

**CORPORATE AUDIT COMMITTEE**

**Appendix1**

**ANNUAL REPORT TO COUNCIL 2020/21**

**1. INTRODUCTION**

This is the sixteenth 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 2020 to December 2021.

**2. REVIEW OF WORK DONE IN 2020/21**

**a. Financial Governance – Annual Accounts**

- i. The Committee received reports from the Council's External Auditors at the 26<sup>th</sup> November 2020 and 4<sup>th</sup> February 2021 on the statutory audit of the 2019/20 Council and Avon Pension Fund Statement of Accounts.
- ii. In November 2020 the Grant Thornton Engagement Lead explained that it may not be possible to complete all the necessary work prior to the extended deadline of 30<sup>th</sup> November 2020. However, key issues related to the audit of the Statement of Accounts and Value for Money Review were provided to Committee. It was resolved by Committee that issues reported be noted; the audited Statement of Accounts including the Letters of Representation for both Bath and North East Somerset Council and the Avon Pension Fund for 2019/20 be approved subject to any amendments necessary from the ongoing work of the External Auditor and based on this the Chair of the Committee and the Chief Finance Officer arrange to sign the Statement of Accounts 2019/20.
- iii. When the External Auditor next reported to Committee in February 2021, it was reported to Committee the external audit was not yet completed. It was resolved by Committee that the approval of the Council's accounts for 2019/20 be re-confirmed following receipt of the revised Audit Findings Report from the External Auditor.
- iv. At the 29<sup>th</sup> April 2021 Committee meeting the External Auditor confirmed that the annual audit letter was available to stakeholders and it provided a clear opinion on the Council's financial statements and Value for Money. The Committee resolved to note the External Auditors Letter dated 8<sup>th</sup> March 2021.
- v. The External Auditor's Letter dated 8<sup>th</sup> March 2021 recorded that on 22<sup>nd</sup> February 2021 they had provided an unqualified opinion on the group's and Pension Fund's financial statements. The letter recorded that the Council's Finance Team had responded promptly and efficiently to the auditor's queries during the final audit. Reasons for both the delay in completing the audit and the increase in the cost of the delivering the final audit was the nature of remote working – remote access to financial systems, and the impact on verifying the completeness and accuracy of information. The

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overall Value for Money conclusion was that the External Auditor was satisfied in all significant respects that the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020.

- vi. In the 29<sup>th</sup> April 2021 External Update to Committee, Grant Thornton Engagement Manager reported that they were 2-3 months behind in their work for the audit plan for 2021 (2020/21 financial statements). The Committee resolved to endorse the Audit Plans for the Council and Avon Pension Fund.
- vii. A further update by the External Auditor Grant Thornton was provided on 23<sup>rd</sup> September 2021 and it was reported that based on available resources it was hoped that the work on the Statutory Accounts would be completed in time to report to Corporate Audit Committee on 15<sup>th</sup> December 2021. Based on this revised deadline, the members of the Corporate Audit Committee requested that the External Auditor Engagement Lead write to the Chair of the Committee at the end of October 2021 to confirm whether or not, based on work carried out in October, this deadline would be achieved.
- viii. The Governance Reports for Council and the Avon Pension Fund and Audited Statement of Accounts 2020/21 were presented to the 15<sup>th</sup> December 2021 meeting of the Committee. Following the presentation entitled 'Overview of the 2020/21 Statement of Accounts' the External Auditor confirmed that following approval by the Committee the Auditors Opinion on both sets of accounts would be signed. The requirement to produce consolidated accounts including ADL accounts and the issues found in relation to property asset valuations were explained by the External Auditor. The Committee resolved that 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, were approved.

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

- i. The Committee considered the Treasury Management Outturn for 2019/20 following presentation of the position to Full Council on 30<sup>th</sup> July 2020. 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 month's update report on 26<sup>th</sup> November 2020. This reported that performance against the key performance indicators were within target levels.
- iii. Committee Members reviewed the Treasury Management Strategy Statement 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

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that the actions proposed within the Treasury Management Strategy Statement be approved at the 23<sup>rd</sup> February 2021 Council meeting.

- iv. The Treasury Management Outturn Report 2020/21 was presented to the 23<sup>rd</sup> September 2021 meeting of the Committee which was after the report to Full Council on the 22<sup>nd</sup> July 2021. The Committee noted the Treasury Management Report to 31st March 2021, prepared in accordance with the CIPFA Treasury Code of Practice.
- v. A Treasury Management Performance Report to 30<sup>th</sup> September 2021 was presented to the meeting on the 15<sup>th</sup> December 2021. It was reported that the Committee Report had already been presented to both Council and Cabinet.

### **c. External Audit**

- i. Alongside the audit of the accounts for 2019/20 the external auditor also conducted work in relation to concluding a satisfactory VFM opinion for the Council. The External Audit Update paper to Committee on 4<sup>th</sup> February 2021 introduced the National Audit Office (NAO) new arrangements for External Audit VFM work with the three criteria changing to 1) Governance, 2) Financial Stability, and 3) Improving economy, efficiency and effectiveness. Linked to this was the move to an Auditor's Annual Report.
- ii. The 29<sup>th</sup> April 2021 External Auditor Report to Committee included the Grant Thornton Annual Audit Letter for 2019/20 (dated 8<sup>th</sup> March 2021) and it concluded that that the External Auditor was satisfied that the Council in all significant respects had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2020. 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).
- iii. The External Auditor's Audit Plan for B&NES Council was also presented to the 29<sup>th</sup> April 2021 meeting. The Plan recorded 'Key Matters' for the year and this included:
  - a) Council Developments – 2019/20 was the first year that the Council had produced Group Accounts consolidating Aequus Developments Ltd and Aequus Construction Ltd. No significant audit findings were identified from the review of the consolidated accounts.
  - b) Impact of Covid19 Pandemic – it noted that they would review medium Term financial planning and the impacts of Covid19 on financial planning as part of the VFM work.
  - c) Financial Reporting and Audit (raising the bars) – This was linked to the guidance from the Financial Reporting Council to be more sceptical and to increase testing.

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The Audit Plan set out: the significant risks requiring special audit consideration (Council income streams, management override of internal controls, valuation of land and property, valuation of pension fund net liability); materiality for audit purposes; Value for Money arrangements; and Audit Logistics (timing of the work and audit fees).

- vi. The External Auditor Actual Fee for 2019/20 was reported as £138,281 and was proposed to increase to £154,201 for the 2020/21 Audit. This was compared to the scale fee published by the Public Sector Audit Appointments Ltd (PSAA) of £95,351. The additional fees charged by Grant Thornton above the PSAA scale fee was subject to scrutiny by the Committee. In addition to the Audit Fees for 2019/20 Grant Thornton charged 'non-audit services' for the certification of the Housing Benefits Claim (£28,830) and the certification of the Teachers Pension Claim (£5,010).
- vii. At the 23<sup>rd</sup> September 2021 Committee Meeting the future procurement of External Audit Services was discussed. The Council's S151 Officer informed the Committee that he had just received a letter from the Local Government Association (LGA) regarding the 'Retender of External Audit Contracts' which confirmed the need for the Council to make a decision by 11<sup>th</sup> March 2022 whether they wanted to stay in or opt out of the national PSAA arrangement. Legislation requires a resolution of Full Council if a local authority wishes to opt into the national arrangement. The Committee resolved that a paper should be prepared and submitted for its consideration to enable it to make a recommendation to Council on whether to opt in or out of the national arrangement.
- viii. A report on the procurement options of External Auditors for the five-year period commencing 1<sup>st</sup> April 2023 was presented to the Committee on the 15<sup>th</sup> December 2021. The report considered three alternative methods for B&NES Council to appoint its external auditor:
  - 1. Undertake an individual auditor procurement and appointment exercise;
  - 2. Undertake a joint audit procurement and appointing exercise with other bodies;
  - 3. Join PSSA's sector led national schemeIt was resolved that the Audit Committee recommend to full Council that they approve the use of PSAA to carry out the re-procurement of External Auditors to the Council.

### d. 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.

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- ii. The results of the governance review for 2020/21 were presented to the Committee in December 2021. The Committee was advised of the inclusion of the single significant issue related to the many impacts of the Covid19 pandemic.

### **e. Internal Audit**

- i. The Committee received a report on the preparation of the Internal Audit Plan 2020/21 using the adopted reasonable assurance model (which considers the eight core themes of an organisation) on 30<sup>th</sup> July 2020. The Committee approved the Internal Audit Plan 2020/21 based on the presentation of this report.
- ii. The Committee reviewed the outcomes and performance of the Internal Audit Team against the 2020/21 Internal Audit Plan on 26<sup>th</sup> November 2020 and 29<sup>th</sup> April 2021. At the April 2021 meeting the Committee resolved that it noted the Internal Audit Annual Report 2020/21 and the formal opinion of the Chief Audit Executive.
- iii. On the 29<sup>th</sup> April 2021 a report was presented to the Committee on the preparation of the Internal Audit Plan 2021/22 and an updated Internal Audit Charter (setting out the purpose, authority and principal responsibilities of the Internal Audit Service). Both the Plan and the Charter were approved.
- iv. On the 23<sup>rd</sup> September 2021 and 15<sup>th</sup> December 2021 the Committee were provided updates on progress on completing the approved Internal Audit Plan 2021/22. The Committee noted the progress in delivery of the 2021/22 Annual Audit Assurance Plan.

### **f. 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. CORPORATE AUDIT COMMITTEE WORK PLAN FOR 2021/22 AND 2022/23**

- i. Whilst the Committee's work will be broadly similar to previous years it will keep under close review a number of key issues –
  - a) Financial resilience of the organisation – the on-going impacts of Covid19;
  - b) Treasury Management Arrangements
  - c) Retendering of the External Audit Contract.

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d) Council Companies Governance – e.g. Aequus Developments Ltd Governance Review

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

- i. Councillor Mark Elliott has been Chair of the Committee since July 2020. The Committee Members since July 2020 are:
  - Councillor Andy Furse
  - Councillor Brian Simmons
  - Councillor Colin Blackburn
  - Councillor Lucy Hodge
  - Independent Committee Member – John Barker
- ii. The Committee is supported by a number of Officers notably the Service Director for Commercial & Governance acting as Chief Internal Auditor (Chief Audit Executive) and the Chief Financial Officer who leads on financial issues through his S151 role.
- iii. The external auditors are currently represented by an Engagement Lead and Audit Manager from Grant Thornton.