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### **CORPORATE AUDIT COMMITTEE**

#### **ANNUAL REPORT TO COUNCIL 2019/20**

##### **1. INTRODUCTION**

This is the fifteenth annual report of the Committee since it was established by the Council on 12 May 2005. It covers the work done during the year July 2019 to July 2020.

##### **2. REVIEW OF WORK DONE IN 2019/20 & PART 2020/21 (Up to July 2020)**

###### **a. Financial Governance – Annual Accounts**

- i. The Committee approved on behalf of the Council an unqualified set of accounts for the year ended 31 March 2019 within the statutory deadline. This included the accounts for the Pension Fund.
- ii. The Committee considered the formal governance reports for the Council and Pension Fund submitted by the external auditors (Grant Thornton) on their audit of the accounts.
- iii. The External Auditor's Accounts and Audit Findings report stated that the draft accounts had been received by the new earlier deadline (31<sup>st</sup> May 2019) and had been free from material error. The most significant issue reported was the High Court judgement on the McCloud pension case in December 2018. The external auditor's view was that this had a clear impact on the liabilities of the Avon Pension Fund and therefore the Council's balance sheet. Discussions between the External Auditor and the Avon Pension Fund resulted in an actuary review related to the potential effect of the judgement. The external auditor requested its own internal actuary to scrutinise the results of the actuary review and it was concluded that the liability amount (£10.534m) was a fair assessment. The auditor also commented on the "going concern" assumption and commented on the difficulties of Northamptonshire Council and that it was his view that B&NES Council, like many public sector bodies, was in a middle position in that it faced uncertainties.
- iv. The Chair of the Committee signed the Letters of Representation for the Council and the Avon Pension Fund.
- v. The Committee resolved - to note the issues contained within the Audit Findings Reports for the Council and Avon Pension Fund; and, to approve the audited Statements of Accounts, including the Letters of Representation for Bath & North East Somerset Council and the Avon Pension Fund for 2018/19.

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### **b. Financial Governance – Treasury Management**

- i. The Committee considered the Treasury Management Outturn for 2018/19 following presentation of the position to Full Council on 11<sup>th</sup> July 2019. It was noted by Committee that the report was in accordance with the CIPFA Treasury Code of Practice.
- ii. In addition, the Committee received a six months update report on 21<sup>st</sup> November 2019. This reported that performance against the key performance indicators were within target levels.
- iii. Committee Members reviewed the Treasury Management and Annual Investment Strategy for 2020/21. This set out the treasury limits in force, treasury management indicators, current position, borrowing requirement, prospects for interest rates and the borrowing and investment strategies. It was noted by Committee that the Strategy was to be approved by Council on the 25th February 2020.
- iv. The Committee Chair requested that the risk register for Treasury Management activity be provided to the Committee for review.
- v. The Treasury Management Outturn for 2019/20 was considered by the Committee on 30<sup>th</sup> July following its presentation to Council on 23<sup>rd</sup> July. It was resolved to note the report presented.

### **c. Financial Governance – Implications of Covid19**

- i. During the 30<sup>th</sup> July 2020 Committee meeting the Chair invited Andy Rothery (Section 151 Officer) to present on the impacts and implications of Covid19. The presentation covered the following points:
  - Covid-19 Financial Impact
  - National Funding Position
  - Financial Risk Identification
  - Increased Governance
  - How we are tackling in-year pressures
  - Financial Planning Implications

### **d. External Audit -**

- i. Alongside the audit of the accounts for 2018/19 the external auditor also conducted work in relation to concluding a satisfactory VFM opinion for the Council. It was concluded that that the External Auditor was satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2019. Noted within the VFM opinion are risks around the continued financial challenge (recommendations that Management continue to monitor the use of reserves and deliver sustainable budgets in the medium term); and, the governance and performance of Aequus

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Developments Limited (conclusion was that proper arrangements were in place).

- ii. The External Auditor reported on the completion of the Housing Benefit (HB) and Teacher Pension claims. There was a great improvement in the compilation and accuracy of the Teachers Pension claim. In terms of the HB claim the External Auditor has reported in previous years on the on-going issue of accuracy of the claim and related working papers / evidence. This year the working papers provided by the Department of Work & Pensions had to be returned for errors in the Spreadsheet Workbooks to be corrected. The claim was signed-off on the 9<sup>th</sup> January 2020 prior to the deadline.
- iii. As part of the External Audit Update report in February 2020 the External Auditor presented an Audit Scope and Additional Fees letter addressed to the Council's Chief Finance Officer (S151 Officer). This referred to the increased regulatory focus facing all audit suppliers and that the Financial Reporting Council (FRC) has raised the threshold of what it assesses as a good quality audit. The implication was that areas of work required more attention and therefore costs were incurred. The scale fees for the Council of £95,351 (excluding VAT) and the Pension Fund £22,180 had variations to be added of £23,350 and £4,250 respectively. The External Audit was questioned about the additional charges and the Committee resolve to note the report and to express concern about the increase in audit fees, which will be kept under close review.
- iv. In July 2020 the External Auditor presented Update and Plan reports for both the Council and the Avon Pension Fund. A report providing an in-depth insight into the impact of Covid-19 on financial reporting in the local government sector was also presented. The External Audit representative commented that both the Council and Pension Fund audits were progressing well with timely and full responses from the respective finance teams despite work being carried out remotely.

### **e. Corporate Governance –**

- i. The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review.
- ii. The Committee received a report in February 2020 which explained that the Council's Annual Governance Statement forms part of the Statement of Accounts and that an annual review process is carried out to produce the Governance Statement. The Members were provided with an overview of the process and advised that the process would be near completion when the Committee were next due to meet on 28<sup>th</sup> April 2020. This Committee meeting was cancelled due to the health pandemic.

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### **f. Internal Audit & Counter Fraud –**

- i. The Committee received a report on the preparation of the Audit Plan 2019/20 – using the reasonable assurance model – which looked at eight core themes of an organisation.
- ii. The Committee was satisfied with the balance of the 2019/20 plan in relation to the Council’s key corporate risks as well as the mix of its planned projects, unplanned commissions and follow-up of previous reports.
- iii. In relation to performance the Committee reviewed the outcomes of the service against its key performance indicators for 2018/19 notably high-risk audits and the impacts of unplanned work and investigations alongside a number of other key indicators such as customer satisfaction and the level of productivity.
- iv. The Committee noted the annual opinion on the internal control framework and that with increased pressure on budgets, choices on the degree of internal control had to be made and there was therefore an imperceptible rise in the level of the risk being accepted.
- v. The Committee was also pleased to see that the formal independent review of the service against its professional standards resulted in the highest rating and remains keen to support further progress so that the arrangement continues to deliver value to the Council.
- vi. The Committee were asked to review and comment on the revised version of the Council’s Fraud & Corruption Strategy 2019 which was the umbrella strategy for three revised policy documents – Whistleblowing Policy, Anti-Bribery & Corruption Policy, and Anti-Money Laundering Policy & Guidance.
- vi. An update was provided on anti-fraud and corruption work carried out by the Internal Audit team.
- vii. The Internal Audit Annual Report 2019/20 was presented to the 30 July 2020 Committee meeting. Implementation of Audit recommendations within timescales agreed by management was one specific area of the performance dashboard discussed. The Committee resolved to note the report.
- viii. The July 2020 meeting was also presented the Internal Audit Plan for 2020/21 and a reviewed and updated Internal Audit Charter. In terms of the Plan for 2020/21 Members discussed the impact on planned work based on Internal Audit having to assist and support ‘unplanned work’ related to Covid19. The Committee approved the Audit Plan and the revised Internal Audit Charter.

### **g. Awareness & Briefings**

- i. Updates and briefings continue to be a strong part of the Committee’s approach to raising awareness of key governance issues with members and several additional briefings were given during the year at meetings including following the elections in May for new Members. These included -
  - Role of Audit Committee
  - Role of S151 Officer

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- ii. A Treasury Management presentation style briefing was provided by the Council's advisers Arlingclose prior to the February 2020 formal Committee meeting.

### **h. Review of Terms of Reference**

- i. As part of good practice, a high-level desktop review was undertaken of the Committee's Terms of Reference against CIPFA's best practice model for Audit Committees.
- ii. In relation to independent support the committee has a co-opted independent member and the level of independence to the committee will be kept under review.

### **3. WORK PLAN FOR 2020/21**

- i. Whilst the Committee's work in 2020/21 will be broadly similar to the year recently ended it will keep under close review a number of key issues –
  - a) Financial resilience of the organisation – the impacts of Covid19;
  - b) Treasury Management Arrangements.

### **4. MEMBERSHIP AND SUPPORT**

- i. Councillor Andy Furse was Chair of the Committee until May 2020 when he took on the role of Chairman of the Council. Councillor Mark Elliott became the new Chair. The Committee other Members since July 2019 are:
  - Councillor Brian Simmons
  - Councillor Colin Blackburn
  - Councillor Mark Elliott
  - Councillor Lucy Hodge
- ii. The Committee is supported by a number of officers notably the Service Director for One West acting as Chief Internal Auditor and the Chief Financial Officer who leads on financial issues through her S151 role.
- iii. The external auditors are currently represented by an Engagement Lead and Audit Manager from Grant Thornton.