

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Thursday, 29th April, 2021, 4.00 pm

Councillors: Mark Elliott (Chair), Colin Blackburn and Brian Simmons

Independent Member: John Barker

Officers in attendance: Jeff Wring (Service Director - One West), Andy Cox (Head of Audit and Assurance (One West)) and Mandy Bishop (Chief Operating Officer)

Guests in attendance: Peter Barber (Grant Thornton) and Aditi Chandramouli (Grant Thornton)

72 WELCOME AND INTRODUCTIONS

The Chair welcomed everyone to the meeting by explaining that this meeting is being held under The Local Authorities and Police and Crime Panels (Coronavirus)(Flexibility of Local Authority and Police and Crime Panel Meetings) (England and Wales) Regulations 2020. The Council has agreed a protocol to cover virtual meetings and this meeting would operate in line with that protocol. The meeting has the same status and validity as a meeting held in the Guildhall.

73 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

There were apologies from Councillors Lucy Hodge and Andy Furse.

74 DECLARATIONS OF INTEREST

There were none.

75 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

77 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

78 MINUTES - 4TH FEBRUARY 2021

On a motion from Councillor Brian Simmons, seconded by John Barker (Independent Member) it was

RESOLVED to note the minutes of the last meeting as a true and correct record.

79 AUDIT & ASSURANCE ANNUAL REPORT 2020/21

Andy Cox presented the report, reporting on the year end position and summary of audit performance and giving the Chief Auditor Executive's opinion on the internal control framework. He explained, as had been agreed previously, that the number of planned audit reviews had been reduced due to unplanned work and there was likely to be further unplanned work this year. He went on to explain the performance dashboard highlighting the impact of working from home on audit work.

It was reported that two audit reviews carried out during the year had been assigned a 'Weak' - Limited Assurance Level, one was a contract management review of the IDOX IT application and the second was Property Compliance (management of key property risks such as water, electric and gas systems, fire safety and asbestos). This area was last audited in 2015 and that resulted in a 'Poor' assessment and Property Management subsequently attended the March 2016 Audit Committee meeting to explain action taken and planned. As the 2020/21 Audit Review identified similar weaknesses in the management of Property Compliance this was highlighted early to the Council's Chief Operating Officer (Mandy Bishop) who was taking a lead role in a broader Property Services Review. Mandy Bishop commented on the findings of the audit review and actions being taken to correct the governance/system weakness. She stated that following the 2015 audit there had already been work on compliance (asbestos, legionella, fire, gas safety) and a significant amount of work to establish frameworks for maintenance and construction. Following the 20/21 Audit, terms of reference for the Health, Safety and Well-being Committee had been redrafted, compliance duties were being reviewed, building surveys are planned and work to address data input weaknesses and systems had commenced. She stated Alan McCarthy (Interim Head of Property Transformation) had been appointed to assist with implementing the action plan and would be working closely with the Council's Section 151 Officer, Audit Team and Corporate Health and Safety Manager. She commented on the high-risk areas (governance, scrutiny of Property Compliance) and the medium risk areas (construction maintenance and estate structures and recruitment of a Fire Officer). Governance structures would be formalised following the Council AGM on 4th May 2021. There was further work to be completed on data requirements, the risk register, KPIs and condition surveys. The outcomes of this work would feed into the medium-term financial strategy for 2021-22.

A follow-up audit was planned for 2021-22 and the advice and guidance provided by Internal Audit was welcomed. She thanked the team for their support in supporting service improvement. She concluded that she would be happy to report to this Committee at a future date.

The following issues were raised:

In terms of Property Compliance Audit Review –

- It would be an 18-month work programme moving forward;
- radon gas in properties was not picked up in this audit;
- the Chief Operating Officer would report back on the implementation of agreed actions;

- hi-risk weaknesses focussed on governance and scrutiny and allocation of roles which would be implemented within a shorter timescale than the 18-month period for all actions to be implemented.

In terms of the Internal Audit Performance Report –

- the substantial amount of unplanned work would continue as a result of officer secondment and being actively involved in Covid19 grants as government released further funding and the pandemic continued;
- cyber security was as a result of national security directives from government due to a number of local authorities and multi-academy trusts who were subject to cyber attacks, this resulted in questions to all Councils including BANES re. their readiness to manage such attacks;
- help had been commissioned from SOCITM, a leading IT advisory service, and internal audit resources have been used to work on this review which would continue into 2021-22.

When preparing an annual report on Internal Audit the Chief Audit Executive (Head of Audit) must give an opinion on the risk framework, referred to in the report (section 3.11). This year due to Covid-19, audit work had been done remotely and at the November 2020 Corporate Audit Committee the limitation and assurance officers had given was discussed, as certain things could not physically be seen. The key aspects in paragraph 3 of 3.11.2 indicated remote working through the year along with the high level of unplanned work, therefore changes to the scheduled plan were made. As the Committee had agreed to the change of plan in November 2020 there was no need for a limited opinion. All the work outlined in this report, plus assurances from the internal control framework lead to the opinion that the systems to manage risk were reasonable.

RESOLVED to note the Internal Audit Annual Report 2020/21 and formal opinion on the internal control framework.

80 INTERNAL AUDIT PLAN - 2021/2022

Andy Cox presented the report and explained that in line with Public Sector Internal Audit Standards the Internal Audit Plan must be prepared every year and an Audit Charter needs to be maintained and reviewed annually. There were only some minor amendments to the Audit Charter, i.e. job titles.

In respect of the Audit and Assurance Plan this had gone through consultation with statutory officers and senior managers. A significant proportion was in response to Covid-19. In addition to the core audit plan, work relating to governance, fraud and risk management would be carried out. There was likely to be more unplanned work in respect of Covid-19 including investigations and grant administration and scrutiny and challenge of that. Therefore, the plan must remain flexible and kept under review with a report back to Audit Committee at half year. There was no contingency time allocated in the Plan as resources available had been fully allocated so if there was further unplanned work, audits would be taken away from the bottom end of listing (based on risk scoring).

During discussion the following issues were raised:

- The plan was in priority order, but things do change during the year and the plan would be re-assessed;
- only high priority items were in the audit plan, no low risk items were in the plan and this was following consultation with this Committee and senior management and through the risk assessment process and reasonable assurance model;
- risk was dynamic and moving so it could change in 6 months following discussion with senior officers;
- the focus of the audit review could change significantly and trend analysis could be useful or have limitations;
- audit plans must remain current and relevant.

It was proposed by Councillor Brian Simmons, seconded by John Barker and

RESOLVED

- 1) to approve the Audit & Assurance (Internal Audit) Plan 2021/22; and
- 2) to approve the Internal Audit Charter.

81 EXTERNAL AUDIT UPDATE

Peter Barber (Grant Thornton) presented the report – the annual audit letter aimed at stakeholders so should be available on your website. It gives a clear opinion on your financial statements and value for money (VFM). The next part of the report (page 71) gives the final proposed fees for the Council. It reflects the changes in fees which were outlined. When the plan was presented around 12 months ago, uplifts were proposed and had been agreed in principle on increased focus and risk. Since Covid-19 there has been a significant impact on delivery and resource input. In addition, with the accounts for 2019-2020 it was unclear if Aequus, ACL and ADL would be consolidated into the main part of the accounts. This resulted in a large number of procedures that had to be undertaken and incurred another uplift. As always the final fees are subject to sign off and approval. Evidence to support the need for this work has been submitted.

As regards the Pension Fund there is a similar scenario (page 74). There was a focus on level 3 investments, then a further increase due to work driven by Covid. Given the inherent risk within the valuation, some extra expertise had been brought in from their valuation team.

Additional fees was an area for discussion and the following points were raised:

- Further explanation was given as to how the work on additional fees was verified;
- public sector audit appointments are responsible for 490+ councils and pension funds and things have moved on in terms of regulations in terms of challenge and scope of the audit and there are expected uplifts across every council that vary depending on the size of the portfolio;
- an example when Aequus first went into the group accounts in 2019-2020 which resulted in extra work;
- further changes in VFM can't be done until 2021-22;

In respect of the audit plan for 2021 for the Council, currently in 2021-22 and we have only just received the plan for 2020-21, so not where we would wish to be nationally and we are 2-3 months behind in the audit cycle. There are still some 2019-20 audits outstanding. In terms of opinion it would be similar to 2019-20 and it will be land and buildings that takes a lot of input. There will be focus on the Pension Fund liability. There will be a proposed materiality figure of 7 million and anything over that will be subject to audit procedures. Introduction of VFM will change new areas of focus in 2021-22. 2021 was a better outturn position at the beginning of Covid-19, then with clarity and funding/grants from central government there was confidence to deliver the budget in 2021-22. However, things change in 2022-23 with lots of uncertainty and gaps. Governance is a key role for the Council and within the Council it was good but there was need for further work with partners and subsidiaries to be effective and proportionate. The last area is economy efficiency and effectiveness, about performance management arrangements, KPIs and benchmarking and how the Councils knows it is performing well and sharing best practice. So auditors would be working with Council officers on these areas which would impact on additional fees. There would be money available to help public sector with these costs.

Points raised:

- new VFM arrangements – broad headings with supporting guidance on challenge areas and there will have to be work in all three areas;
- the plan seeks to identify the areas of risk and flag at an early stage to clarify where the Council needs to improve;
- these points are specific to BANES, other councils are suffering from the impact of Covid-19 and struggling to balance the books, unitary authorities with demand led services find it increasingly hard, Covid-19 is a bigger issue for BANES due to the income from the investment portfolio, so more vulnerable;
- in respect of governance BANES has looked at alternatives like Aequus and working with a combined authority;
- on VFM there has been an extension of 3 months as this is a new area, if there are areas of concern we would share our findings earlier;
- the detailed work on VFM the bulk in July – September, working remotely or face-to-face, engaging with key people;
- correlation between fees and work level on VFM – have local government advice, training, work requires specific skills so we are resourcing for this – extended time has been given for Year 1 to get the work completed;
- the issue of timing of the accounts sign-off, target is September 2021 – we won't hit this deadline but will liaise with officers as to what is deliverable;
- this delay caused issues for BANES officers and incurred fees;
- the Pension Fund would be prioritised over the Council, then the Council in October 2021;
- Corporate Audit Committee dates were arranged around the statutory work, updates and sign-off of the accounts so liaison and flexibility between external auditors and officers was vital to facilitate planning;
- BANES was not the only local authority not to have completed accounts within the deadline and it was expected that more authorities would miss the deadline again this year;

- BANES accounts were complex with more investment properties than most, more land and buildings, as well as group accounts.

In respect of the Pension Fund (page 99) the difference was that an opinion is given on the accounts but there is no VFM equivalent. The focus is valuation at level 3 investments and materiality is higher this year. All the default risks are set out and reflect an uplift in fees due to additional work.

RESOLVED

- 1) to note the External Audit Letter (Appendix 1); and
- 2) to endorse the Audit Plans for the Council and Avon Pension Fund (Appendices 2 & 3).

The meeting ended at 5.31 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services