

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Tuesday, 7th February, 2023, 4.00 pm

Councillors: Mark Elliott (Chair), Andrew Furse, Colin Blackburn and Lucy Hodge

Independent Member: John Barker

Officers in attendance: Jeff Wring (Service Director - Commercial and Governance), Andy Rothery (Chief Finance Officer (S151)), Gary Adams (Head of Financial Management) and Andy Cox (Head of Audit and Assurance (One West))

Guests in attendance: Peter Barber (Grant Thornton – External Auditor)

40 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer drew attention to the emergency evacuation procedure.

41 ELECTION OF VICE-CHAIR

No Vice-Chair was appointed.

42 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Councillor Brian Simmons sent his apologies.

43 DECLARATIONS OF INTEREST

There were none.

44 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were none.

46 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were none.

47 MINUTES - 24TH NOVEMBER 2022

RESOLVED – that the minutes of the meeting on 24th November 2022 be confirmed as a correct record and signed by the Chair.

48 EXTERNAL AUDIT - UPDATE

The External Auditor presented an update on their work and progress towards auditing the Council's Accounts for 2021/22. He informed Members that with regard to the national issue of infrastructure, that as expected, CIPFA had issued an override which came into effect on Christmas Day 2022.

He explained that the company was still struggling to finalise the accounts for 2021/22 due to staff sickness, the need for more resources and an inability to recruit. The intention now was to bring the accounts to the March Committee.

He provided an update on the Avon Pension Fund audit for 2021/22. He highlighted 2 further agreed adjustments to the draft 2021/22 to statements in respect of Note 23 – Nature and extent of risks arising from financial standing and asked for these to be minuted. Specifically, within the interest risk disclosure the impact of a 1% movement in rates had been incorrectly recorded and in the credit risk disclosure the value of investments held within one credit rating banding had been missed out. Both these points were corrected in the final version of the financial statements. The External Auditor explained that neither of these adjustments impact on any of the primary statements and are purely disclosure in nature.

During discussion the following points were clarified:

- With regard to £232m land and buildings and £257m investment properties in the balance sheet, the External Auditor explained that BANES had significant fixed assets, with a larger investment property holding than most other local authorities, which resulted in more work for the auditors;
- With respect to Council undertaking borrowing to invest in investment assets, the External Auditor highlighted there was a need to be risk aware but if managed correctly with due diligence this was satisfactory;
- The material land and building adjustment highlighted in the "Valuation of land and buildings and Investment Properties" section (Page 24) and the material adjustment referred to in the "Financial Statements" section (Page 22) were the same thing and not separate issues. There had been an adjustment in the current and previous year, both above materiality;
- Concern was raised about the further delay in the accounts being ready for sign-off, nearly 12 months on from the accounting period, and this should be put in writing. It was highlighted that with elections being held in May there was the possibility of changes to Audit Committee membership, along with a period of purdah in the run up to the elections. This affected the Committee's ability to be effective in scrutinising the 2021/22 accounts;
- BANES was not alone as there were other local authorities in a similar position of not having their accounts signed off;
- The Section 151 Officer explained the governance threshold for Whole of Government Accounts (WGA) returns has been lowered to accept unaudited returns by 31st March 2023. If sign-off of the accounts slipped into April there was some capacity though resources should be focussed on budget setting for 2024/25;
- The implications of the delay for the next 12 months on the audit cycle, should also be referred to in the letter.

On a motion from Councillor Elliott, seconded by Councillor Furse it was

RESOLVED

- 1) to note the update report and current position with regards to the Council's audit of its Accounts for 2021/22; and
- 2) that the Chair of the Committee, liaising with the Section 151 Officer, write to the external auditors Grant Thornton to voice concern about the further delay with the audit of the Council's accounts for 2021/22.

49 TREASURY MANAGEMENT STRATEGY STATEMENT 2023/24

The Head of Financial Management presented the report on the strategy statement for 2023/24. The report would go to Cabinet following this committee and then for approval to Full Council on 21 February 2023.

He outlined the main issues:

- The increase in interest rates from 0.5% - 4% due to inflation. The 11% peak inflation is forecast by the Bank of England to reduce to 2% within the next 2 years;
- Continuing pressure on the economy;
- Credit outlook – including bank risks, pressure on bank assets due to the weakening economic picture whilst net income and profitability would be strengthened by higher interest rates. Banks and credit ratings would be closely monitored;
- The forecast from Arlingclose advisers for UK Bank Rate was to increase to 4.25% this year before gradually reducing to 3.25% by 2025;
- Gilt yields were expected to remain broadly stable;
- He explained the new 'liability benchmark' measure and stated BANES was a long term borrower. The borrowing strategy had not changed;
- The key principal investments were focussed on security, liquidity and yield;
- There was a change to a 5 year time limit in respect of investment with UK Government and Local Authorities;

During questions the following issues were raised:

- The £79m reserve figure quoted included both earmarked and unearmarked reserves. This was a requirement of the Code to set out levels of reserves that could cover an investment loss if necessary;
- It was noted that Long Term strategic investment (including ESG) was £10m and had been £5m a few years ago. It was reported that the Code of Practice stated that Councils which have a long term borrowing need should only undertake long term investments to manage treasury risks so £10m was an appropriate level;
- With regard to the liability benchmark, the Council had already been using this tool, but was now required to publish it in the treasury management strategy.

Proposed by Councillor Furse, seconded by Councillor Hodge it was

RESOLVED that the Corporate Audit Committee agrees to;

- 1) recommend the actions proposed within the Treasury Management Strategy Statement (Appendix 1) to Council;
- 2) note the Treasury Management Indicators detailed in Appendix 1; and
- 3) recommend Council approves the adoption of the Treasury Management Clauses (Appendix 3).

50 ANNUAL GOVERNANCE STATEMENT 2022/2023

The Head of Audit and Assurance explained that the Committee had already had discussions related to the delays in the External Auditor completing their work on the 2021/22 Statement of Accounts and this impacts on finalising the Annual Governance Statement 2021/22. The report being presented was related to the Annual Governance Statement 2022/2023 and the process and timelines. He referred to Committee's terms of reference on its responsibilities on preparing the Statement and monitoring and promoting good corporate governance including review of the Council's Code of Corporate Governance.

The Delivering Good Governance Framework and the Council's Local Code of Corporate Governance (approved in 2018) aims amongst other things to ensure resources are directed according to priority to meet the Council objectives and agreed policy. He advised that the Code will be reviewed as part of the Governance Review and asked the Committee for their input/comments on whether the Code should record expected or adopted behaviours/actions.

The current Code records expected behaviours to comply with good governance principles and sub-principles.

RESOLVED to note the report on the process to produce the Annual Governance Statement 2022/23.

51 INTERNAL AUDIT PLAN 2023/2024 - CONSULTATION

The Head of Audit and Assurance presented the report which sought areas or themes the Committee would like to be considered in relation to the Internal Audit Plan for 2023/24. The list in appendix 1 gave a flavour of the audits that could be carried out and wasn't a finalised listing of audits for review.

During discussion the following items were raised:

- The Business Change Hub Programme had been considered by Corporate Scrutiny Panel and it would be useful to see how effective it was through an internal audit;
- Sustainable transport – useful to see if the walking and cycling initiatives were achieving specified aims and provided value for money;
- Liveable neighbourhood strategy – a review of outcomes
- Spending on the climate emergency, key to know if the Council objectives were being delivered;
- Planned maintenance of the Council's commercial estate in addition to the corporate estate;

- How the B&NES Audit Plan is developed and prepared in relation to other Audit Plans prepared by Audit West for other clients;
- BANES Plan is also informed by other networking e.g. West of England Chief Auditors Group and Devon Audit Partnership.

RESOLVED

- 1) to note the areas or themes the Committee would like to be considered in relation to the Internal Audit Plan for 2023/24; and
- 2) to note the intention to keep the plan under review, including a formal re-assessment of the Plan at the half year point. Any changes would be reported to Committee.

The meeting ended at 5.22 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services