

## Bath & North East Somerset Council

MEETING:	<b>Corporate Audit Committee</b>
MEETING DATE:	<b>15<sup>th</sup> December 2021</b>
TITLE:	<b>Governance Reports for Council and Avon Pension Fund, and Audited Statement of Accounts 2020/21</b>
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 2020/21
- Appendix 4** – Bath & North East Somerset Council Letter of Representation 2020/21
- Appendix 5** – Avon Pension Fund Letter of Representation 2020/21

## 1 THE ISSUE

- 1.1 The Audit Findings Report summarises the results of Grant Thornton’s audit of the 2020/21 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 2020/21 has been completed in accordance with the framework previously agreed by the Corporate Audit Committee. There is one significant issue identified this year.

## 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 2020/21, 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 agreed changes relating to the property, plant and equipment valuations, and a number of amendments to the Disclosure Notes accompanying the Financial Statements, none of which adjusted the total usable reserves.
- 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 2020/21 Financial Statements. Grant Thornton have not yet completed all their Value For Money assessment work so are not in a position to issue their Auditor's Annual Report. They expect to issue the Annual Report by 28<sup>th</sup> February 2022. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.
- 3.4 Due to delays in the conclusion of external audit work, there is a risk that the Audit findings report may 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 Following the publication of the Sir Tony Redmond's Independent Review into the Oversight of Local Audit and the Transparency of Local Authority Financial Reporting, the Accounts and Audit (Amendment) Regulations 2020 extended the deadlines for the publication of the 2020/21 and 2021/22 Draft and Final Statement of Accounts. There was a two 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, showing that the Council were able to publish & provide Grant Thornton with the Draft 2020/21 Statement of Accounts before the revised statutory deadline of 31<sup>st</sup> July 2021.

	<b>Standard Timescales (previous years)</b>	<b>Revised 2020/21 Requirement Accounts &amp; Audit (Amendment) Regulations 2021</b>	<b>2020/21 Actual Date Achieved</b>
<b>Draft Statement of Accounts Certified &amp; Issued</b>	31 <sup>st</sup> May	31 <sup>st</sup> July 2021	27 <sup>th</sup> July 2021
<b>Final Audited Accounts Certified &amp; Issued</b>	31 <sup>st</sup> July	30 <sup>th</sup> September 2021	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 adjustments between investment asset classification levels, along with some narrative and presentational changes.
- 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 £198.3m offset by expected contributions of £171.7m giving a net outflow of £26.6m. This shortfall will be met by investment income and divestment of assets. At 31 March 2021 the Fund has assets of £5.3bn of which £227m are in highly liquid assets that are held to provide liquidity to meet payments if there is an unexpected shortfall in contributions. In addition, the Fund holds a further £1.9bn in listed equity assets which are also highly liquid and can be sold for cash within a short timeframe. (Note: at 30 September 2021 the Fund value had risen to £5.7bn with £162m in highly liquid assets). These liquid assets are more than sufficient to meet the forecast shortfall and also any unexpected reduction in contributions. There are no concerning trends regarding timely receipt of contributions, with 99.79% of contributions received on time for the half year ending 30 September 2021. The Funding level (i.e. the ratio of the Fund's assets to liabilities) was 94% at the last valuation in 2019. By March 2020 the funding level fell due to the fall in equity markets but has fully recovered to 96.9% by 31 March 2021. The strategic asset allocation is set to deliver the investment returns required to achieve full funding over a reasonable period. 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 2020/21 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 Annual Governance Statement and gathering of evidence to support the contents of 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, the impacts of the Covid-19 Pandemic continue to be significant and so this issue has been included recording 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 manage 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.

3.13 The Council's responses were circulated to Audit Committee members during October 2021 for consideration and the final document was submitted to the External Auditor.

## **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 2020/21 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 2020/21, 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.

<b>Contact person</b>	<i>Andy Rothery - 01225 477103 ; Jamie Whittard - 01225 477213</i> <a href="mailto:Andy_Rothery@bathnes.gov.uk">Andy_Rothery@bathnes.gov.uk</a> <a href="mailto:Jamie_Whittard@bathnes.gov.uk">Jamie_Whittard@bathnes.gov.uk</a>
<b>Background papers</b>	<i>None</i>
<b>Please contact the report author if you need to access this report in an alternative format</b>	