

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Wednesday, 15th March, 2023, 4.00 pm

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

**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 and Sophie Morgan-Bower

**52 EMERGENCY EVACUATION PROCEDURE**

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

**53 ELECTION OF VICE-CHAIR**

No Vice-Chair was required.

**54 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

There were no apologies.

**55 DECLARATIONS OF INTEREST**

There were no declarations.

**56 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR**

There was none.

**57 ITEMS FROM THE PUBLIC - TO RECEIVE STATEMENTS, PETITIONS OR QUESTIONS**

There were none.

**58 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS**

**59 MINUTES - 7TH FEBRUARY 2023**

**RESOLVED** – that the minutes of the meeting on 7<sup>th</sup> February 2023 be confirmed as a correct record and signed by the Chair.

**60 ANNUAL ACCOUNTS 2021/22 - PRESENTATION (NO PAPERS) (15 MINUTES)**

The Head of Financial Management gave a powerpoint presentation on the Annual Accounts 2021/22. He explained that the Committee had considered the pension fund accounts on 24th November 2022, appendix 6 on 19<sup>th</sup> May 2022 and the governance statement on 14<sup>th</sup> July 2022. He went through the narrative report, an overview of the main statements and the Audit Findings, explaining the highlights.

During the discussion the follows points were made:

- In respect of Covid business support grants distributed during 2020-21, the figure was £69M and in 2021-22 it was £21.5M. It was explained that the percentage of fraud was low due to the internal control framework.
- The £92M movement in unusable reserves were money the Council could not spend as they were due to statutory technical capital accounting and pension liability adjustments which did not impact on the Council's usable reserves.
- £37M movement in unusable reserves were related to BANES share of future liabilities in the Avon Pension Fund. The movements were based on rerevised actuarial assumptions including considerations such as pay awards, inflation, longevity of members and changes moving forward.
- Spend on capital projects was 61% of the budget and last year it had been 64%, slightly down but not materially. This mainly related to in year underspends on multi year projects and resources would be reprofiled and rephased into future years.
- The adjustment required to move land from the Other Land & Building category to Assets Under Construction reflected a change in presentation due to redevelopment works taking place on the land.
- The statement of accounts should be a contributing factor feeding into the risk register. The wider impacts are picked up under corporate risk and financial planning and there was a monthly/6-weekly meeting to discuss if anything needed escalating. Risk management was due to be revised and would be considered at a future Audit Committee.
- The Service Director explained that the Committee needed to oversee the process in relation to the Annual Governance Statement, and it issued-off by the Chief Executive and Leader. Three significant issues had been identified – inflationary pressure, cost of energy, sale of Virgin Care and continued pressure in the SEND area.

**RESOLVED** that the presentation be noted.

## **61 AUDIT FINDINGS REPORTS FOR COUNCIL AND AVON PENSION FUND AND AUDITED STATEMENT OF ACCOUNTS 2021/22 (30 - 45 MINUTES)**

The External Auditors – Peter Barber and Sophie Morgan-Bower presented the report. The national issues contributing to the delays in audit were outlined, including infrastructure asset accounting, and it was highlighted that the audit was also impacted through resourcing issues due to sickness. The audit was very close to completion and there was an expectation that an unqualified opinion would be issued. There were a few changes required to the statements in relation to Property, Plant & Equipment with some large figures and a prior year adjustment. These had no impact on the Council's revenue outturn position reported to Cabinet or usable reserves.

Work was still being finalised in respect of Infrastructure Asset accounting with a change required in relation to the useful asset life being used by the Council to depreciate these assets. The asset life used were lower than the standard lives recently published in CIPFA guidance. This would need concluding before the final audit opinion could be given.

During discussion the following points arose:

- As regards roads and bridges which were assets the Council owned but could not be realised. There was depreciation on the expenditure spent on fixing and building them so there was an intrinsic value.
- Some depreciation had been significantly understated compared to CIPFA guidance, therefore looking forward it was important that this was corrected and appropriate asset lives used.
- Roads and bridges were different to buildings which increased in value, they needed upkeep and replacement in time.
- It appeared that in the long term the Council had been prudent but this was not a fair reflection of practice.
- The clean air zone hardware had been paid for by central government but the revenue that was generated was the Council's.
- Infrastructure valuation must follow the CIPFA code and was on a cyclical approach.
- There was a further uplift in audit fees due to work in the last few months due to lots of engagement with the valuers in respect of Property, Plant & Equipment queries.
- VFM (value for money), which was overdue, would be undertaken as one single report on 2021/22 and 2022/23 together. This would result in efficiencies and was expected in May 2023 to mid-summer. The Section 151 Officer confirmed that this approach was practical for the Council and achievable.
- It was noted that there were Council elections in May which would result in a newly appoint Corporate Audit Committee shortly after.
- A new team from the external auditors would work on the next year's accounts.
- As a result of the accounts not being ready for sign-off at this meeting it would be delegated to the Section 151 Officer and the Chair.

On a motion from Councillor Andy Furse, seconded by Councillor Colin Blackburn it was

**RESOLVED** that

- 1) the issues contained within the Audit Findings Reports for the Council and Avon Pension Fund be noted;
- 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, be approved, subject to, any amendments necessary upon quantification of the impact of any issues arising from the ongoing work by the external auditors;
- 3) the Chair of the Corporate Audit Committee and the Chief Finance Officer make arrangements to sign the Statement of Accounts for 2021/2022 as

representing a “true and fair view” of the financial position as at 31<sup>st</sup> March 2022, following any amendments necessary upon quantification of the impact of any issues arising from ongoing work by the external auditors; and

- 4) if there was any concern before the accounts were signed-off, if necessary, the Chair would email the Committee.

## 62 INTERNAL AUDIT PLAN 2023/24

The Head of Audit and Assurance presented the report and explained there were six sections. He gave an explanation of the internal assurance arrangements, objectives, use of the reasonable assurance model, high level analysis by theme, the detailed plan and core audit plans and the other components of audit work. The plan would be flexible throughout the year.

During questions the following issues were raised:

- Issues covered in the national budget speech from the government would likely fit in with grant certification.
- Focus would continue on the 35 audit areas.
- The asset valuation of the heritage base is not in the plan currently. Internal Audit have reviewed exhibits and retail services stock movement and controls in previous years and provided assurance on procedures.
- Planning enforcement would be included in quarter 1.
- With regard to Covid grant fraud, there had been a lot of analytical work on this issue. There could be a report on the issue.

**RESOLVED** that the Internal Audit Plan 2023/24 be approved.

The meeting ended at 5.56 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**