

Bath & North East Somerset Council

MEETING:	Corporate Audit Committee
MEETING DATE:	15th March 2023
TITLE:	Audit Findings Reports for Council and Avon Pension Fund, and Audited Statement of Accounts 2021/22
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 2021/22

Appendix 4 – Bath & North East Somerset Letter of Representation 2021/22

Appendix 5 – Avon Pension Fund Letter of Representation 2021/22

Appendix 6 – Informing the Audit Risk Assessment

1 THE ISSUE

- 1.1 The Audit Findings Report summarises the results of Grant Thornton's audit of the 2021/22 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 2021/22 has been completed in accordance with the framework previously agreed by the Corporate Audit Committee.
- 1.3 Whilst the Audit is effectively complete there are some finalisation checks still to be completed by the External Auditor as identified in the Audit Findings report. If any final changes are required to the Statement of Accounts they will be presented at the Committee.

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 and informing the Audit Risk Assessment for both Bath & North East Somerset Council and the Avon Pension Fund for 2021/22, 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 categorisation across the property, plant and equipment headings within Long Term Assets, an incorrect split of revaluations between land and buildings, and a number of amendments to the Disclosure Notes accompanying the Financial Statements, none of which adjusted the total usable reserves or net position of the Balance Sheet.
- 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 2021/22 Financial Statements. Grant Thornton have not yet completed the Value For Money assessment work, so are not in a position to issue their Auditor's Annual Report. The National Audit Office's revised deadline 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 2021 extended the deadlines for the publication of the 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 2021/22 Statement of Accounts before the revised statutory deadline of 31st July 2022.

	Original Timescales	Revised 2021/22 Requirement Accounts & Audit (Amendment) Regulations 2021	2021/22 Actual Date Achieved
Draft Statement of Accounts Certified & Issued by Council	31 st May	31 st July 2022	22 nd July 2022
Final Audited Accounts Certified & Issued	31 st July	30 th November 2022	15 th March 2023

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 minor adjustments to audit fees and cash deposit breakdowns, 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 £216.5m offset by expected contributions of £236.5m giving a net inflow of £20.0m. The excess of contributions, over expected payments, is because of the expectation that employers will pay their deficit three years in advance. At 31 March 2022 the Fund has assets of £5.8bn of which £298m 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 £2.1bn in listed equity assets which are also highly liquid and can be sold for cash within a short timeframe. (Note: at 30 September 2022 the Fund value had fallen to £5.4bn with £88m in highly liquid assets). These liquid assets are more than sufficient to meet any unexpected reduction in contributions. There are no concerning trends regarding timely receipt of contributions, with 99.45% of contributions received on time for the quarter ending 31 March 2022.
- 3.9 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 100% by 31 March 2022. The strategic asset allocation is set to deliver the investment returns required to achieve full funding over a reasonable period.
- 3.10 It is therefore concluded that based on this evidence the Avon Pension Fund is a going concern with no material uncertainties.
- 3.11 Grant Thornton are proposing to issue an audit report including an unqualified audit opinion on the Pension Fund's 2021/22 Financial Statements.

Annual Governance Statement

3.12 In accordance with the framework agreed by the Corporate Audit Committee, Internal Audit 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.

3.13 The draft statement was reported to the Committee last June and it was reported that there were no new significant governance failures or control issues identified during the 2021/22 year which satisfy the recommended criteria. However, three areas were noted of significant impact on the Council's Governance –

- A) Financial Challenge - Impact of increasing Energy Costs
- B) Adult Social Care - The sale of Virgin Care to HCRG and subsequent decision to Insource
- C) Special Educational Needs - Increasing SEND costs and assessment numbers.

The detail of each of these was reported to the Committee last June and is included in the attached Appendix 3. The Statement sets out in more detail the high-level actions that the Council is taking to manage these significant issues.

Informing the Audit Risk Assessment

3.14 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.

3.15 The Council's responses are attached at Appendix 6 for consideration by the Committee as part of the sign-off and approval of the Accounts.

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 2021/22 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.

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Background papers	<i>None</i>
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