

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee
MEETING DATE:	26th November 2020
TITLE:	Governance Reports for Council and Avon Pension Fund, and Audited Statement of Accounts 2019/20
WARD:	All
AN OPEN PUBLIC ITEM	
List of attachments to this report: Appendix 1 – Audit Findings Report for Bath & North East Somerset Council Appendix 2 – Audit Findings Report for Avon Pension Fund Appendix 3 – Bath & North East Somerset Council Audited Statement of Accounts 2019/20 Appendix 4 – Bath & North East Somerset Council Letter of Representation 2019/20 Appendix 5 – Avon Pension Fund Letter of Representation 2019/20	

1 THE ISSUE

- 1.1 The Audit Findings Report summarises the results of Grant Thornton's audit of the 2019/20 accounts. It includes the issues arising from the audit of the financial statements, and those issues which they are formally required to report to you under the Audit Commission's Code of Practice and International Standard of Auditing (UK & Ireland) – 'Communication of audit matters with those charged with governance'.
- 1.2 The Annual Governance Statement (AGS) is required by the Accounts and Audit Regulations 2015 to be published with the Council's Statement of Accounts and to be formally approved and signed by the Leader of the Council and the Chief Executive. The AGS for 2019/20 has been completed in accordance with the framework previously agreed by the Corporate Audit Committee. There is one significant issue identified this year and the Statement continues to reflect the current position at July 2020.

2 RECOMMENDATION

The Corporate Audit Committee is asked to agree that:

- 2.1 the issues contained within the Audit Findings Reports for the Council and Avon Pension Fund are noted.
- 2.2 the audited Statement of Accounts, including the Letters of Representation for both Bath & North East Somerset Council and the Avon Pension Fund for 2019/20, are approved.

3 THE REPORT

Council's Accounts

- 3.1 The Narrative Report to the Statement of Accounts gives an overview of the financial position as set out in the accounts in the detailed statements and notes.
- 3.2 The work carried out by Grant Thornton as part of the audit of the financial statements has so far resulted in a number of minor amendments to the Disclosure Notes accompanying the Financial Statements, none of which adjusted the figures in the main financial statements.
- 3.3 With their work still ongoing, Grant Thornton are currently proposing to issue an audit report including an unqualified audit opinion on the Council's 2019/20 Financial Statements. In respect of the work undertaken on the Value for Money assessment, Grant Thornton concluded that: "The Council has proper arrangements in all significant respects to ensure it delivered value for money in its use of resources". The Value for Money assessment makes two recommendations that management continues to monitor the use of reserves and deliver sustainable budgets in the medium term.
- 3.4 Due to delays in the conclusion of external audit work, there is a risk that the Audit findings report will not be finalised prior to the Committee meeting. If the work is not completed by the date of the meeting, Grant Thornton will provide an update on the process for approval of the accounts at the meeting.
- 3.5 Due to the Covid-19 pandemic, the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 extended the deadlines for the publication of the 2019/20 Draft and Final Statement of Accounts. There was a three month extension to the publication deadline for the Draft Statement of Accounts, and a four month extension to the deadline for the Final Statement of Accounts.
- 3.6 Details of these deadlines are given in the table below, and show that the Council were able to publish & provide Grant Thornton with the Draft 2019/20 Statement of Accounts almost eight weeks earlier than the revised statutory deadline of 31st August 2020.

	Standard Timescales (previous years)	Revised 2019/20 Requirement Accounts & Audit (Coronavirus) (Amendment) Regulations 2020	2019/20 Actual Date Achieved
Draft Statement of Accounts Certified & Issued	31 st May	31 st August 2020	9 th July 2020
Final Audited Accounts Certified & Issued	31 st July	30 th November 2020	tbc

Avon Pension Fund's Accounts

- 3.7 There have been some minor changes to the Avon Pension Fund accounts that were authorised for draft issue. This includes some small adjustments between investment assets categories, along with some presentational changes and additional narrative around COVID-19.
- 3.8 The Avon Pension Fund has adequate liquidity to meet all liabilities due in the 12 month period from signing of the accounts. The expected payments due to be paid in the period are £203.1m offset by expected contributions of £156.4m giving a net outflow of £46.7m. This shortfall will be met by investment income and divestment of assets. At 31 March 2020 the Fund has assets of £4.5bn of which £304m are in highly liquid assets that are held to provide liquidity to meet payments, with an additional £1.7bn in listed equity assets which are also highly liquid and can be sold for cash within a short timeframe. (Note: as at 30 June 2020 the Fund value had recovered to £4.9bn with £331m in highly liquid assets). These liquid assets are more than sufficient to meet the forecast shortfall and also any unexpected reduction in contributions. To date there has been no concerning trends regarding timely receipt of contributions. It is therefore concluded that based on this evidence the Avon Pension Fund is a going concern with no material uncertainties.
- 3.9 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Pension Fund's 2019/20 Financial Statements.

Annual Governance Statement

- 3.10 In accordance with the framework agreed by the Corporate Audit Committee, Audit West has led on the collation and co-ordination of information relating to the preparation of the draft Statement and gathering of evidence to support any statement made within the Statement. The Council's final Annual Governance Statement has been published within the Statement of Accounts and is a declaration of assurance, its aim is to report the extent to which the Council has in place reliable controls that will safeguard its resources and ensure that these are being used to meet priorities and service objectives agreed by Members.
- 3.11 No new significant governance failures or control issues have been identified during this year which satisfy the recommended criteria. However for very obvious reasons the impacts of the Covid-19 Pandemic are clearly of a highly significant nature and so this issue has been included along with some of our early actions to tackle the impacts on the Council. The Statement sets out in more detail the high level actions that the Council is taking to continue to tackle this significant issue.

Informing the Audit Risk Assessment

- 3.12 As part of the Audit process the External Auditor asks the organisation a series of questions. These focus on the following areas:
- a) General Enquiries of Management
 - b) Fraud,
 - c) Laws and Regulations,
 - d) Going Concern,
 - e) Related Parties, and
 - f) Accounting Estimates.

The Audit Committee will consider the response to these questions at its Accounts Workshop and formally confirm they are acceptable as part of the meeting.

4 STATUTORY CONSIDERATIONS

- 4.1 The Statutory Statement of Accounts have been produced in accordance with the CIPFA Code of Practice on Local Authority Accounting based on International Financial Reporting Standards.
- 4.2 The Accounts and Audit Regulations 2015 require that the Statement of Accounts shall be approved by a resolution of a Committee of the relevant body and that following approval, the Statement of Accounts be signed and dated by the person presiding at the Committee.
- 4.3 The preparation and publication of an Annual Governance Statement is in accordance with the “Delivering Good Governance in Local Government” framework introduced by CIPFA SOLACE during 2007, and updated in 2016. The Statement explains how Bath & North East Somerset Council has complied with the Local Code of Corporate Governance which arises from the CIPFA framework and also meets the requirements of the Accounts and Audit (England) Regulations 2015, specifically Regulation 4 (2) in respect of the annual review of the effectiveness of its system of internal control and Regulation 4 (3) in respect of the preparation and publication of an Annual Governance Statement.

These regulations require authorities to “conduct a review at least once a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”. Regulation 4 requires the findings of the review of the system of internal control to be considered by a Committee of the relevant body, or by its members of the body meeting as a whole. At Bath & North East Somerset Council, this function is the responsibility of the Corporate Audit Committee.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

- 5.1 The Council’s Statement of Accounts sets out the Income and Expenditure for the 2019/20 financial year, together with the Balance Sheet and all related supporting information.

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. 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. This is an information only report about the Council’s financial performance for 2019/20, it therefore does not include any decisions that have a direct impact on Climate Change.

8 OTHER OPTIONS CONSIDERED

8.1 None

9 CONSULTATION

9.1 Consultation has been carried out with the Chief Finance Officer.

9.2 Consultation was carried out at meetings and via e-mail.

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Background papers	<i>None</i>
Please contact the report author if you need to access this report in an alternative format	