

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Monday, 30th July, 2018, 2.00 pm

Councillors: Brian Simmons (Chair), Paul Crossley, Chris Dando, Fiona Darey (in place of Barry Macrae) and Chris Watt

Independent Member: John Barker

Officers in attendance: Donna Parham (Director of Finance), Jeff Wring (Head of Audit West), Jamie Whittard (Financial Accounting and Planning Team Leader), Gary Adams (Finance and Resources Manager), Giles Oliver (Finance & Resources Manager) and Martin Phillips (Finance & Systems Manager (Pensions))

Guests in attendance: Peter Barber (Grant Thornton), Sophie Morgan-Bower (Grant Thornton) and Julie Masci (Grant Thornton)

1 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer advised the meeting of the procedure.

2 ELECTION OF VICE-CHAIR

RESOLVED that a Vice-Chair was not required on this occasion.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillors Andy Furse and Barry Macrae. Councillor Paul Crossley substituted for Councillor Furse and Councillor Fiona Darey substituted for Councillor Macrae.

4 DECLARATIONS OF INTEREST

There were none.

5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

7 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

8 MINUTES - 24TH APRIL 2018

These were approved as a correct record and signed by the Chair.

9 ANNUAL ACCOUNTS AND EXTERNAL AUDIT FINDINGS

The Head of Audit West introduced this item.

Members were provided with an update note, which is given as Appendix 1 to these minutes.

The Head of Corporate Finance gave a presentation on the structure of the accounts. A copy of his slides is attached as Appendix 2 to these minutes.

A Member asked what risk analysis was being undertaken of the potential impact of Brexit on currency volatility and property values. He noted that property prices had declined this year for the first time in many years. Officers replied that in 2017/18 there had actually been a £26m revaluation gain in the value of the Council's investment property portfolio. There was still so much uncertainty about what Brexit would actually mean, that there was little concrete planning that could be done for it, but officers had it fully in mind and were monitoring the property market.

The Head of Audit West presented the Annual Governance Statement (AGS) (agenda page 153). This forms part of the annual accounts. It sets out the governance arrangements for the Council, and identifies significant issues that occurred during the year. No significant governance failures were identified during the year. The sole significant issue remained the financial challenge. The AGS is a management statement not an audit statement, and is signed by the Leader and Chief Executive.

Mr Barber presented the Audit Findings for the Council for the year ending 31 March 2018. He was pleased that the accounts had been prepared by the new earlier deadline and no significant issues had been identified. Issues had been identified in relation to the valuation of property, plant and equipment, as detailed on agenda page 21. Recommendations had been made about internal controls, which were set out with management responses on agenda pages 25-26. He drew attention to the three recommendations in the action plan on page 36 and to the draft Letter of Representation from the Council on agenda pages 167-170. Members noted the audit adjustments listed on agenda pages 38-39. Mr Barber said that the external auditors will not be able to certify the closure of the accounts until the Pension Fund Committee has approved the Pension Fund accounts, which it will do at its next meeting on 21st September. It is anticipated that, subject to a small number of outstanding queries being resolved, an unqualified audit opinion will be issued on the Financial Statements, as set out in the draft Audit Opinion on agenda pages 41-42, and an unqualified value for money conclusion.

Ms Masci presented the Audit Findings for the Avon Pension Fund for the year ending 31 March 2018. (This was a late paper issued as a supplement to the agenda). No issues have been found which would affect the value of the Fund. Outstanding issues to be resolved include those listed on page 3 of the supplement. She drew attention to the work done on Level 3 investments detailed on agenda supplement page 8 and the resulting reclassification of a Level 3 investment to Level 2. It was identified that the conditions causing this reclassification were present in the

previous year, so management have reclassified the amount of this investment in the previous year.

She drew attention to the external auditor's view on the classification and valuation of the Pension Fund's holding in Brunel Pension Partnership Ltd (BPP) detailed on page 11 of the agenda supplement.

She said that the external auditors are required to give a separate opinion as to whether the financial statements included in the Pension Fund Annual Report, not due for publication until 1st December 2018, are consistent with the audited Financial Statements. A draft copy of the Report has been received and reviewed and no material inconsistencies have been found between it and the audited financial statements. However, an opinion on the Annual Report cannot be given at this time, and certification of the completion of the audit cannot be given to the administering authority until this has been done.

She drew attention to the audit adjustments listed on page 19 of the agenda supplement.

She explained that "assurance to other auditors" on page 20 of the agenda supplement meant assurance given to the auditors of employers in the Fund about governance at the Fund level.

She said that it was expected that an unqualified opinion would be given on the Fund accounts, as set out in the draft Audit Opinion on pages 21-22 of the supplement.

A Member asked whether the funds in BPP shared a common custodian and if so whether there was communication between the funds and the custodian. The Finance and Systems Manager (Pensions) confirmed a single custodian was required in order for BPP to be able to manage assets on behalf of the individual funds. Avon Pension Fund (APF) received regular reports from BPP and had access to its online system. In future there would be an increase in reporting from BPP and a reduction in reporting by APF.

RESOLVED:

1. to note the issues contained within the Audit Findings Report for the Council and Avon Pension Fund;
2. to approve note the Audited Statement of Accounts, incorporating the changes in the Avon Pension Fund notes contained in Annex I of the update note to the report, Annual Governance Statement and the Letter of Representation for Bath & North Somerset Council and the Avon Pension Fund for 2017/18.

10 TREASURY MANAGEMENT OUTTURN 2017/18

The Interim Director – Resources presented the report.

A Member asked whether the Treasury Management Policy allows the Council to invest in gold. The Interim Director – Resources replied that it did not.

A Member noted the comments by Arlingclose in Appendix 5 about the delay in raising base rates and suggested that the forecast needs to factor in the impact of Brexit on tariffs and international relations. Arlingclose do make a passing reference to this, but he was sure there would be a significant impact on international interest rates, which will impact on domestic interest rates. More importantly, it brings new risk factors into play and he suggested the next review of the Treasury Management Strategy ought to highlight these a bit more. The Interim – Director Resources replied that interest rates were being monitored to avoid borrowing at a higher level. Markets were already predicting increases, which is affecting the long-term rate.

RESOLVED to note:

1. to note the Treasury Management Report to 31st March 2018, prepared in accordance with the CIPFA Treasury Code of Practice;
2. the Treasury Management Indicators to 31st March 2018.

11 ANNUAL REPORT - CORPORATE AUDIT COMMITTEE

The Head of Audit West presented the report.

A Member said there should be a formal acknowledgement of the dedicated work of officers, which had produced such good outcomes.

RESOLVED to recommend the Annual Report to full Council, with an expression of thanks to officers whose dedicated work has produced excellent results for the Council.

The meeting ended at 3.10 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services