more fraud by making greater use of data, technology, enhancing of fraud controls and processes, and developing an anti-fraud culture.

- Maintain an effective Internal Audit function to assist the organisation in ensuring a robust framework of internal control.
- Implement strong audit/ control procedures to respond to issues identified through investigation of irregularities.
- Provide guidance and training to staff, Councillors, and partners to identify and report attempted or actual fraud.
- Effective use of data matching and sharing e.g., participation in the National Fraud Initiative (NFI), use of IDEA (data analytics tool) and A.I.
- Publicise anti-fraud issues across the organisation, including NAFN fraud alerts.
- Recruitment vetting is maintained to highlight issues with potential employees.
- Continuously monitor the national picture to keep informed of new fraud risks.
- Continue to provide awareness sessions to staff working in areas of high fraud risk.

Pursue

Punishing fraudsters and recovering losses by prioritising the use of sanctions, developing capability and capacity to investigate fraudsters, and developing a more collaborative and supportive local enforcement response.

- Deliver financial benefits in terms of efficiency savings or increased revenue whilst utilising data analytics.
- Investigate issues and weaknesses of instances of proven fraud & corruption.
- Determine the appropriate action against fraudsters.
- Effective sanctions including legal action where appropriate against anyone found guilty of committing fraud and corruption.
- Scrutinise and feed back to relevant departments to ensure robust systems are in place for the future.
- Reporting of all cases of fraud and corruption to the Audit Committee.
- Instil effective methods for seeking recovery of money defrauded.

Protect

Protecting against serious organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. Protecting public funds, protecting the organisation from fraud and protection from future frauds.

By ensuring that we meet the above objectives in the areas of Govern, Acknowledge prevent and Pursue, we will have the best possible chance of protecting the Council and its residents.

- Protect public funds.
- Protect vulnerable people in our local society.
- Protect the council from fraud and cyber-crime.
- Protect against the possibility of future frauds.

How to report Fraud and Corruption

The Council is committed to the highest ethical standards. High standards of corporate and personal conduct are essential and explicitly stated through the Council's Employee Code of Conduct, the Code of Conduct for Members and Co-Opted Members, and HR policies.

Policy and guidance are maintained which contains full details on how any concerns can be reported. These are available on the Council's internet site and include:

- Whistleblowing Policy
- Anti-Money Laundering Policy and Guidance
- Anti-Bribery and Corruption Policy

If in doubt or to make an anonymous report, use the [Council's online form](#) or email [Tariq Rahman](#), Head of Audit and Assurance, or [One West](#).

DO	DON'T
<u>Make a note of your concerns</u> <ul style="list-style-type: none">• Write down the nature of your concerns• Make a note of all the relevant details, such as what is said over the telephone or any other conversations• Note the names and, if known, the position of those involved• Notes do not need to be overly formal, but should be timed, signed, and dated• Notes should be held in a secure place• Timeliness is most important. The longer you delay writing up, the greater the chances of recollections becoming distorted, and the case being weakened• Note the date and time when the suspicion was reported onwards	<u>Don't be afraid of raising your concerns</u> <ul style="list-style-type: none">• The Public Interest Disclosure Act provides protection to employees who raise reasonably held concerns through the appropriate channels.• The Council's Confidential Reporting Codes provides guidance on how to do this.• You will not suffer discrimination or victimisation as a result of following these procedures and the matter will be treated sensitively and confidentially.• The Public can report concerns in confidence to the Internal Audit Team Audit West through the online portal and/ or email.
<u>Report your concerns promptly</u> <ul style="list-style-type: none">• In the first instance, for internal fraud report your suspicions to your line manager. If this action is inappropriate further guidance on disclosure can be found in the Confidential Reporting Code.• If you are unsure who to report to, contact the Internal Audit team for advice.• All concerns must be reported to the Head of Audit and Assurance• External fraud concerns should also be reported to the Internal Audit Team	<u>Don't convey your concerns to anyone other than authorised persons</u> <ul style="list-style-type: none">• There may be a perfectly reasonable explanation for the events that give rise to your suspicions. Spreading unnecessary concerns may harm innocent persons and the reputation of the Council.• Don't discuss your suspicions with anyone other than the officer you formally raised the issue with.• Don't report the matter to the police unless you have been authorised to do so by audit.
<u>Retain any evidence you may have</u> <ul style="list-style-type: none">• The quality of evidence is crucial and the more direct and tangible the evidence, the better the chances of an effective action.• Retain and keep all relevant records/evidence that may have been handed over or discovered as a result of the initial suspicion in a secure and confidential location.	<u>Do not approach the person you suspect or try and investigate the matter yourself</u> <ul style="list-style-type: none">• There are special rules relating to the gathering of evidence for use in criminal cases and to protect human rights. Any attempt to gather evidence by persons who are unfamiliar with these rules may prevent appropriate action being taken.• Don't interfere with any documentary or electronic evidence• Don't attempt to interview or question anyone unless authorised to do so.

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Whistleblowing Policy 2025

Whistleblowing Policy 2025

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If you require clarification on any aspect of the Whistleblowing Policy or require this document in a different format, please contact the Internal Audit function of the Council.

To to make an anonymous report, use the [Council's online form](#).

Alternatively, you can email [Tariq Rahman](#), Head of Audit and Assurance, or [One West](#).

1. Introduction

What is Whistleblowing?

Someone blows the whistle when they tell someone in authority about a dangerous, illegal or unethical activity that they are aware of through their work. This can include health and safety risks, environmental issues, fraud, poor standards of care and other problems.

Why is Whistleblowing important?

Bath and North East Somerset Council is committed to the highest possible standards of service and being open, fair and honest. It recognises that all staff, Members and others associated with the Council are often the first to realise that there may be something seriously wrong. Whistleblowing, enabled by this policy, provides a structured way for this important information to come to light.

Why does the Council need a Whistleblowing policy?

Under the requirements of the Public Interest Disclosure Act 1998, it will:

- a) Encourage employees, Members and others who have serious concerns about any aspect of the Council's work to voice them;
- b) Recognise that certain cases have to proceed on a confidential basis;
- c) Enable participation without fear of reprisals;
- d) Enable employees, Members and others to raise serious concerns within the Council rather than overlook a problem;
- e) Allow for the general public to report wrong doing.

2. Scope of Policy

Who does the Whistleblowing policy apply to?

The Policy applies to any individual undertaking Council specific activity, i.e.

- All employees whether full or part time, permanent or temporary
- Elected Members
- All staff working Local Authority maintained schools
- All contractors, agencies and partners working within the Council

Whistleblowing Policy 2025

What is covered by the Whistleblowing Policy?

The Policy:

- provides avenues for the raising of concerns;
- provides procedures for how action taken will be reported back to the whistleblower;
- allows for the matter to be taken further if there is dissatisfaction with the Council's decision;
- underpins the Anti-Fraud and Corruption Strategy and will aim to reassure anyone whistleblowing that they will be protected from reprisals or victimisation for acting in good faith.

The Policy **does not** replace:

- the Council's complaints procedure;
- the Council's grievance procedure;
- the Employees' Code of Conduct;
- specific Council procedures (e.g. those specific to Adult and Children Services);
- Managerial responsibilities.

3. Reporting a Concern

When should I raise a concern?

If you find out about, or have suspicion of, any activity that could be detrimental to the Council. These activities may include:

- conduct which is an offence or a breach of law;
- disclosures relating to miscarriages of justice;
- health & safety risks to public or employees;
- damage to the environment;
- unauthorised use of public funds;
- possible fraud and corruption;
- breaches of the Council's policies, rules and regulations including Financial Regulations, Contract Standing Orders, Data/ Information Security;
- falling below established professional standards or practices;
- improper or unethical conduct; or
- the abuse or neglect of service users. (This list is not exhaustive).

Whistleblowing Policy 2025

How do I go about raising a concern?

The easiest way of reporting is to [email](#) the Internal Audit service, providing as much information as possible. You can also [report](#) the details anonymously if you wish, but we encourage people to leave their details so we can ask, where appropriate, for more information to help in any investigation.

If you decide to report the allegation to a Prescribed Persons instead of the Council, the table below records the most relevant 'Prescribed Persons' related to the work of a Unitary Council.

<u>Work Area of Unitary Council</u>	<u>Prescribed Person</u>
General responsibilities	Council's External Auditor
Social Care	Care Quality Commission
Social Services & Child Welfare	Her Majesty's Chief Inspector of Education, Children's Services and Skills ('the Chief Inspector') Ofsted
Environment	Office for Environmental Protection

The Government issues an up-to-date list of Prescribed Persons and they can be found here: www.gov.uk/government/publications/blowing-the-whistle-list-of-prescribed-people-and-bodies--2/whistleblowing-list-of-prescribed-people-and-bodies as specified Prescribed Persons Order 2014).

The decision on who to contact does depend on the seriousness and sensitivity of the issue(s) and who is thought to be involved in the issue(s) to be reported.

If the allegation relates to a contractor or partner organisation, the Council will refer allegations direct to the contractor/ partner for them to consider the issues being raised because the council only has jurisdiction for council staff.

If the allegation of misconduct or complaint relates to a Member it must be submitted to the Council's Monitoring Officer (Michael Hewitt) Councillor_Complaints@bathnes.gov.uk who will make the decision if it should be referred for investigation or other action.

Where a complaint is referred for investigation, an Investigating Officer will be appointed to provide a report, which may then be presented to the Standards Sub-Committee at a hearing. If their decision is that there is a case to answer and that the Code had been breached, then they will decide on an appropriate sanction. The full procedure is set out in the Council's guidance for complaining about a Councillor.

Whistleblowing Policy 2025

If the matter is more serious or it is not appropriate to raise with Line Management then any of the following can be contacted:

- a) Senior Management: i.e. an independent Director to the Service area or the Chief Executive - will_godfrey@bathnes.gov.uk
- b) Concerns around Fraud and Misuse of Council Resources - tariq_rahman@bathnes.gov.uk
- c) Concerns around the treatment and safety of staff and partners - cherry_bennett@bathnes.gov.uk
- d) Concerns around the application of legislation and lawful practice - michael_hewitt@bathnes.gov.uk

Where there are local specific procedures relating to the raising of concerns (e.g., Adult & Children Health & Social care) then these procedures will apply.

Outside agencies and partners should raise concerns with the appropriate Senior Manager or Director. Where this is not appropriate, they should contact the Council's Solicitor or the Chief Executive.

Who will be told about my concern?

There are also certain officers with delegated responsibilities who will need to be contacted on certain matters. However, they will not be advised of your identity without your approval. They are:

- a) Council Solicitor:
In respect of actual/potential unlawful conduct, maladministration, breach of the Bath and North East Somerset Council Local Code of Conduct for Members or breach of law:
- b) Head of Internal Audit:
In respect of any actual/potential financial irregularity, misuse of council resources or breach of council rules and regulations.
- c) Head of Human Resources:
In respect of any matters relating to treatment and safety of staff/partners.

How should I raise my concern?

Concerns should be raised as soon as possible, when you have a reasonable suspicion even if the allegation is in the past.

It will allow you to incorporate relevant information about specific incidents. The background and history of the concern including names, dates and places where possible and the reason why you are particularly concerned about certain situations should also be provided. If you are unable to express your concerns using the tool, then you should contact the appropriate officer / person by telephone or arrange to meet them.

It might be appropriate to discuss with a colleague first and you may find it easier to raise the issue if there are two or more of you who have had the same experience or concerns.

Whistleblowing Policy 2025

What if I don't want to reveal my identity?

The Council and / or the Prescribed Person (Prescribed Persons Order 2014) will respect the confidentiality of anyone raising a concern and will do everything in its power to protect the identity of that individual whether they are an employee, Member or an external source.

However, as a result of an investigation process a statement may be requested to contribute to the evidence collected. In all such cases the provision of a statement will be discussed with you.

Can I raise my concern anonymously?

Yes. However, the Council would encourage you to put your name to an allegation. Formal statements do help to build a case and add credibility to allegations.

The key factors to be taken into account when investigating allegations are:

- Seriousness of the issues raised;
- Credibility of the concern and
- Likelihood of confirming the allegation from attributable sources.

Will I be protected from possible harassment or victimisation?

The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for malpractice. The Council will not tolerate harassment or victimisation and will take action to protect anyone raising a concern in good faith.

If an employee is the subject of disciplinary or redundancy procedures when they raise their concerns, then those procedures will not automatically be affected. The information provided would be assessed in the light of the new circumstances and a decision taken as to how, if at all, those proceedings should be affected.

Will I be subject to any sanctions if the allegation is not proven?

When an allegation is made in good faith, but is not confirmed by the investigation, no action will be taken against the person voicing the concern.

If, however, an employee or Member makes a malicious or vexatious allegation, disciplinary action may be taken. The conduct of the Member may be the subject of consideration by the Standards Committee under the provisions of the Bath and North East Somerset Council Code of Conduct for Elected Members & Co-opted Members which forms part of the Council's Constitution. Employee conduct may be subject to the Council's Disciplinary Process.

Do I have to provide proof of the allegation?

Although you are not expected to provide evidence of an allegation, you will need to demonstrate to the appropriate officer contacted that there are sufficient grounds for raising the concern.

4. What Happens Next

How will the Council respond to my concern?

The action taken by the Council will depend on the nature of the concern. The matters raised may be:

- a) Resolved without the need for investigation;
- b) Investigated internally;
- c) Referred to the Police;
- d) Referred to the External Auditor; or
- e) Form the subject of an independent inquiry.

In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations, which fall under the scope of specific procedures (e.g. Adult & Children Health and Social Care), will be referred for consideration under those procedures.

As soon as possible after a concern has been raised (normally within 10 working days) the Council will write to the individual concerned to acknowledge the issue that has been raised and to indicate the future course of any action.

Will I be involved with the investigation?

The amount of contact between the individual raising the concern and the officers considering the issue will depend on the nature of the matters raised. The individual may be approached to provide further information.

If a meeting is arranged then the individual concerned has the right to be accompanied by an appropriate person of their choice, for example a work colleague, a Trade Union representative or Group Leader if you are a Member.

The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern, for instance, if you are required to give evidence in any form of proceeding, then the Council will arrange for you to receive advice and help with preparation of statements.

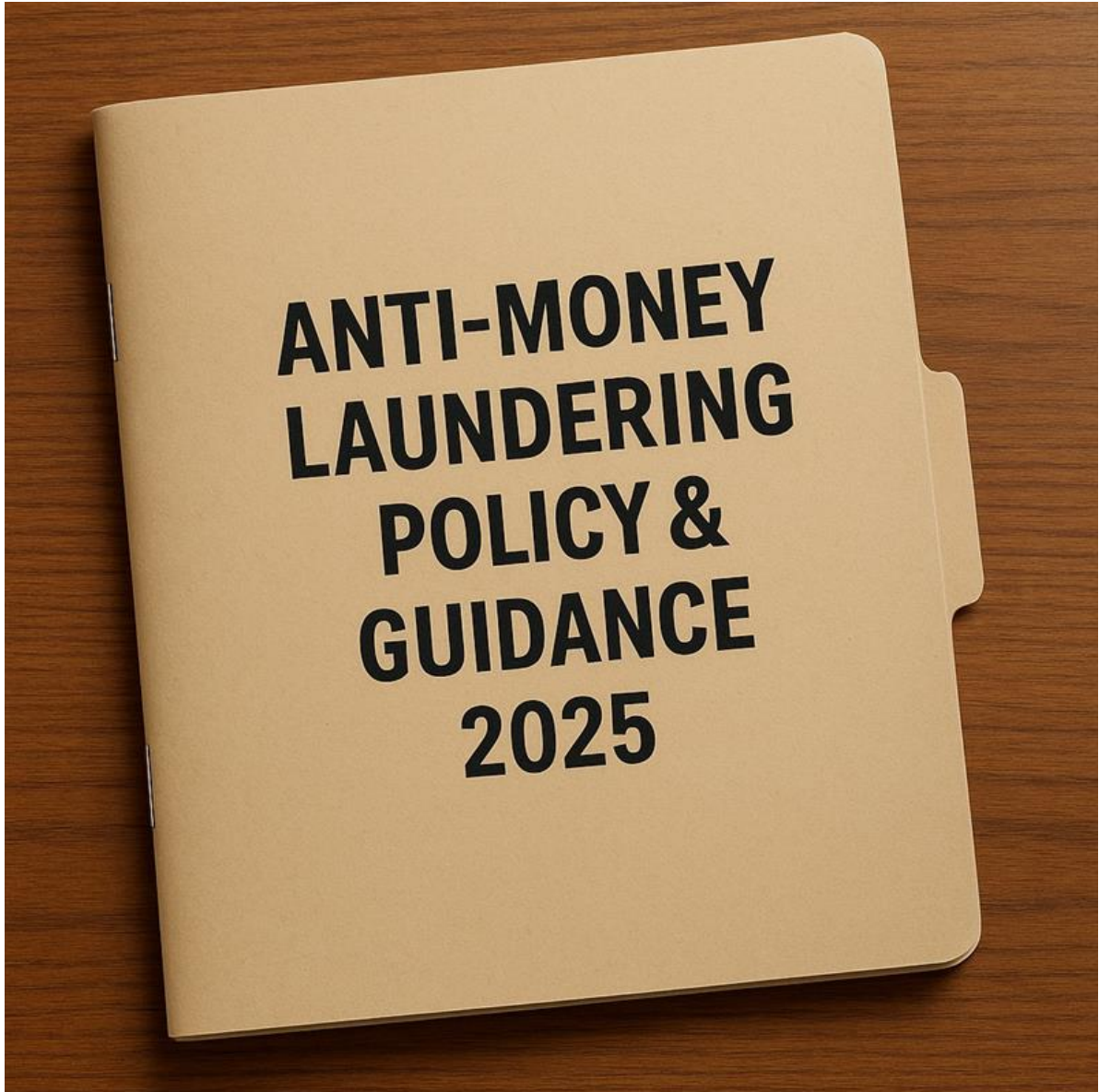
Will I be informed of the outcome of the investigation?

The person raising a concern will need to be assured that the issue has been appropriately addressed. Therefore, the Council, subject to legal constraints, will inform them in writing about the outcomes of any investigations.

5. Further information

Further guidance: <https://www.gov.uk/whistleblowing/who-to-tell-what-to-expect>

An independent charity, PROTECT, can offer independent and confidential advice. Contact: 020 3117 2520 or <https://protect-advice.org.uk/contact-us/>



Anti-Money Laundering Policy and Guidance 2025

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If you require clarification on any aspect of the Anti-Money Laundering Policy or require this document in a different format, please contact the Internal Audit function of the Council.

To to make an anonymous report, use the [Council's online form](#).

Introduction

The [Proceeds of Crime Act 2002](#) (The POCA Act) amended by the Criminal Finance Act 2017 ([2017](#)). The Terrorism Act [2000](#) & [2006](#), and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 ([MLR 2017](#)) place obligations on the Council and its employees with respect to suspected money laundering.

MLR 2017 commenced on 26 June 2017 and impacts on certain areas of local authority business. As under the previous regulations of 2007, it requires local authorities to maintain internal procedures to prevent the use of their services for money laundering. A key difference of the 2017 Regulations is that it requires relevant persons to adopt a more risk-based approach towards anti-money laundering, particularly in the conduct of due diligence. Determining the appropriate level of due diligence requires analysis of risk factors based on the EU Directive and which are set out in MLR 2017.

Scope of Policy

This Policy applies to all employees of the Council and aims to maintain the high standards of probity which currently exist within the Council by preventing criminal activity through money laundering.

- All employees whether full or part time, permanent or temporary
- Elected Members
- All staff working in maintained schools (Local Authority)
- All contractors, agencies and partners working within the Council

This Policy is closely aligned to the Council's Anti-Fraud & Corruption Strategy 2025 and the Whistle Blowing Policy 2025.

Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action under the Council's Disciplinary Procedure and/or prosecution.

What is Money Laundering?

Money laundering is the disguising of the source of money, either in cash, paper or electronic form including Bitcoin. This may be in order to conceal that the money has originated from crime, or it may be to conceal the source of money that is to be used in the pursuit of future crime.

Money laundering is highly sophisticated. The conversion of cash in to a non-cash form of money is only the first step. In itself it is not sufficient disguise for the launderer. There will follow a complex series of transactions intended to hide the trail from any investigator. Consequently, those on the lookout for money laundering should not restrict themselves to looking for cash transactions.

The following acts constitute money laundering:

- Concealing, disguising, converting, transferring criminal property or removing it from the UK ([Section 327 of the Proceeds of Crime Act 2002](#));
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person ([Section 328](#));
- Acquiring, using or possessing criminal property ([Section 329](#)).

What are the obligations on the Council?

Organisations conducting “relevant business” must:

- Appoint Money Laundering Reporting Officers (MLROs) to receive disclosures from employees, of money laundering activity (their own or anyone else’s);
- Implement risk sensitive policies and procedures relating to customer due diligence, reporting, record keeping, internal control, risk assessment and management, the monitoring and management of compliance and the internal communication of such policies and procedures.

Not all of the Council’s business is “relevant” for the purposes of the legislation: it is mainly the Accountancy and Internal Audit services carried out within the Corporate Services Directorate and the financial, company and property transactions undertaken by Legal Services. It should also be a consideration for any large cash payments received in connection with Council Tax, Business Rates, rents etc.

While the risk to the Council of contravening the legislation is low, it is important that all employees are familiar with their responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officers.

Personal Liability

It is an offence under the Proceeds of Crime Act 2002 if an employee enters into or becomes concerned in an arrangement, which a person knows, or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person.

These offences are punishable by a maximum term of imprisonment for 14 years at the Crown Court and an unlimited fine. At the Magistrates Court it is a 6 months maximum term of imprisonment and £5,000 fine.

A criminal offence was created in 2017; any individual who recklessly makes a statement in the context of money laundering which is false or misleading commits an offence punishable by a fine and/or up to 2 years imprisonment.

The Money Laundering Reporting Officers (MLROs)

All employees and members are obliged to report any suspicion of money laundering or terrorist financing to the Council's nominated officer. The officer nominated to receive disclosures about money laundering activity within the Council is:

Tariq Rahman - Head of Audit and Assurance (Tariq_Rahman@BATHNES.GOV.UK)

Reporting to the Money Laundering Reporting Officers

Where you know or suspect that money laundering activity, as described in the "What is Money Laundering?" section above, is taking/ has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under sections 327-329 of the Act, you must disclose this as soon as practicable to the MLROs. The disclosure should be within "hours" of the information coming to your attention, not weeks or months later.

SHOULD YOU NOT DO SO, THEN YOU MAY BE LIABLE TO PROSECUTION

Offence of Tipping Off

If an employee has a concern they should ask questions or seek information/ documentation, which would allay any suspicions they may have and negate the need to make a report.

Once a report has been made to the nominated officer or the person the Council is dealing with suspects that a report has been made the potential criminal offence of "tipping off" arises.

"Tipping off" is where someone informs the person who has approached the financial institution, such as the Council, that they are suspected of being involved in money laundering, in such a way as to prejudice any investigation.

Any person found guilty of tipping off or prejudicing an investigation offence is liable to imprisonment (maximum 5 years), a fine or both.

How You Might Recognise Money Laundering

The key slogan is “Know Your Customer” or “K.Y.C”. For any transaction, cash or otherwise you should ask yourself: -

“Given my knowledge of this person, is it plausible that they can pay this amount for this service by this means?”

If they are paying more than would be reasonable, or more than they could afford, or by a means that would not normally be used the answer would be ‘No’. Then action will be required.

More specific possible indicators of Money Laundering are:

- If the Source or Destination of funds differ from the original details given by the client;
- If the client cancels a transaction without good reason and requests a refund for previously deposited funds;
- Any large cash deposits;
- Large overpayments of fees or money on account;
- If information about the client reveals criminality or association with criminality;
- If there is more than one Solicitor/ Conveyancer used in the sale or purchase of a property or land or if there is an unexplained and unusual use of a Solicitor in relation to a property’s location;
- If the buyer or seller’s financial profile does not fit, particularly in relation to property transactions;
- If there are over complicated financial systems;
- If the client enters into transactions which make little or no financial sense or which go against normal practice;
- If the client is happy to enter into an apparent bad deal for them;
- If the client enters into arrangements beyond their apparent financial means;
- Any odd behaviour by any of the parties involved.

Further information can be obtained from the MLRO and the following sources:

- [National Crime Agency](#) – website of the National Crime Agency
- Anti Money Laundering Guidance for the accountancy sector, published by CCAB www.ccab.org.uk
- Anti Money Laundering Guidance for the legal sector at www.lawsociety.org.uk
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 at: <https://www.legislation.gov.uk>

Procedures – Appendix 1

Cash Payments

The Council will risk assess all cash payments in line with the regulatory guidance.

Reporting

Any employee who suspects money laundering activity must report their suspicion promptly to the MLROs, using the attached **Disclosure Report** form (Appendix A). If you would prefer, you can discuss your suspicions with the MLROs first.

The employee must follow any subsequent directions of the MLROs, and must not themselves make any further enquiries into the matter. They must not take any further steps in any related transaction without authorisation from the MLROs.

The employee must not disclose or otherwise indicate their suspicions to the person suspected of the money laundering. They must not discuss the matter with others or note on the file that a report has been made to the MLROs in case this results in the suspect becoming aware of the situation.

The MLROs must promptly evaluate any Disclosure Report, to determine whether it should be reported to the National Crime Agency (NCA).

The MLROs must, if they so determine, promptly report the matter to NCA in the prescribed manner by submitting a Suspicious Activity Report (SAR) via the [SAR portal](#).

You will be informed if the MLROs make a SAR report to NCA. Officers should not complete any transactions **until clearance has been given by NCA, or seven days have elapsed since the disclosure was made to NCA.**

The MLROs will commit a criminal offence under POCA if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to NCA.

Customer Due Diligence

Where the Council is carrying out certain 'regulated activities' then extra care needs to be taken to check the identity of the customer or client; this is known as carrying out Customer Due Diligence.

Regulated activity is defined as the provision 'by way of business' of: advice about tax affairs; accounting services; treasury management, investment or other financial services; audit services; legal services; estate agency; services involving the formation, operation or arrangement of a company or trust or; dealing in goods wherever a transaction involves a cash payment of €10,000 or more (approximately £8,583 at the time of writing). The limit is specified by the MLR 2017.

The Regulations regarding customer due diligence are detailed and complex, but there are some simple questions that will help you decide if it is necessary:

- Is the service a regulated activity?
- Is the Council charging for the service i.e. is it 'by way of business'?
- Is the service being provided to a customer other than a UK public authority?

If the answer to any of these questions is **NO** then you do not need to carry out customer due diligence.

If the answer to all these questions is **YES** then you must carry out customer due diligence **BEFORE** any business is undertaken for that client. If you are unsure whether you need to carry out customer due diligence then you should contact the MLROs.

Where you need to carry out customer due diligence then you must seek evidence of identity, for example:

- Checking with the customer's website to confirm their business address;
- Conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any Directors / beneficial owners;
- Seeking evidence from the key contacts of their personal identity, for example their passport and position within the organisation.

The requirement for customer due diligence applies immediately for new customers and should be applied on a risk sensitive basis for existing customers. Ongoing customer due diligence must also be carried out during the life of a business relationship but should be proportionate to the risk of money laundering and terrorist funding, based on the officer's knowledge of the customer and a regular scrutiny of the transactions involved.

If, at any time, you suspect that a client or customer for whom you are currently, or are planning to carry out a regulated activity is carrying out money laundering or terrorist financing, or has lied about their identity then you must report this to the MLROs.

In certain circumstances enhanced customer due diligence must be carried out for example where:

- The customer has not been physically present for identification;
- The customer is a politically exposed person. A politically exposed person is an individual who at any time in the preceding year has held a prominent public function outside of the UK, and EU or international institution/body, their immediate family members or close associates;
- There is a beneficial owner who is not the customer. A beneficial owner is any individual who holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.

Enhanced customer due diligence could include any additional documentation, data or information that will confirm the customer's identity and/or the source of the funds to be

used in the business relationship/transaction. If you believe that enhanced customer due diligence is required then you must consult the MLROs prior to carrying it out.

Record Keeping

Where 'relevant business' is carried out then the customer due diligence records and details of the relevant transaction(s) for that client **must be retained for at least five years after the end** of the business relationship.

An electronic copy of every customer due diligence record must be sent to the MLROs to meet the requirements of the Regulations and in case of inspection by the relevant supervising body.

Internal Clients: Appropriate evidence of identity for Council employees will be signed, written instructions on Council headed notepaper or e-mail from an internal email address at the outset of a particular matter. Such correspondence should then be placed in the Council's client file along with a prominent note explaining which correspondence constitutes the evidence and where it is located.

External Clients: For external clients of the Council, appropriate evidence of identity will be written instructions on the organisation's official letterhead at the outset of the matter or an email from the organisation's e-communication system. Such correspondence should then be placed in the Council's client file along with a prominent note explaining which constitutes the evidence and where it is located.

With instructions from new clients, or further instructions from a client not well known to you, you may wish to seek additional evidence of the identity of key individuals in the organisation and of the organisation itself.

In all cases, the evidence should be retained for at least five years from the end of the business relationship or one-off transaction(s).

If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one-off transaction(s) cannot proceed any further.

Client Identification Procedure - Appendix 2

You need to be satisfied as to the identity of the client before any business is undertaken for that client. The client's identity can be verified on the basis of documents, data or information obtained from a reliable and independent source.

The following checklist should be used for the **identification** of a private individual:

- Name;
- Address;
- Date of Birth;
- National Insurance Number;
- Telephone number;
- E-mail address.

The following checklist should be used for the **verification** of a private individual:

- Passport;
- Driving Licence;
- Birth Certificate;
- Current Council Tax and/or Utility Bill;
- Marriage Certificate.

In the case of a representative of an organisation, this can include measures such as:

- Checking the organisation's website to confirm the business address;
- Attending the client at their business address;
- Asking the key contact officer to provide evidence of their personal identity and position within the organisation.

Where the client is acting on behalf of a third party, reasonable steps should be taken to establish the identity of that other person.

If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transactions cannot proceed any further.

Methods to Safeguard Yourself

Customer due diligence measures is a key part of the Anti-Money Laundering requirements and adequate measures should be in place. Therefore to safeguard staff in their normal business administration the following are key points to remember when engaging in business transactions.

- Obtain sufficient evidence/knowledge to ascertain the true identity of the person(s) you are dealing with.
 - Who is the ultimate owner of the business
 - Has their identity been verified
 - Who do they report to e.g. company director, chair of a board or head of department
 - Does the company exist? Can you locate them through a normal internet search
 - Where the business is located and the ability to visit and verify them.
 - Retain evidence for a period of 5 years

Further information can be obtained from the MLRO and the following sources:

- National Crime Agency (NCA) – <http://www.nationalcrimeagency.gov.uk>
- CCAB - Anti-Money Laundering (Proceeds of Crime and Terrorism) – Guidance for Accountants – www.ccab.org.uk
- The Law Society - Anti-Money Laundering Guidance and Advice - <http://www.lawsociety.org.uk/advice/anti-money-laundering>

ANTI-MONEY LAUNDERING DISCLOSURE REPORT FORM

Appendix A

CONFIDENTIAL

REPORT TO MONEY LAUNDERING REPORTING OFFICERS

To: Tariq Rahman, Head of Audit & Assurance

From:

Contact details:

Department:

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:
(If a company/public body please include details of nature of business)

Nature, value and timing of activity involved and cause of suspicion:
(Please include full details e.g. what, when, where, how.)

Has any investigation been carried out (as far as you are aware)?

(Please circle appropriate answer) **Yes/No**

If yes, please include details below:

Have you discussed your suspicions with anyone else?

(Please circle appropriate answer) **Yes/No**

If yes, please specify below whom the discussion took place with, when and why such discussion was necessary:

Please set out below any other information you feel is relevant:

Signed..... Dated.....



Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment.

When completed, please print off the form and put it in a sealed envelope, marked "**Strictly Private and Confidential**" and **hand deliver to Tariq Rahman, or email Tariq_Rahman@BATHNES.GOV.UK**

Your report will be treated in the strictest confidence.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLROs

Date report received:

Date receipt of report acknowledged:

CONSIDERATION OF DISCLOSURE

Action Plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE

Are there reasonable grounds for suspecting money laundering activity?

If there are reasonable grounds for suspicion, will a report be made to the NCA?

(Please circle appropriate answer) **Yes/No**

If yes, please confirm date of SARS report to the NCA: _____ and complete the details below:

Details of liaison with the NCA regarding the report:

Notice Period: _____ to _____

Moratorium Period: _____ to _____

Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be prohibited acts?

(Please circle appropriate answer) **Yes/No**

If yes, please confirm full details below:

Date consent received from the NCA: _____

Date consent given by you to employee: _____

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out below the reason(s) for non-disclosure:

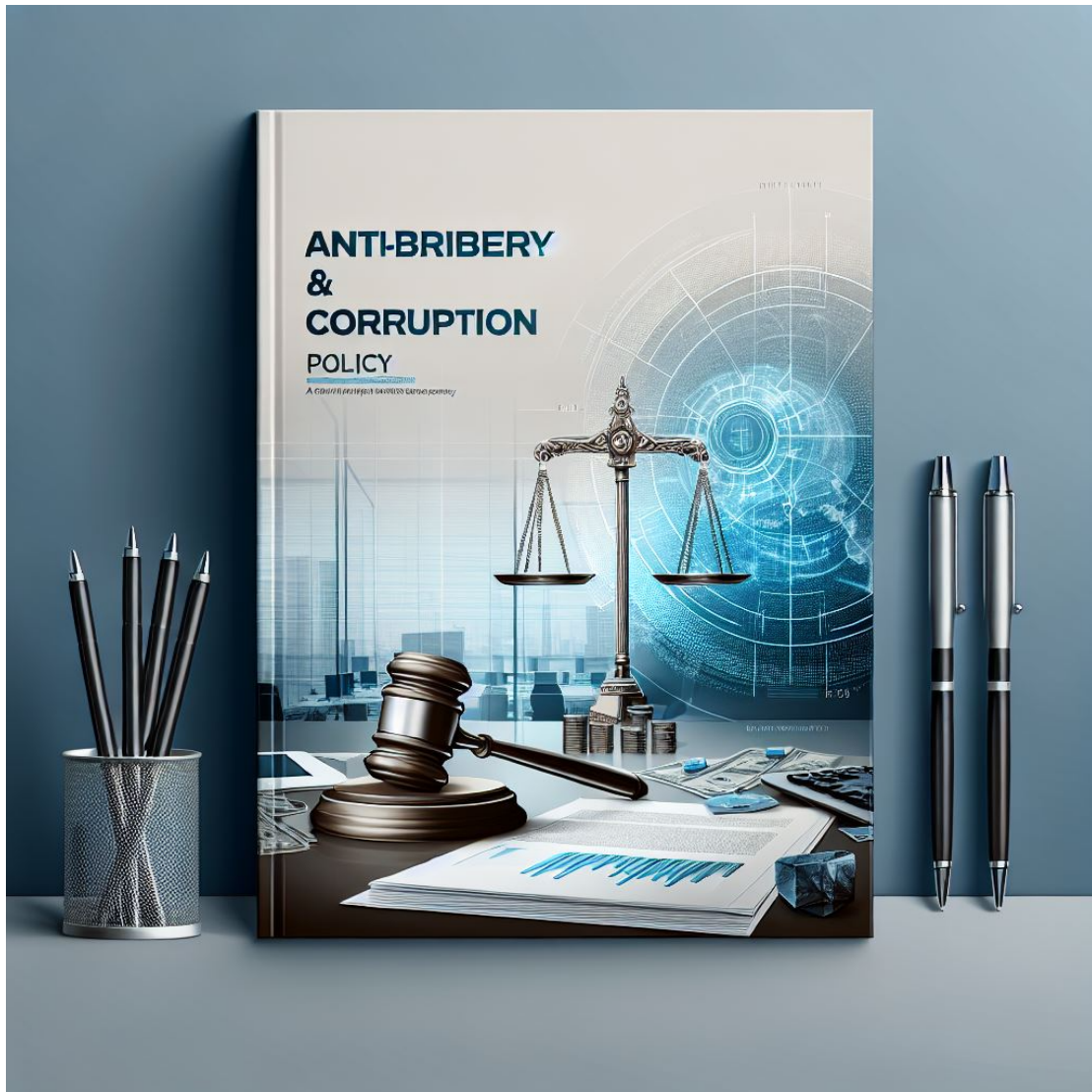
Date consent given by you to employee for any prohibited act transactions to proceed:

____/____/____
Other relevant information:

Signed: _____ Date: _____

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

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Anti-Bribery & Corruption Policy 2025

Contents

Anti-Bribery & Corruption Policy 2025

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4. Penalties	4
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If you require clarification on any aspect of the Anti-Bribery & Corruption Policy or require this document in a different format, please contact the Internal Audit function of the Council.

To to make an anonymous report, use the [Council's online form](#).

Introduction

What is Bribery & Corruption?

The Bribery Act 2010 came into force in the UK on 1st July 2011. The Act applies both to individual staff and the Council corporately.

The Bribery Act contains two general offences of bribery, covering the offering, promising, or giving of a bribe (**ACTIVE BRIBERY**) and the requesting, agreeing to receive, or accepting of a bribe (**PASSIVE BRIBERY**) (Sections 1 & 2).

As well as a discrete offence of bribing a foreign public official to obtain or retain business or an advantage in the conduct of business (Section 6), it also introduced an offence that can be committed by commercial organisations that fail to prevent bribery committed on their behalf (Section 7).

The guidance states that a “commercial organisation” is any body formed in the United Kingdom and “...it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made.” Whether or not the Council is a “commercial organisation”, it is committed to meeting the standards set by the Bribery Act 2010.

Why is it important?

Bribery is a criminal offence. Bath and North East Somerset Council **do not** and **will not** tolerate bribery. It will **not** tolerate the paying of bribes or offers of improper inducements to anyone for any purpose.

It is unacceptable and a criminal offence to use third parties as conduits to channel bribes and the Council will not engage indirectly or otherwise which encourages bribery.

The Council is committed to the prevention, deterrence, and detection of bribery.

Why does the Council need an Anti-Bribery & Corruption policy?

The Council commits to:

- Setting out a clear Anti-Bribery policy and keeping it up to date.
- Making all employees aware of their responsibilities to adhere strictly to this policy at all times.
- Training all employees so that they can recognise and avoid the use of bribery by themselves and others

Anti-Bribery & Corruption Policy 2025

- Encouraging employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- Taking firm and vigorous action against any individual(s) involved in bribery
- Providing information to all employees to report breaches and suspected breaches of this policy
- Dealing appropriately with bribery prevention as part of its procurement and contract monitoring processes.

Scope of Policy

Who does the Anti-Bribery & Corruption Policy apply to?

The Policy applies to any individual undertaking Council specific activity, i.e.

- All employees whether full or part time, permanent or temporary
- Elected Members
- All staff working in Local Authority maintained schools
- All contractors, agencies and partners working within the Council

What is unacceptable behaviour within the Policy framework?

It is unacceptable to:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given
- Give, promise to give, or offer a payment, gift, or hospitality to a government official, agent or representative to “facilitate” or expedite a routine procedure
- Accept payment from a third party that you know, or suspect is offered with the expectation that it will obtain a business advantage for them
- Accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return
- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy
- Engage in activity in breach of this policy.

Reporting a Concern

Staff responsibilities:

The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All staff must avoid activity that breaches this policy. Staff must comply with their terms and conditions of employment including the Employees' Code of Conduct.

Staff must:

- Read, understand, and comply with this policy.
- Raise concerns as soon as possible if they believe or suspect that a conflict with this policy has occurred or may occur in the future.

As well as the possibility of civil and criminal prosecution, any member of staff that breaches this policy will face disciplinary action, which could result in dismissal for gross misconduct.

Raising a concern

Bath and North East Somerset Council is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each member of staff to know how they can raise concerns. We all have a responsibility to help detect, prevent, and report instances of bribery.

If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved. The Council's Whistleblowing Policy provides information about how to report a concern. Under the guidance of the Whistleblowing Policy, reporting a wrongdoing is straightforward.

This Policy and the Whistleblowing Policy relate to Council employees but if a report is received detailing allegations that relate to an employee of our contractors/ partners, the issue will be referred to the relevant contractor/ partner and associated client manager.

Any reports received which relate to an elected member will be referred to the Monitoring Officer who will make the decision to investigate.

Penalties

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a magistrate's court, to imprisonment for a maximum term of 12 months, or to a fine not exceeding £5,000, or to both
 - On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both
 - Organisations guilty of an offence under section 7 are liable to an unlimited fine.
-

Additional Policies and Procedures

In addition to the Anti-Bribery & Corruption Policy the Council has several policies (linked to the Council's Anti-Fraud & Corruption Strategy 2025) which provides proposed or adopted actions and guidance to all stakeholders. The following policies and related guidance are available through the Council's intranet and internet site:

- Anti-Money Laundering Policy 2025
- Whistleblowing Policy 2025
- Employees' Code of Conduct
- Gifts and Hospitality
- Declaration of Interests
- Promote awareness with our outsourced partners

Bath & North East Somerset Council		
MEETING:	Audit Committee	
MEETING DATE:	30th April 2025	AGENDA ITEM NUMBER
TITLE:	Annual Report of the Head of Audit and Assurance 2024/25	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Assurance Levels, Appendix 1		

1. **THE ISSUE**

- 1.1. The work of the Internal Audit Service is to provide independent assurance to the Council's senior officers and members that governance, risk management and controls are sufficient to ensure delivery of the council's objectives. As part of meeting statutory and professional requirements the Head of Audit and Assurance is also required to provide an opinion on the council's internal control environment.
- 1.2. This is the closing Internal Audit Annual Report to the Committee for the financial year 2024-25. Included is a summary of audit performance and key issues, as well as the formal opinion on the internal control framework.

2. **RECOMMENDATION**

- 2.1. The Audit Committee is asked to note the Internal Audit Annual Report for 2024/25 and the opinion on the Internal Control environment.

3. **THE REPORT**

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

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.

In determining the scope, depth, and breadth of the Audit Plan, the Audit Committee accepts limitations in coverage and the inherent risks associated with this. As resources and organisational risks may change dynamically over a year, audit coverage can be affected, and this may impact on the level of assurance achieved through delivering the audit plan.

3.2. HEADLINE INFORMATION FOR THE FINANCIAL YEAR 2024/25

3.2.1. The summary position for the financial year 2024/25 was as follows:

- Work on the 2024/25 plan is almost complete with 21 of 24 pieces of work either finalised, reporting or substantially in progress.
- The Internal Audit service agreed to defer three audits into the following year(s) audit plan, whilst a further two are reported as no longer required.
- All final audit reports issued during 2024/25 had a “Substantial” or “Reasonable” assurance rating.
- Grant assurance work was carried out and Audit Report Letters despatched to the relevant funding body (e.g. MCA) for 37 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.
- Internal Audit have responded to two reports of ‘financial irregularity’ requiring advice/ investigation. These two cases have been ‘closed’ and recovery action to recover funds is ongoing.
- Fraud awareness work took place, and this is reported in detail separately within the Counter Fraud Annual Report 2024/25.
- The Internal Audit service led on the annual governance review of the Council enabling the Annual Governance Statement 2023/24 to be compiled and included in the Council’s Statement of Accounts.
- State of the Internal Control framework is satisfactory, based on our audit opinions.

3.3. 2024/25 SIGNIFICANT ISSUES & ASSURANCE LEVELS

3.3.1. From the audit reviews completed in the 2024-25 financial year, no significant issues were identified.

3.3.2. All audits finalised had an opinion of either Substantial Assurance (Level 4) or Reasonable Assurance (Level 3) and these are detailed on page 4 of this report.

3.3.3. The opinion statements for assurance levels are provided in appendix 1.

3.4. INVESTIGATIONS & UNPLANNED WORK

3.4.1. In addition to the core planned internal audit reviews the Internal Audit team has carried out three ‘unplanned’ reviews following requests from senior management. Two were related to ‘financial irregularity’ and fraudulent actions and a third was a reported loss of £100 cash.

3.4.2. The two fraud cases were reported to September Committee. The first case was related to salary payments being made to an individual who was set up on the Council’s payroll system as a new starter and received salary payments despite

not actually starting their employment. The second case was related to fraudulent claims for Early Years Entitlement from a child carer. In addition to identifying the amount of the 'overpayments' and taking recovery action, which is ongoing, work was carried out to identify the internal control failures and to implement actions to avoid a repeat.

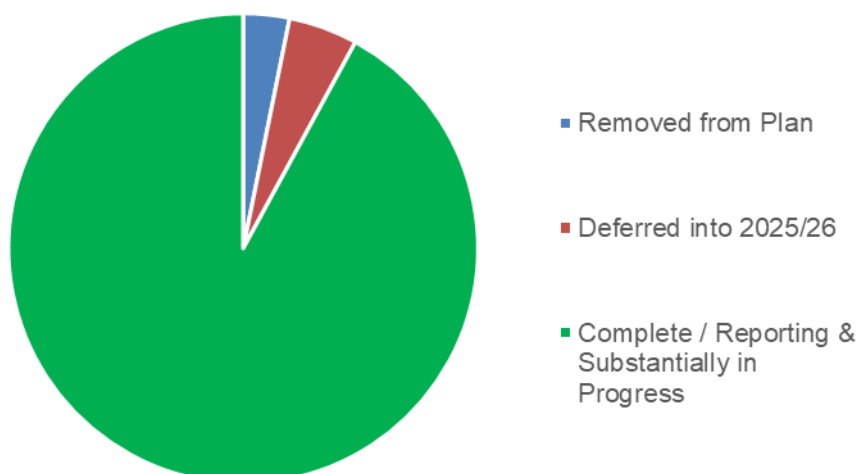
3.5. COUNTER FRAUD

- 3.5.1. Anti-Fraud and corruption guidance has been provided to services when requested and this has been supplemented by the publication and distribution of the November 2024 Anti-Fraud Bulletin.
- 3.5.2. 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 2024 included: blue badges, Council Tax, electoral registration, housing waiting lists, payroll, pensions, and resident parking permits.
- 3.5.3. A detailed report of all counter fraud related activity that took place in 2024-25 is presented within a separate paper to this Committee meeting. This covers work completed and progress undertaken by the service, including but not limited to:
- National Picture and Emerging Risks
 - Work on the National Fraud Initiative (NFI)
 - Staff Information and Awareness
 - Internal Audit Targeted Work and Investigations.

3.6. COMPLETION OF 2024/25 INTERNAL AUDIT PLAN

- 3.6.1. There were 26 pieces of assurance audit work within the plan and 37 Grant Certifications. Of the total number of audits:
- 21 audits had been completed or were at reporting stage / substantially in progress.
 - 37 Grant Certifications have been completed.
 - Three audits have been agreed to defer into 25/26 (one in Resources, one in Operations and one in Sustainable Communities)
 - Two planned pieces of work were no longer required (One in Sustainable Communities and one in Resources).

2024/25 Internal Audit Plan Position



Audit Area	Status	Comments
Climate & Ecological Emergency Response - Performance Monitoring / Reporting	Final	Audit Opinion Level 3 – Reasonable Assurance
Learning Disabilities Pooled Budget - Governance	Final	Audit Opinion Level 4 – Substantial Assurance
Financial Saving Plan - Monitoring & Delivery Review	Final	Audit Opinion Level 4 – Substantial Assurance
Community Sub Contracted Services - Governance (ICB Lead)	Final	Audit Opinion Level 4 – Substantial Assurance
DSG -Safety Valve - Programme Management	Final	Audit Opinion Level 4 – Substantial Assurance
IT - IT Services Recovery Management	Draft	Work completed, reporting to client
IT - Liquidlogic EYES - Data Integrity Audits	In Progress	Audit in Progress
IT - Penetration Testing - IT Health check Remediation Plan	Final	Audit Opinion Level 3 – Reasonable Assurance
IT - Public Website Security	Deferred	Deferred into 25/26 as requested by Client
Car Parking - Emissions income charging	In Progress	Audit in Progress
Supported Lodgings (Children's)	Final	Audit Opinion Level 4 – Substantial Assurance
Fashion Museum Project - Governance	Draft	Work completed, reporting to client
Corporate Estate - Energy Management	In Progress	Audit in Progress

Debt Management - Corporate Policy (Development of new policy)	Briefing Report	Briefing Report produced
Aequus Group - Financial Governance	In Progress	Audit in Progress
Resettlement Schemes (Homes for Ukraine) & LA Housing Fund Grant	In Progress	Audit in Progress
Creditor Payments - Supplier Set-Up & Duplicate Payments	Final	Audit Opinion Level 4 – Substantial Assurance
Adult Care Adaptions - Use of Disabled Facilities Grants Stage 1 (current system workflow review - inform improvement plan)	Deferred	Deferred into 25/26 as agreed with client
Corporate Parent - Child Protection Independent Reviewing Officers	Draft	Work completed, reporting to client
Car Parking - Park & Ride Contract	No longer required	No longer required based on reassessment of risks
Fleet Management - Workshop Activity / Trading	In Progress	Audit in Progress
Payroll Variations	Final	Audit Opinion Level 4 – Substantial Assurance
Contract Standing Order Exemptions	Final	Audit Opinion Level 3 – Reasonable Assurance
Temporary Accommodation	Draft	Work completed, reporting to client
Risk Management - Decision Making - adequacy of report risk management assessment	No longer required	Risk Management Strategy being developed
WECA bidding - Regeneration Schemes programme management	Deferred	Deferred into 25/26
37 Grant Certifications	Complete	Grant Claim Reviewed, Tested and Approved
Governance - Annual Governance Statement	Complete	23/24 statement reported to Audit Committee and included within Accounts. 24/25 being drafted and will be presented for approval in Sep 25
Governance - Audit Committee, Boards, Advice and Guidance	Complete	Undertaken throughout year
Fraud – National Fraud Initiative	In Progress	Ongoing Work – Completed Throughout Year

3.7. DEFERRED AUDITS AND AUDITS NO LONGER REQUIRED

Due to the additional time spent on investigations and unplanned work, we have deferred a small amount of audit activity into 2025/26. In addition, some of the planned audits are no longer required. They are as follows:

- **IT - Public Website Security** – The audit was deferred at the request of the audit client to enable a review of the controls after the Public Website had been migrated to an external party in 2024/25.
- **Adult Care Adaptions** - Use of Disabled Facilities Grants Stage 1 (current system workflow review - inform improvement plan) – The audit client requested to replace the Brokerage (Adults & Children) audit with a review of Adult Care Adaptations due to changing priorities. It was agreed with the client to defer the audit to May 2025.
- **Mayoral Combined Authority (MCA) bidding - Regeneration Schemes programme management** – The audit was deferred to May 2025, to enable completion of the Fashion Museum Project Management – Governance audit, the findings of which will inform the MCA Bidding - Regeneration Schemes programme management audit.
- **Risk Management - Decision Making - adequacy of report risk management assessment** – The Risk Management Strategy is being developed, and it was agreed that this audit was not required as it would not add value because the review would be based on the previous strategy.
- **Car Parking - Park & Ride Contract** – It was decided that the audit was no longer required based on ongoing assessment of risks by Internal Audit and other unplanned work.

3.8. IMPLEMENTATION OF RECOMMENDATIONS

- 3.8.1. The follow-up of recommendations prioritised on ensuring that critical and high-level recommendations have been implemented. This is because this category of recommendation will have either identified significant risks, or identified improvements that could best help the organisation to achieve its objectives.
- 3.8.2. Audit staff communicate with officers throughout the audit process to ensure that proposed recommendations are understood, are relevant, and are achievable within the organisation and its resources. Through following this approach, we can report that most of the recommendations agreed in 2024-25 were found to have been implemented where they were due to be.
- 3.8.3. Three areas where work was still in progress to implement the agreed high-level recommendations, were:

Travel Perk – it was identified that five high-risk recommendations and three medium-risk recommendations had not been implemented. The high-risk recommendations related to 1) contract management and monitoring, 2) Council travel policy for Travel Perk, 3) compliance and approval controls, 4) arrangements for reviewing spend and 5) the role of the Travel Perk system administrators. However, when the follow-up of recommendations was carried out in September 2024, it was found that progress had been limited. This was due to resource constraints i.e. implementation of these recommendations was dependent on the Council identifying funding and then recruiting to a new role for a Corporate Contracts Manager, which is now in progress. Service management agreed to take full responsibility to manage and monitor the outstanding actions and associated risks.

Care Leavers (Children's) – while four high-risk recommendations had been substantially progressed at the time that the follow-up was undertaken, there were some actions still to be completed. It was noted that the progression of the recommendations relate, in the main, to the increased capacity in the Care Experienced Team (CET) from November 2024 and planned improvements to the case management system and associated data reporting.

Deputyship Service – there are two high-risk recommendations that had been partially implemented, relating to 1) annual review visits and, 2) review of personal allowance spend records / transactions. The follow-up noted the key actions to be completed, which included developing a Performance Framework for annual review visits and investigating systems that can improve timeliness of documenting visit outcomes. The progress had been impacted predominately due to capacity of the service i.e. increasing case load (20% since the audit was conducted), resource constraints and officers temporarily covering additional functions. A new date (June 2025) was agreed for the delivery of the outstanding actions and Internal Audit will follow this up as part of the 2025/26 audit plan.

3.9. **FORMAL OPINION ON THE INTERNAL CONTROL FRAMEWORK**

3.9.1. **Statement of the Head of Audit & Assurance**

As part of our statutory requirements, the Head of Audit & Assurance in fulfilling the role of the Council's Chief Internal Auditor/ Chief Audit Executive, is required to give an opinion on the internal control framework.

In forming this view, I have considered the work of the Audit & Assurance function as well as other assurances I can rely on and consideration of the wider governance framework and performance of the council.

As highlighted during previous reports to the Audit Committee within 2024-25, we are reporting the state of the internal control framework as satisfactory based on our audit opinions.

The council's internal control framework and systems to manage risk had not altered significantly from the previous year and it is therefore my opinion that, based on the work completed, the council's internal control framework and systems to manage risk continue to be reasonable.

- 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 the 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.

During 2024-25, there has been a greater increase in Council staff working from the office, and in line with this, we have been able to continue our increase in the number of in-person internal audit reviews (i.e. as opposed to online). We believe this allows for greater observation and understanding of work behaviours, which can provide further insight into the activity being audited.

In 2024-25 there were relatively minor adjustments to the internal audit plan. The vast majority of work undertaken continued to take place in the areas planned and agreed, and it is my opinion that, based on the work completed, the council's internal control framework and systems to manage risk are reasonable.

The ongoing financial challenge to all Local Authorities and further macroeconomic factors also place pressure locally on services to respond and manage risk in a proportionate way. A robust Internal Audit service is a vital component of the Council's governance systems and provides the third and final line of defence in relation to the internal control framework.

The Audit Committee has been supportive of our work throughout the year and I would like to thank elected members and the independent members for their input and guidance.

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 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>Tariq Rahman, Head of Audit & Assurance</i>
Background papers	
Please contact the report author if you need to access this report in an alternative format	

APPENDIX 1 - Description of Audit Assurance Ratings and Opinion:

Assurance Rating	Opinion
Level 5 - Full Assurance	The systems of internal control are excellent with a number of strengths, no weaknesses have been identified, and full assurance can be provided over all the areas detailed in the Assurance Summary.
Level 4 - 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.
Level 3 - 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.
Level 2 - Limited Assurance	The systems of internal control are weak, and only limited assurance can be provided over the areas detailed in the Assurance Summary. Prompt action is necessary to improve the current situation and reduce the levels of risk exposure.
Level 1 - No Assurance	The systems of internal control are poor, no assurance can be provided and there are fundamental weaknesses in the areas detailed in the Assurance Summary. Urgent action is necessary to reduce the high levels of risk exposure.

Bath & North East Somerset Council		
MEETING:	Audit Committee	
MEETING DATE:	30th April 2025	AGENDA ITEM NUMBER
TITLE:	Internal Audit Plan - 2025/2026	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Internal Audit Plan 2025/26		
Appendix 2 – Internal Audit Charter		

1. THE ISSUE

- 1.1 This report outlines the Annual Audit and Assurance Plan 2025-26 which forms the principal work of the Internal Audit service for the new financial year. Also attached is the Audit Charter for the Internal Audit Service for information in Appendix 2.

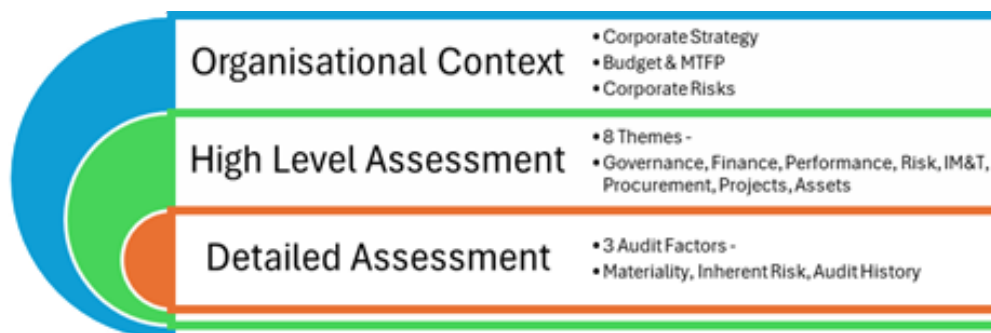
2. RECOMMENDATION

- 2.1. The Audit Committee is asked to approve the Internal Audit Plan 2025/26 (Appendix 1)

3. THE REPORT

3.1 INTERNAL AUDIT PLAN 2025/26

- 3.1.1. The Public Sector Internal Audit Standards require Internal Audit to prepare a risk-based plan, and this is attached at Appendix 1. The plan is formulated using the Reasonable Assurance Model the essential elements of the model are as follows –



Notwithstanding the assessment, specific circumstances (such as a significant reputational issue or request of the S151 Officer or Executive Leadership Team) may on occasion mean that a low scoring or new topic is nevertheless included in the Plan, e.g., historically, Covid-19.

The plan process involved extensive consultation between January and end of March 2025 including the following key stakeholders –

- Section 151 Officer
- Senior Finance Managers
- Executive Leadership Team
- Statutory Officers
- Heads of Services
- Audit Committee

3.1.4 Resources available to deliver work will also inform the quantum of the plan. Our partnership arrangements also give us ongoing efficiency opportunities to reduce the amount of time spent on reviews and share best practice.

3.2. ONGOING REVIEW OF THE AUDIT PLAN

3.2.1. Whilst small in-year adjustments were required to the agreed audit plan for the previous financial year of 2024-25, the Internal Audit service will continue to ensure a fluid approach for audit coverage in the next financial year.

Therefore, whilst a full-year audit plan has been produced to cover the period 1st April 2025 – 31st March 2026, the plan will be kept under continual review and adjusted to cover any further unforeseen requirements over the first six months. A formal review of the annual plan then takes place at the six-month stage and, if necessary, the Committee are consulted on any likely changes that are required in order to adequately prioritise and resource the second half of the financial year.

3.3. INTERNAL AUDIT CHARTER & PROFESSIONAL STANDARDS

3.3.1. 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 was first revised with effect from 1st April 2017 and are based on the Institute of Internal Auditors' International Standards. The IIA have since released information on the new Global Internal Audit Standards on 9th January 2024 and these became effective 9th January 2025.

The new 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.

The objectives of the PSIAS are to:

- Define the nature of internal auditing within the UK public sector.

- Set basic principles for carrying out internal audit in the UK 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.

A key requirement of the PSIAS is an Internal Audit Charter which defines the Internal Audit activities, purpose, authority and responsibility. The Internal Audit Charter establishes its position within the organisation; the nature of the Head of Audit and Assurance's functional reporting relationship with the Audit Committee; formally records its access to property, records and personnel; and defines the scope of Internal Audit activities.

As part of best practice, we present the Charter annually to the Audit Committee so that you are aware of how Internal Audit delivers its services and derives its authority and to re-confirm our independence.

Each year we will assess ourselves against the required standards and ensure a quality assurance and improvement programme (QA&IP) is in place requiring both internal and external assessment with an external assessment being required once every 5 years.

In 2023, we received the results of our conformation against these standards following an external review. The review concluded a rating of 'Generally Conforms', which is the top rating and means that Bath & North East 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.

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. Internal Audit assists the council in identifying risks, areas of improvement and recommending good practice.

- 6.2. The 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	Tariq Rahman, Head of Audit & Assurance
Background papers	
Please contact the report author if you need to access this report in an alternative format	

Appendix 1

Bath & North East
Somerset Council

Improving People's Lives

Internal Audit Plan 2025/26

Delivering Independent Assurance to Local Government



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5.	Other Key Components of Internal Audit Planned Work	Page 8

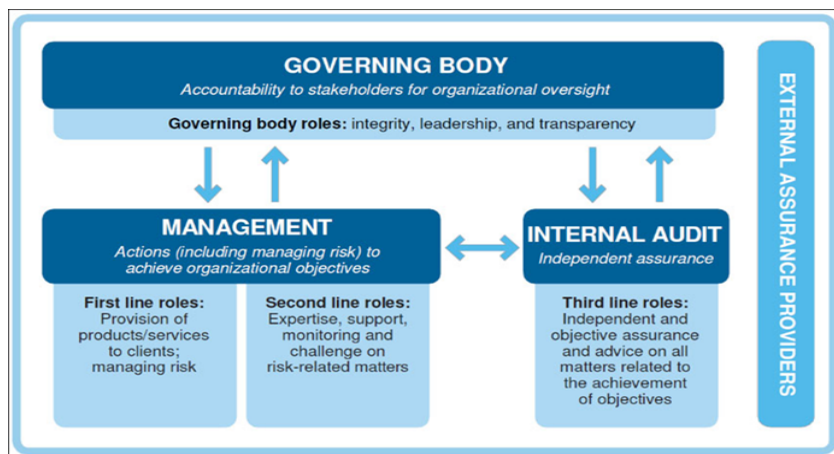
1. Our Role

Introduction

Bath & North East Somerset Council exists for one clear purpose - to improve people's lives. Good governance enables Bath & North East Somerset Council to effectively achieve its intended outcomes linked to stated priorities.

One West fully recognises its need to be flexible and agile in the face of the significant changes affecting the whole of the public sector and meet the needs of its stakeholders. Independent assurance which is strong but supportive 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 Three Lines Model



By being independent of management, One West maintain the third line and we continue to do this effectively by working with all our stakeholders - especially the Audit Committee, Statutory Officers and Senior Management – to improve the service we offer but also to provide an independent voice in supporting service change and transformation.

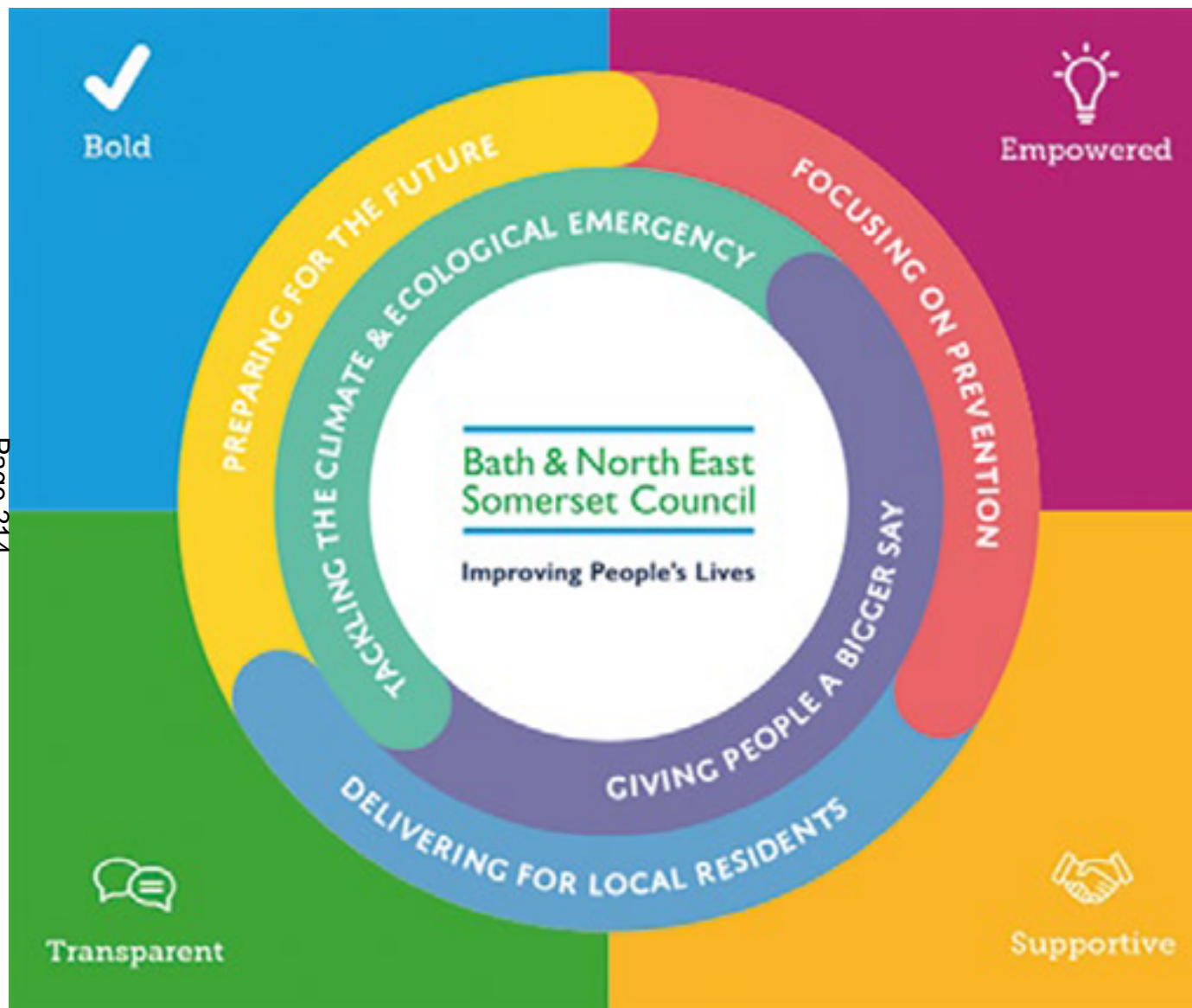
We also aim to offer continued value to all our clients based on the following key priorities –

- **Use of our Reasonable Assurance Model**
- **Maximising Use of Technology**
- **Investment in People and Skills**
- **Offering Complimentary Assurance Services**
- **Providing Value for Money**

The remainder of this document outlines our approach and also the indicative areas for our audit and assurance plan for 2025-26.



2. Purpose, Policies and Principles for Bath & North East Somerset



Our Values



Bold



Empowered



Supportive



Transparent

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

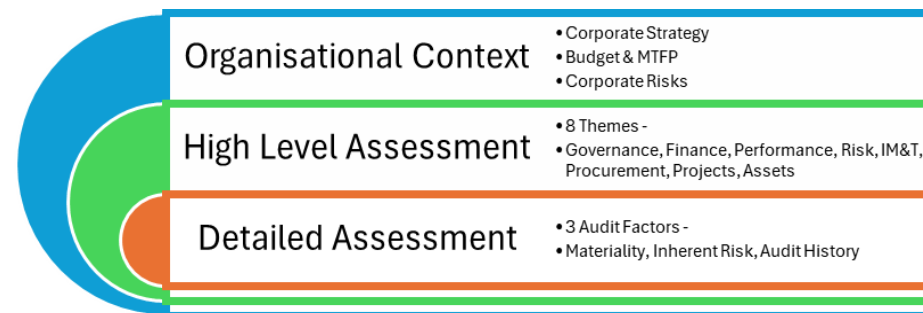
A key component of the audit needs assessment is using the adopted 'Reasonable Assurance Model' to assess the level of Assurance in place over eight themes.



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 Audit Committee.

4. Detailed Internal Audit Plan

This listing records the core activity of the Internal Audit Service and the planned audit reviews as of 1st April 2025.

Work in addition to that in the plan is also delivered through audit investigations and general advice to service areas, as is required.

	Audit Review	Director Portfolio
1.	Adult Safeguarding Improvement Plan Implementation Q2 Audit	Operations - Adults
2.	CQC Regulated Services	Operations - Adults
3.	Children Services - Budget Management & Monitoring	Operations - Children
4.	SEND Payment Process (Consultancy)	Operations - Children
5.	City Regions Sustainable Transport Settlements (CRSTS) - Delivery of Projects	Sustainable Communities - Capital & Housing Delivery
6.	Property - Commercial Estate (Income collection and Debt Management)	Resources - Commercial Estate
7.	Debt Management	Resources - Financial Services
8.	Property - Commercial Estate (Voids Management)	Resources - Commercial Estate
9.	Contract Management - Highways Maintenance	Operations - Place Management
10.	Payroll - Contingency Planning – (Failure of Payrun processing)	Resources - People & Change
11.	Pixash Waste and Highways Facility	Operations - Place Management
12.	Adult Direct Payments	Operations – Adults
13.	'Follow-Up' on 2023/24 (2024/25 published) External Audit Annual Report weakness / recommendations	Resources - Financial Services
14.	IT - Public Website Security	Resources - Digital & Customer
15.	IT - Privileged Account Access - IT Administration excl. fin systems	Resources - Digital & Customer

	Audit Review	Director Portfolio
16.	IT - Patch Management	Resources - Digital & Customer
17.	IT - IT Change Board Operations	Resources - Digital & Customer
18.	Adult Care Adaptations - Use of Disabled Facilities Grants – <ul style="list-style-type: none"> - Stage 1 Review Pathway. - Stage 2 Implementation of system / work flow changes and impact on Improvement Plan. 	Operations - Adults
19.	Virtual School (Statutory Responsibilities)	Operations - Children
20.	Early Years Capacity (Statutory Responsibilities)	Operations – Children
21.	Grant Funding Requiring Audit Certification	All
22.	Governance - Annual Governance Statement	All
23.	Governance - Audit Committee, Boards, Advice and Guidance	All
24.	Follow-up of Previous Year Recommendations	All
25.	Fraud Prevention - National Fraud Initiative (NFI)	All
26.	Fraud Prevention - Training, Advice and Guidance	All

5. 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 latest extraction and matching of data was carried out through October 2024 to February 2025, and the matched data reports have been made available to participating bodies for review purposes. The Internal Audit Team will provide

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

The Council has an adopted an Anti-Fraud and Corruption Strategy and associated policies and these have been reviewed and updated in 2025. Staff awareness of fraud and scams is very important, and the Internal Audit service provide training and regular bulletins to ensure that staff are reminded of the risks and the need for continued diligence. This work will continue throughout 2025/26.

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 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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Internal Audit Charter

This document sets out the purpose, authority and principal responsibilities of the Internal Audit Service for Bath & North East Somerset Council.

1 Internal Audit's Purpose and Mission

- 1.1 Internal Audit is an assurance function that primarily provides an independent and objective opinion to the Council on its control environment. Internal Audit helps the organisation to achieve its objectives through a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk management and control, processes. Its mission is to enhance and protect organisational value by providing risk based and objective assurance, advice and insight.

2 Internal Audit's Statutory Role

- 2.1 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”.
- 2.2 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.
- 2.3 The Audit Committee responsibilities are recorded in its’ own Terms of Reference, which are subject to regular review.

3 Standards for Professional Practice of Internal Auditing

- 3.1 Internal Audit will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors’ International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal

Auditing, and the Definition of Internal Auditing. The Public Sector Internal Audit Standards 2017 are based on the mandatory elements of the IPPF and the intention of these CIPFA / IIA standards are to promote professionalism, quality, consistency, and effectiveness across the public sector. The Head of Audit & Assurance will report periodically to the Council's S151 Officer and the Audit Committee regarding Internal Audit conformance to the Code of Ethics and the Public Sector Internal Audit Standards.

4 Management's Responsibilities for Internal Control

- 4.1 Responsibility for internal control rests fully with Management, who shall ensure that arrangements are appropriate and adequate. Management shall establish and maintain an adequate system of internal control to enable them to discharge their responsibilities and to ensure that the Council's resources are properly applied in the manner intended. This includes responsibility for the prevention and detection of fraud.

5 Internal Audit Responsibility & Objectives

- 5.1 Internal Audit is responsible for carrying out an appraisal of all the Council's activities, financial or otherwise, in line with this Internal Audit Charter. Internal Audit will provide an annual opinion to the Council (Audit Committee) and will carry out Audits and other assurance work in order to deliver this opinion. In addition, Internal Audit will report to Management any material facts that may affect the delivery of the opinion.
- 5.2 As stated in Section 3 Internal Audit will be governed and will comply with the Professional Practices Framework, (including the Public Sector Internal Audit Standards), and will complete internal assessment of compliance with the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The findings of internal assessments and any required actions will be reported to the Council's Audit Committee. Compliance will also be verified through an external review assessment every five years.
- 5.3 One of the key service objectives of Internal Audit will be to produce a risk based Annual Audit Assurance Plan for approval by the Council's Audit Committee. The Audit Plan will remain flexible to take account of the Council's changing environment and risk profile.
- 5.4 Completion of all or a significant proportion of the approved Audit Plan will be a key performance measure of the Internal Audit Service.
- 5.5 Internal Audit will directly employ staff and contract as necessary to provide a service to the Council.

6 The Scope of Internal Audit

- 6.1 Internal Audit's work is not limited to the Council's financial systems and records, it extends to all activities of the Council. This enables Internal Audit to give an independent and objective opinion on the adequacy and effectiveness of governance, risk management and the control environment as a source of assurance to management. Work includes reviewing and evaluating compliance with policies, laws and regulations; assessing the reliability and integrity of information; and safeguarding Council assets. In addition to this core internal audit work, it will undertake, where appropriate, other non-assurance work at the request of management. This may include consultancy and fraud / irregularity related work.
- 6.2 Where appropriate, there may be instances whereby Internal Audit works in partnership to meet objectives and deliver services. In these instances, Internal Audit will decide whether to conduct the work required itself or can place reliance on the work carried out by other Auditors or sources of assurance. If Internal Audit were to carry out the work, then access rights need to be established to all systems and documents. Management should ensure these are established as part of the partnership arrangements.

7 Internal Audit reporting lines

- 7.1 The Head of Audit & Assurance fulfills the role of the Council's Chief Internal Auditor / Chief Audit Executive as referenced in the PSIAS and reports to the Chief Finance Officer. The Chief Audit Executive has freedom of reporting access without fear or favour to all relevant Members and Officers (including the Leader of the Council, the Chair of the Audit Committee and the Council's Statutory Officers - Chief Executive {Head of Paid Service}; Section 151 Officer and the Head of Legal & Democratic Services {Monitoring Officer}).
- 7.2 The Council has an Audit Committee whose Terms of Reference include responsibility for monitoring the performance of the Internal Audit Service and approving its Annual Audit Plan. The Chief Audit Executive reports regularly to the Audit Committee and is required on an annual basis to provide a formal opinion of the adequacy of the Internal Control Framework and systems to manage risk.

8 Internal Audit Independence

- 8.1 A critical element of the performance of Internal Audit is independence from the activities it audits. This enables Internal Audit to form impartial and effective judgment for the opinions and recommendations made. To help ensure independence Internal Audit is allowed unrestricted access to Senior Management & Members, as stated in Section 7.1.

- 8.2 Internal Auditors will be impartial, have an unbiased attitude and avoid any conflict of interest. Auditors will not undertake audit reviews in services where they have previously worked (directly working for the function or carrying out 'consultancy services') in the last two years. In terms of 'consultancy services' this is work which is going beyond providing an opinion on the control environment, i.e., they are designing or developing systems to fulfil an objective.
- 8.3 Internal auditors will disclose any impairments of independence or objectivity, in fact or appearance, to appropriate parties.
- 8.4 Before Internal Audit agrees to carry out consultancy services consideration will be given to any potential conflicts of interest. If it is concluded that the proposed work would compromise delivery of the service's prime function, then the work would be declined.
- 8.5 Where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 8.6 The Chief Audit Executive will confirm to the Audit Committee at least annually of the independence of the internal audit activity.

9 Internal Audit Fraud related work

- 9.1 Internal Audit does not have responsibility for the prevention and detection of fraud. However, Internal Audit staff shall be alert in all their work, to risks and exposures that could allow fraud or corruption. Internal Audit work alone cannot guarantee that fraud and irregularities will be picked up even when work is performed in compliance with the Public Sector Internal Audit Standards.
- 9.2 The main source for Internal Audit to be alerted to possible fraud and irregularities will be through the awareness of Council Officer and Members of the Council's Anti-Fraud & Corruption Strategy and associated policies (Anti-Money Laundering Policy; Anti-Bribery & Corruption Policy and Whistleblowing Policy). Internal Audit maintain the Council's Strategy and Policies and report on this to the Audit Committee. The Strategy adheres to the themes and principles of the CIPFA Local Government Counter Fraud & Corruption Strategy and links to the Council's Corporate Strategy 2020/24 stated – Purpose and Principles.
- 9.3 Internal Audit assist in the detection of fraud by assisting the Council's Section 151 Officer in taking the key co-ordination role related to the Cabinet Office National Fraud Initiative. Internal Audit assists Council Services in the preparation and submission of data to the Cabinet Officer and then the review and investigation of data matches.

- 9.4 Internal Audit may also be requested by Management to assist with the investigation of potential cases of fraud and financial irregularities. The objective of the Internal Audit Service is to ensure that: 1) the matter is fully investigated and if deemed necessary referred for Police or disciplinary action; and 2) the system of internal control is enhanced to avoid a repeat of the issue. All reported irregularities would be investigated in line with adopted Strategies, Policies and protocols.

10 Internal Audit's Right of Access

- 10.1 The Accounts & Audit Regulations provide that any Officer of the Council must make available such documents of the Council which relates to its' accounts and other records as appear to be necessary for the purpose of the Audit.

In addition, the Council's Financial Regulations state that The Chief Audit Executive or their authorised representative, shall have authority to:

- Enter at any reasonable times, any operational or administrative Council premises or land and have access to all Council property;
- Have access to (and where necessary to copy or retain) all records whether manually or electronically held, documentation, correspondence and computer systems relating to any transaction of the Council, or non-official funds operated by Council staff;
- Require and receive such explanations as are necessary concerning any matter under examination;
- Require any employee of the Council to produce or account for cash, stores or any other property under their custody or control,
- Examine any work or services carried out for the council by an employee or contractor, and any goods purchased on behalf of the Council,
- Review appraise and report on the soundness, adequacy and application of internal controls. This includes those controls to protect Council resources, property and assets from loss / waste.

11 Relationship with External Audit & other assurance providers

- 11.1 The relationship between Internal Audit and the Council's External Audit should take account their differing roles. The External Auditor has a statutory responsibility to express an opinion on the Council's financial statements, whilst Internal Audit is responsible for assessing the adequacy and evaluate the effectiveness of its risk management, control and governance processes and advising Management accordingly.
- 11.2 Internal Audit will co-operate and co-ordinate with External Audit and other review agents to:

- Ensure that duplication of work is minimised

- Consider joint delivery where appropriate
- Determine the level of assurance that can be obtained from their work
- Review the reliance that can be placed on that assurance as part of Internal Audit's opinion on the control environment
- To enable access to all Internal Audit records as appropriate.

11.3 As part of its drive to secure efficiencies, Internal Audit will use all sources of assurance available to it to inform its opinion.

12 Quality Assurance and Improvement Plan

12.1 The Chief Audit Executive has developed a quality assurance and improvement programme that covers all aspects of the internal audit activity. It has been designed to enable an evaluation of the internal audit activity's conformance with the Public Sector Internal Audit Standards and an evaluation of whether internal auditors apply the Institute of Internal Auditors Code of Ethics. Identifying opportunities for improvement is a key requirement of the programme.

12.2 Internal assessments will be carried out to review compliance with the mandatory elements of the Institute of Internal Auditors International Professional Practices Framework. The results of internal assessments referencing any related action plans will be reported in the annual report to the Council's Audit Committee.

12.3 An external assessment will be carried out at least every five years by a qualified, independent assessor from outside the organisation.

12.4 The Chief Audit Executive will inform the Audit Committee of the form of the external assessment and clarify the qualifications and independence of the external assessor. The results of the external assessment including any action plans will be reported in the relevant annual report to the Audit Committee.

12.5 Any non-conformance to the International Standards for the Professional Practice of Internal Auditing and Code of Ethics will be highlighted for consideration for inclusion in the Council's Annual Governance Statement.

Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	30 th April 2025	AGENDA ITEM NUMBER
TITLE:	Risk Management – Annual Update Report – Corporate Risk	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Corporate Risk Register		

1 THE ISSUE

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

2 RECOMMENDATION

- 2.1 The Corporate Audit Committee is asked to:

Note the report and take assurance from the last 12 months reports on the council's risk management arrangements.

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 It was agreed that continued overview of risk management arrangements would include reviews of specific themes as well as corporate risks and this meeting details an update on managing risks around S106 and CIL risks. In addition the Council's Corporate Risk Register is attached at Appendix 1 for information.
- 3.3 During the last 12 months, the Committee has received specific and other risk management update reports on the following areas –

Corporate Risks

Fraud Risks

Accounting Risks

Children's Services Risk (DSG/Safety Valve)

Development Risks (S106/CIL Arrangements)

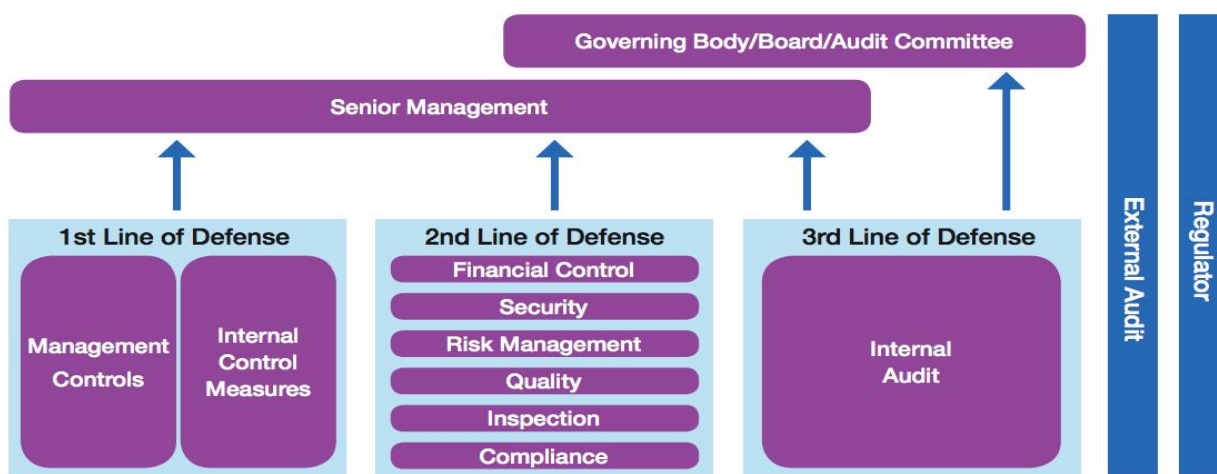
Finally to assist the Committee a brief reminder of our high-level arrangements are detailed below.

Context – Risk Management Framework

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



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



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

Corporate Risk Register (CRR) (Appendix 1)

- 3.10 All risk registers are dynamic documents whether they are managed at Corporate, Directorate, Team or Project level.
- 3.11 Currently the Corporate Risk Register (CRR) contains 28 risks which are owned by the Corporate Management Team and 7 risks in watching brief mode. Corporate Management Team review the register formally on a quarterly basis.
- 3.12 The CRR identifies themes, service area/ director/ officer leads and describes the risks and commentary around actions, status and mitigation. This allows regular review of the changing landscape in local government and ability to provide co-ordinated responses to major threats.
- 3.13 The inherent, residual and risk change are also captured along with an assessment of risk appetite and risk tolerance as detailed in Appendix 1.

- 3.14 A dedicated Corporate Risk Management Steering Group also carries out further assurance over a range of key risks to provide the broadest assurance on our arrangements.

4 STATUTORY CONSIDERATIONS

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

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

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

6 RISK MANAGEMENT

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

7 EQUALITIES

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

8 CLIMATE CHANGE

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

9 OTHER OPTIONS CONSIDERED

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

10 CONSULTATION

- 10.1 The report is an information and update report and has been consulted with the Council's S151 Officer.

Contact person	Jeff Wring – Director – Financial Services, Assurance & Pensions (S151 Officer)
Background papers	Previous Audit Committee Reports over last 12 months
Please contact the report author if you need to access this report in an alternative format	

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Nr	Service Area	Risk Description	Director Lead	Inherent Risk ##						Mitigations & Management	Action Plans	Residual Risk - Post Action						Risk Management Approach & Assessment					
				Likelihood			Impact			Commentary on Current Status of Action Plans	Current Status	Likelihood			Impact			This Period	Risk Appetite	Risk Tolerance	Risk Change		
				1	2	3	4	5	1			2	3	4	5	1	2					3	4
			Officer Lead	L	M	H	L	M	H			L	M	H									
R13	Childrens	Childrens - Risk that we do not transform Children's Services to deliver an effective service, manage the market demands and demographic changes on the cost of childrens social care within available resources	Chris Wilford			4			4	The children's and education services continue to experience escalating demand (looked after children, SEND/EHCPs). Early help services are over-subscribed, the performance dashboard has a significant number of 'red' categorised KPIs and the net overspend continues to rise despite a further £1m of in year saving mitigations being identified. Turnover in experienced social workers in Q2 continues to escalate. Mitigations include family reunifications, new early help initiatives – Safeguarding Family Group Conferences, review of senior social worker pay packages for safeguarding outcomes teams and a targeted recruitment campaign. The Children's Transformation Programme continues to plan for delivery of savings and service remodeling. The service has transformed the fostering offer - adopted a banding model for fostering rates, created a stand alone fostering website, appointed to a marketing post and introduced the fostering families offer. We have an ongoing focus on foster care recruitment as the demand for placements outweighs our in house availability /UASC demands. Family /Connected Carers is the placement of choice when children cannot be safeguarded in their birth family. Re-unification is now embedded and However, the cost of care has also increased: we are engaged around a new framework agreement for post 16 provision 01/04/2023 and providers are indicating that they will seek significant increase in placement costs due to costs of living and inflation. UASC care leavers with no recourse to public funds is adding to our financial challenges. We are working with housing colleagues/third sector to increase sufficiency. Finally an external review from EY has been commissioned to provide additional assurance and potential opportunities to further improve budget resilience and transformation activity. 17/01/2025 update. The Children's Transformation Programme is now well established. The programme has effectively delivered all elements of the Transformation Programme for 2024/2025. The programme is on track to achieve the 1.2million savings target for 2024/25. The service has also identified further in year mitigation of 470k with 342k secured to date. The service has continued to experience significant demand across targeted early help, SEND and placements. All early help services are operating waiting lists due to high levels of family need.Requests for EHC continue to grow. The number of Looked After Children has increased significantly , with increased complexity of need, including accommodating children at risk of exploitation and increase in court ordered placements. Market challenges are significant: Placement sufficiency and cost of care continues to be challenging. This has impacted the service budget position significantly. The overspend position on base budget remains very challenging, despite the success of savings achieved. Update - A Interim AD for Children's Transformation has been appointed to add additional capacity to the Children's transformation programme. This position will start on the 1.5.25 and will be overseen by the DCS	Potentially Off-Target		3					4	12	Minimal	Low	No Change	
R14	Resources	Financial Control - Risk that we do not manage budgets effectively in-year by not identifying and mitigating financial pressures.	Jeff Wring/ Gary Adams			4			5	Early forecasts for 2024/25 identified a c£4m over budget position, the financial risks are service specific in the following areas: Corporate Estate, Children's Services, Adult Social Care and Waste. The Cabinet Member for Resources and S151 Officer sought assurance from Directors and Portfolio holders that budget issues are understood and managed appropriately with mitigations being implemented to avoid a recurring budget pressure. Position at Q2 and into Q3 improved seeing a forecast of just over £1M being predicted. However concerns remain on demand led risks such as new children being brought into care. The year end outturn position is being finalised at the time of updating this assessment.	Potentially Off-Target		3					4	12	Averse	Low	Worsening	
R15	Adult Social Care	Social Care - Risk that we are unable to manage the MCA/DoLS/community DoLS backlog including challenge from individuals and their families as per the Staffordshire and Cheshire Ombudsman decision.	Suzanne Westhead			4			4	There is a significant waiting list for DoLS assessment in B&NES. Mitigation plan through effective review and monitoring processes of backlog to prioritise. Mitigations • We continue to try and attract BIAs; however, our salaries are not competitive with other SW authorities. We have commissioned Action First to provide additional BIA agency sessions; this has reduced the backlog from 600 to 537 in a 3 month period. However, the risk to individuals and the population remains high. A DoLS Backlog remains high as is case nationally following the Cheshire West Judgement. • We are following the national ADASS protocol to screen and prioritise cases. • We complete proportionate deprivation of liberty assessments to support the greatest number of people to have their Article 5 Human Rights upheld this is demonstrated through the high satisfaction feedback we receive. • There continues to be a reputational risk for LA's as well as financial and resourcing risk. We are remaining vigilant on court rulings for DoLS of any future significant judgements which may impact on the waiting list. • Extended the use of Action First for a further 6 months - until the end of the financial year (see action on log) Training 4 new BIAs starting in May to contribute to the BIA rota • Newly appointed Scrutineer	Potentially Off-Target		3					4	12	Minimal	Low	No Change	
R16	Sustainable Communities	Housing - Risk that we do not deliver sustainable solutions to the housing needs for the wider community as detailed in the Council's development plan and meet our targets for housing, including affordable and social housing, informed by higher Government expectations following the election.	Sophie Broadfield, Simon Martin			4			4	Following the election, the Government has confirmed changes to the National Planning Policy Framework that significantly increase the housing target for the Bath and North East Somerset area. The Council recognises the opportunity in the reforms (a greater range of powers to local government to deliver affordable and social housing) as well as the challenges. The West of England Combined Authority will also likely take on a regional planning role, though the scope of that is as yet unclear. As a consequence of the reforms, the Local Plan has been reset, a new timeline agreed and work begun to identify appropriate locations for greater anticipated growth. Developing growth in a sustainable way -with improved transport links, access to nature and green spaces, healthy lifestyles and good jobs - is at the heart of the Council's approach to the Local Plan. The work is highly complex and interdependent with the Combined Authority's planning for transport and the Local Growth Plan, so it remains high risk to deliver within the timeline and budget available. Affordable housing has been identified as a key priority in the Corporate Strategy. To reduce the risk and mitigate market failure on the supply of affordable homes, the Council has adopted a Housing Delivery Plan for 2025-30. The Plan establishes the organisation's role alongside partners in direct delivery of more affordable and social housing. Resource planning is incorporated within the Budget for both additional resource and capital. The Aequus Business Plan has been signed off and will enable progress on multiple housing sites in 2025.	Potentially Off-Target		2					5	10	Cautious	Low	Improving	
R17	Sustainable Communities	Partnership Working - Risk that we do not maximise the opportunities to retain an influential role in the sub-region through effective partnership working in the West of England area to deliver continued economic growth, skills and funding through the WEP/LEP, Western Gateway & City Deal	Sophie Broadfield			4			4	The government has closed its Best Value Notice into the West of England Combined Authority recognising that progress has been made to improve governance at the CA. Elections will be held in May 2025 and B&NES will engage with new leadership when appointed. The Government has ended central funding to the Western Gateway leading to the organisation's closure. B&NES continues to work closely with neighbouring authorities and the Key Cities network to progress its organisational and economic priorities.	On Target		3					3	9	Cautious	Low	No Change	

Nr	Service Area	Risk Description	Director Lead	Inherent Risk ##						Mitigations & Management	Action Plans		Residual Risk - Post Action						Risk Management Approach & Assessment					
				Likelihood			Impact				Current Status	Likelihood			Impact			This Period	Risk Appetite	Risk Tolerance	Risk Change			
				1	2	3	4	5	1			2	3	4	5	1	2					3	4	5
			Officer Lead	L	M	H	L	M	H			L	M	H	L	M	H							
R04	Children	Transport - a) Home to School Transport - Risk that due to escalating costs from contractors and a lack of resilience in the market place we are unable to support delivery of services to vulnerable children; b) Risk that re-procurement related to Passenger Transport for each new academic term will increase financial pressures for all transport related activity by highly significant amounts due to increases in numbers of requests leading to service delivery failures	Chris Major/Chris Wilford				4			4	Sector has been significantly impacted through and since Covid and with inflationary pressures that have led to ongoing impacts in terms of availability of skilled drivers, costs associated with pay, fuel, insurance and other costs. In addition increased demand through SEND etc has led to significant overspend in previous years of £1M+. The implementation of the new procurement DPS also resulted in further cost growth in addition to inflationary pressures. Council instigated a number of pieces of work to look at options to streamline route planning, key criteria around usage and engagement with providers. Additional work has been undertaken to increase the number of routes undertaken in house to reduce costs where appropriate. Officers continue to work with our specialists to identify opportunities to deliver cashable efficiencies around 4 key areas and to inform the MTRFS. External review of Home to School Commissioned and report received by ELT. Action plan agreed. Proposals in line with MTRFS growth and savings assumptions for 25/26. External report endorses proposed approach recommended by Directors and highlights a number of areas of good practice.	Potentially Off-Target			3			3			9	Minimal	Low	No Change
R10	Adult Social Care	Social Care - Risk that we are not able to re-commission health and ASC services following the HCRG insourcing – This involves managing service delivery risk in relation to the HCRG Care Group 1 year Direct Award and new delivery model for contracting and commissioning of community health services and community partners as of April 2025/26 to manage best outcomes for B&NES residents:	Suzanne Westhead/ Claire Thorogood				4			4	B&NES community partners are currently included in a one-year direct award from the HCRG Care Group, with the existing contract set to end on 31 March 2025. The 2024/25 savings planned for community partner services have been achieved through a one-off grant, but this is not a permanent solution and will require close monitoring. • Commissioning Intentions Paper presented to Strategy Board on 6th January 2025 and approved by board members, outlining the approach for future commissioning of community services and short term bridging contracts from 31 March 2025. • Shorter term bridging contracts (combination of 1 year and 2 year contract terms) will be offered to incumbent community partners to ensure service continuity from 31 March 2025 until long term contracts have been formally tendered. • Market engagement events continue to be held with incumbent service providers for updates on short term bridging contracts. • Individual provider meetings held with all incumbent service providers as of February 2025 to discuss terms and conditions of bridging contracts. • Procurement plan to outline the roadmap for longer term contract provision in line with the commissioning intentions is being drafted in February 2025. • DASS and AD Commissioning leading on the new contracting and commissioning model for B&NES ASC & housing services as of April 2025. Housing contracts are higher risk due to lack of officer capacity in the housing team to establish bridging contracts for 1st April. This is mitigated by Head of Contracting & Performance leading this process in March 2025. • Saving Plan target of £40K 24/25 for ASC community partners achieved via grant. • Revised governance arrangements commenced in March 2024 with the Strategic Board chaired by Mandy Bishop for Community Services and Early Help, Programme 1 Community Partners meeting for ASC/Housing and Programme 2 Public Health reporting into the new strategic board. Community Partners Workstream 1 operational meetings schedule with engagement from HCRG Care Group commissioners and these meetings will continue after April 2025 for oversight across ASC & Housing. • Cabinet Lead Member updated monthly on progress with new contracting arrangements as of April 2025. • Update report to scrutiny panel 11th November 2024 and report drafted for Informal Cabinet Dec 2024 to update on Community Services and Early Help. ASC update at scrutiny panel 13 Jan 2025 on community partners. • Decision paper scoped for ELT for informing HCRG Care Group of B&NES intention to TUPE transfer the post holders (£302k funding) HCRG Care Group commissioning team. • Internal audit on governance and assurance of decision for community partners. Outcome of audit – Level 4, Substantial Assurance in Sept 2024. All CQC milestones were achieved by B&NES from notification of inspection to the September onsite visit. B&NES received the CQC final report on 2nd January 2025 following a review of the first draft. Out of the points of clarification raised by ASC on the first draft:	Potentially Off-Target			3			3			9	Cautious	Low	Improving
R14	Adult Social Care	Adults - The impact delivering the CQC improvement plan following the September 2024 onsite inspection, will have on capacity	Suzanne Westhead				3			4	The overall scoring increased (53%) but the overall rating of Requires Improvement stood (Partnership & Communities now good and all other areas remain RJ). ASC Leadership Team to commence improvement support via the Care & Health Improvement Advisor that has been assigned to B&NES from DHSC through Partners in Health. DASS has held initial improvement scope meeting to develop an improvement plan with regular reporting to DHSC and the ASC Management Team meeting with the CHIA 28th Jan 2025. First report submitted by PCH in Feb 2025 and DASS continues to meet with CHIA on a regular basis for guidance and assurance on improvement journey for B&NES. Several improvement planning workshops have been led by ASC Assurance Lead and 10 Improvement Priorities identified with the development of an overarching Improvement Plan that will be signed off 20th March. Full report to scrutiny panel in April on resulting Improvement Plan following CQC RI rating. ASC Improvement Group will commence in March and will be held monthly.	On Target			3			3			9	Minimal	Low	Improving
R23	Place Management	Emergency Management - a) Risk that we do not have the right plans in place or effective overall response to a major incident or emergency within our Community, i.e. Flooding, Fire, Security incident to ensure that services continue to operate and the community is safe. b) Risk that the number of severe weather events, due to climate change, are increasing in frequency due to climate change and this will result in significant additional resources to be identified to deal with the issues that arise. Failure to provide resources could result in legal, financial and reputational impacts.	Mandy Bishop, Chris Major				4			4	a) As with the risk relating to a Pandemic above, the Emergency Management function must consider a whole range of potential risks that could directly impact and affect our local communities. Whilst many incidents are outside of our control our key risk remains our ability to co-ordinate and work effectively across the organisation to manage and recover from incidents when they occur. Plans exist for all major incidents but these will need constant exercising to ensure the corporate body, our partners and volunteers is able to respond in the right way when any situation occurs. This will need increased exercising and greater assessment of key skills needed to meet the types of emergency incidents we may face. b) all Emergency Planning processes and plans have been updated and confirmed through CMT to ensure they are adequate and relevant and the DoC is aware of them. We conduct regular exercises to test our response to events and encourage all relevant staff to attend. We have increased resilience by adding the role of Tactical Lead to the Director on Call resources, along with a pool of volunteers, to ensure that we can undertake necessary actions during events. We continue to work closely with the ASLRF from a regional perspective to ensure that major incidents receive mutual aid as appropriate.	On Target			3			3			9	Averse	Low	No Change
R27	Adult Social Care	Social Care - Risk that following the ASC transfer 1st April of services from HCRG we are unable to manage delivery risks within the current budget envelope until satisfied they are within normal BAU tolerances. The primary financial risk relates to ASC transfer of services along with a secondary corporate risk that we are unable to provide adequate support for service delivery	Suzanne Westhead				4			3	ICB confirmed HCRG Care Group have been awarded the community health services contract, commencing April 2025/26. Update report from ICB at Scrutiny Panel 11th November 2024. • Robust contract governance arrangements are in place for remainder of 1 year direct award with HCRG Care Group – existing contract cease 31 March 2025 for B&NES • SW is the B&NES representative on the Collaborative Oversight Forum as required in the Collaborative Commissioning Agreement • B&NES has signed the ICB Collaborative Commissioning Agreement • ICB and BSW Local Authorities working with HCRG Care Group to ensure safe transfer of services and workforce (impact on Wiltshire and Swindon Providers) with ICB leading mobilisation • Cabinet Lead Member updated monthly on progress with ICB mobilisation by SW • B&NES and ICB to review S75 in preparation for April 25 • Risk register in place for ICB new contracting arrangement from April 25 from a B&NES lens	Potentially Off-Target			3			3			9	Cautious	Low	No Change

Nr	Service Area	Risk Description	Director Lead	Inherent Risk ###						Mitigations & Management Commentary on Current Status of Action Plans	Action Plans Current Status	Residual Risk - Post Action						Risk Management Approach & Assessment					
				Likelihood			Impact					Likelihood			Impact								
				1	2	3	4	5	1			2	3	4	5	1	2	3	4	5	This Period		
			Officer Lead	L	M	H	L	M	H			L	M	H	L	M	H	Risk Appetite	Risk Tolerance	Risk Change			
R102	Sustainable Communities	Climate Emergency (Reducing Emissions) - Risk that the Council does not meet its 2030 net zero ambitions by not actively planning for its operations to reduce emissions and provide an adequate community leadership role.	Sophie Broadfield				4			5	Climate Emergency Strategy and Action Plan reported on to full Council (most recently in September 2024). This highlighted the many areas of progress and roadmap towards our 2030 targets. Meeting these targets or even exceeding them remains achievable but is directly linked to the level of investment and funding to achieve this challenging targets. Methods continue to be established to measure progress and performance in overall emissions. Additional work required to identify progress indicators across areas – will allow us to monitor progress more quickly. Climate and nature impacts embedded into corporate strategy decision tool. The Budget for 2025/6 includes significant capital commitments to invest in fleet decarbonisation and corporate estate energy efficiency/renewable energy. A refresh to the Action Plan is planned in 2025 to take the Council up to the 2030 target, but delivery is currently on track.	On Target	2					4		8	Open	Moderate	Improving
R107	Place Management	Infrastructure - Risk that we do not plan for and manage investment in our infrastructure at a local and regional level to meet the infrastructure needs in our community through our Capital Programme & other Grant Funded Schemes (WECA) - i.e. Housing, Transport, Structures, Economic Development	Simon Martin/Chris Major		3					4	An updated Infrastructure Plan is being produced alongside the new Local Plan to capture the district's infrastructure requirements to cope with new growth. Council Delivery plans for transport, housing, climate & nature are in preparation (Housing and transport for completion in Spring) to set capital priorities. Existing highway infrastructure investment has been maintained to deliver 'steady state' for the last 2 years and the Highways Asset Management Plan is now adopted to allow improved long term asset planning and investment. Improvements to capacity, capability and council staffing structure are being undertaken following Programme & Project Management maturity audits undertaken in WECA and B&NES Council. The effectiveness of delivery arrangements for S106 and CL developer contributions is also being reviewed.	On Target	2					4		8	Cautious	Low	No Change
R108	Sustainable Communities	Asset Management - Risk that our Asset Management Plans do not deliver sufficient resource to ongoing maintenance and compliance of key Corporate & Commercial Estate assets which could lead to significant transport, health & safety and community impacts	Simon Martin, Chris Major		3					4	Maintenance Plans are in place for all Strategic Assets however they are often of a very short nature and in some cases it is difficult and complex to compile long term plans (or views) for mitigation of potentially unsafe structures, i.e. Vaults. Effects of severe weather, i.e. heavy rain accelerate degradation of fabric condition and therefore impacts of structural failure could be highly significant on many assets therefore this risk remains high. Further updates provided through the Capital Strategy Group. st Cross Directorate working groups in place to manage issues where necessary such as Pulteney Bridge. Failure in the vaults (private and publicly owned) within the city may result in Utility damage and road closure / evacuation causing delay and disruption on the network. Programme of condition surveys in progress to inform asset management plans and an estate wide asset strategy. Reducing holding through disposal of surplus operational assets and centralisation to a Corporate Landlord Model increases organisational resilience. Capital Funding for highways, corporate and commercial estate assets has been increased.	Potentially Off-Target	2					4		8	Averse	Low	Improving
R115	Resources	Financial Planning - Risk that we are unable to set a medium term financial plan demonstrating that we can operate within the available funding envelope, and satisfy S25 of the Local Government Act.	Jeff Wring/ Gary Adams		3					5	A balanced budget for 2025/26 has been consulted, agreed and approved by Council in February following significant work. Until a longer term funding settlement is consulted and implemented for 2026 and beyond risks will remain extremely high through the budget setting process. Significant risks and pressures remain through increased demand, inflation and other wider economic uncertainty with Children's Services remaining an area of material financial risk.	On Target	2					4		8	Averse	Low	No Change
R118	Resources	Cyber/Information Technology - Risk that despite protecting the Council's systems and essential data from Cyber attacks, malicious attempts to damage critical services within the Council could be disruptive.	Simon Parker /Liam Abbott		3					5	Update 28th March 2025: External cyber Penetration testing carried out in February 2025 and showed good levels of cyber configuration for key systems such as Microsoft 365. The 138 page report is available which we are working through it's recommendations to continue improving Cyber posture. Update 20th August 2024: Significant Cyber improvements have been made over the last 2 years as part of a 2 year cyber roadmap. Some of the improvements include: 1) 24/7 Cyber security monitoring by external 3rd party from 1st April 2024 onwards. 2) Cloud migration of IT systems to Microsoft Azure offering much better Cyber protection. This will be completed by December 2024 3) Security Information Event Management (SIEM) solution implemented which collates all security logs for analysis. 4) Cyber training for all staff is now mandatory and is part of the new Learning Management Solution. 5) Phishing testing is being carried out at regular intervals to improve staffs knowledge of phishing. 6) PSN certification completed in March 2024 with complete assurance. 7) Recent audit on Malware and Ransomware is in draft form with a Level 4 Significant Assurance (July 2024) 8) Recent audit on Firewalls is in draft form with a Level 3 Reasonable Assurance (July 2024) with plans to more to a LV4 within 2 months by implementing the recommendations	On Target	2					4		8	Cautious	Low	Improving
R121	Resources	Organisational Development - Risk that we do not effectively manage the Being Our BEST change programme to deliver its benefits, i.e. great jobs, smarter structures, culture of excellence	Cherry Bennett				5			4	This programme is underway. Role profile matching completed. Collective bargaining on new pay and grading structure with corporate TUs began on 08/08/24 with final proposal for new pay and grading structure set out on 15/01/2025. Risk of failure to agree new structure being monitored and alternative plans under discussion. ACAS involvement a possibility if agreement not reached. Service restructures in planning and early consultation stages. Potential risk to staff morale/wellbeing/retention from both workstreams - given the length of time of the programme.	On Target	2					4		8	Open	Low	No Change
R122	Public Health	Public Health - Risk that we do not both plan and prepare effectively with our partners for the impacts of a pandemic or significant public health emergency both on our community and for continued delivery of essential services.	Mandy Bishop, Becky Reynolds		3					5	Whilst COVID has effectively passed as a national pandemic ongoing review and future planning remains a high risk activity. The national COVID inquiry has commenced and witnesses are already being called along with high numbers of requests from organisations - including ourselves - and all current requests have been met. The learning from the inquiry will clearly directly influence how we plan, prepare and manage the impacts of any future pandemic and clearly plans exist for any such future occurrence working in close co-ordination with the Health sector. LFR involved in pandemic preparedness and response. National tier 1 pandemic exercise being run in Autumn through LRFs. Localised infectious disease outbreaks are picked up through UKHSA SW and managed jointly with Public Health liaising with other council teams, ICB, and the provider concerned as needed.	On Target	2					4		8	Minimal	Low	No Change

Nr	Service Area	Risk Description	Director Lead	Inherent Risk ###								Mitigations & Management	Action Plans		Residual Risk - Post Action								Risk Management Approach & Assessment																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														
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Bath & North East Somerset Council		
MEETING:	Corporate Audit Committee	
MEETING DATE:	30 th April 2025	AGENDA ITEM NUMBER
TITLE:	Audit Committee – Draft Workplan	
WARD:	ALL	
AN OPEN PUBLIC ITEM		
List of attachments to this report:		
Appendix 1 – Draft Workplan 2025/26		

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 2025/26 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.

3.2 For information the agenda and contents of the meetings for September and November could change dependent on the completion of the External Auditors work in relation to the Council's Accounts and that of the Avon Pension Fund. The workplan is therefore simply indicative at this stage.

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 – Financial Services, Assurance & Pensions (S151 Officer) (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 – 2025/26

Date of meeting	Report title	Requirement & Purpose (TOR)
5 th February 2025	<p>External Audit Progress Update</p> <p>Treasury Management Strategy - 2025/26 Consultation</p> <p>Internal Audit Plan - 2025/26 Consultation</p> <p>Risk Management Update - DSG/Safety Valve</p> <p>Annual Governance Statement Update</p>	<p>To Note – Oversight of work of External Audit</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 – Update on Significant Issues & Risk Management Arrangements</p> <p>To Note – Update on Significant Issues</p>

<p><i>30th April 2025</i></p>	<p>External Audit Plan for Council & Avon Pension Fund - Y/E 2024/25</p> <p>Accounting Policies Update – IFRS 16</p> <p>Internal Audit - Annual Report – Y/E 2024/25</p> <p>Internal Audit - Annual Plan – Y/E 2025/26</p> <p>Counter Fraud – Annual Report</p> <p>S106 Update - Risk Management Update Report</p> <p>Risk Management – Annual Update Report</p>	<p>To Approve – Oversight of work of External Audit</p> <p>To Review & Approve – Overview of Financial Management Governance</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 Counter-Fraud & Corruption arrangements</p> <p>To Note – Oversight of Risk Management arrangements</p> <p>To Note – Oversight of Risk Management arrangements</p>
<p><i>24th September 2025</i></p>	<p>External Audit – Update Report Y/E 2024/25 External Audit Annual Report (Including VFM Assessment Report)</p> <p>Audit Committee Annual Report & Review of Effectiveness 2024/25</p> <p>Treasury Management Outturn Report – Y/E/ 2024/25</p> <p>Internal Audit Update Report - 2025/26</p> <p>Risk Management Update Report – Corporate Risk</p>	<p>To Note – Oversight of work of External Audit</p> <p>To Note – Oversight of work of External Audit</p> <p>To Approve & Recommend to Council – Report back to Council on delegation of responsibility</p> <p>To Note – Oversight of Treasury Management (Financial Governance)</p> <p>To Note – Oversight of work of Internal Audit</p> <p>To Note – Oversight of Risk Management Arrangements</p>
<p><i>26th November 2025</i></p>	<p>Annual Accounts 2024/25 – Informal Briefing</p>	<p>To Note – Oversight of Financial Governance</p>

	<p>Y/E 2024/25 External Audit Findings & Accounts & Annual Governance Statement Approval</p> <p>ADL Accounts Y/E 2024/25 - Accounts Update</p> <p>Treasury Management 6 month update - 2025/26</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><i>11th</i> <i>February</i> <i>2026</i></p>	<p>External Audit Progress Update</p> <p>Treasury Management Strategy - 2026/27 Consultation</p> <p>Internal Audit Plan - 2026/27 Consultation</p> <p>Risk Management Update - DSG/Safety Valve</p> <p>Annual Governance Statement Update</p>	<p>To Note – Oversight of work of External Audit</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 – Update on Significant Issues & Risk Management Arrangements</p> <p>To Note – Update on Significant Issues</p>

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