

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Wednesday, 22nd November, 2023, 4.00 pm

**Councillors:** David Biddleston (Chair), Lucy Hodge, George Leach, Malcolm Treby and Sam Ross

**Independent Member:** John Barker

**Officers in attendance:** Enfys Hughes (Democratic Services Officer), Jeff Wring (Director - One West), Andy Rothery (Chief Finance Officer (S151)), Gary Adams (Head of Financial Management), Jamie Whittard (Corporate Finance Manager), Andy Cox (Head of Audit and Assurance (One West)) and Giles Oliver (Finance Manager - Project Finance)

**Guests in attendance:** Jon Roberts and Beth Bowers (Grant Thornton External Auditors)

**27 EMERGENCY EVACUATION PROCEDURE**

The Democratic Services Officer read out the emergency evacuation procedure.

**28 ELECTION OF VICE-CHAIR**

None was needed.

**29 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

There were none.

**30 DECLARATIONS OF INTEREST**

There were none.

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

There was none.

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

There were none.

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

There were none.

**34 AUDIT FINDINGS REPORT FOR COUNCIL & AVON PENSION FUND, AND AUDITED STATEMENT OF ACCOUNTS 2022/23**

Jon Roberts and Beth Bowers (Grant Thornton External Auditors) presented the reports. Jon Roberts stated that both the audit findings for the Council and for the Avon Pension Fund (APF) complied with the auditing standards and governance was

part of the Corporate Audit Committee role. He went on to explain that the report gave an indication of the status of the audit which was nearly complete and outstanding work was small compared to other Councils. The audit opinion for the Council was unqualified and for VFM there was one key recommendation in relation to an identified significant weakness. The audit had additional powers and duties which could be implemented in respect of the public interest but these were not needed. The final opinion on the accounts would be given in the next few days.

### Council Audit

Beth Bowers made the following points in respect of the Council Audit:

- Property, Plant & equipment and valuation were still an outstanding query;
- the materiality threshold on page 17 had not changed;
- on pages 18-21 there were no significant risk findings that would lead to an unqualified opinion;
- on page 22 there were no issues found as part of the group audit;
- there was one weakness on VFM and the next item on the agenda would go into more detail;
- the Council was below the National Audit Office threshold so it's Whole of Government Accounts (WGA) return does not need to be audited;
- in respect of Independence and Ethics, Beth Bowers declared an interest which members of the audit team had been consulted on and had approved her continuance. Her mother had a new job and had been admitted to the APF. She was not working in a financial capacity but as a chaplain at a university. She and her mother were financially independent of each other. She confirmed she remained independent and would declare this as a future issue. Members all agreed they were happy to proceed on this basis;
- the appendices referred to the action plan, recommendations to management and follow up on the recommendations in the previous period;
- there were no adjusted misstatements impacting on the primary statements for the year ending 31 March 2023;
- there were a few additional fees for audit services which had been raised with management and which would be submitted to the PSAA (Public Sector Audit Appointments) for approval.

During Members' questions the following answers were given:

- Councillor Lucy Hodge - the significant weaknesses on VFM had previously been identified as the DSG and governance, it was reported that governance had been assessed and was not deemed a significant weakness;
- Councillor Sam Ross - it was confirmed that outstanding queries would be completed very shortly and was a small area of work. The report sought delegated authority to approve the audit subject to any small adjustments. Anything significant would be reported back to the Committee. The Head of Financial Management had circulated amended recommendations to the Committee prior to the meeting;
- Councillor Sam Ross – page 43 in respect of the cashflow statement was confirmed to be £ millions which was a presentational adjustment;
- Councillor Sam Ross – page 45 referred to £2.225 million and it was explained that materiality was high for an organisation the size of BANES.

The Section 151 Officer stated that BANES property assets were around £500 million to give a context;

- Councillor Malcolm Treby – page 47 the fees for the audit stated under non-audit services were in relation to certification for grant claims and had to be treated like this;
- Councillor Malcolm Treby – page 46 equal pay fees – Further work was required in light of issues at other Council's including Birmingham City Council where the financial impact was significant. It was confirmed that officers had processes in place for this and it was a good use of auditors time;
- Councillor David Biddleston – in respect of getting clarity on the external audit at an earlier stage, it was explained that there would always be some queries at the end of a complex audit like this, these had to be assessed relating to risk;
- the external auditors had a 'lessons learned' review at the end of each year;
- it was acknowledged that the report was a large amount to read `but if the report was circulated to members earlier there would be more incomplete work.

### Avon Pension Fund (APF) Audit

Jon Roberts stated the plan was to give an unqualified opinion. There had been a small number of outstanding items on page 59 which were now all complete. There were two materiality thresholds for the APF (page 60) which related to contributions and benefits for members. Significant risks were set out on pages 61-62 and key judgements and estimates were on pages 63-65. It was a going concern with no issues. In respect of Independence and Ethics the same issue was declared relating to Beth Bowers' mother. The appendices at page 81 outlined the estimation difference identified in the valuation of level 3 investments.

During Members' questions the following answers were given:

- Councillor Sam Ross – the consistency opinion on page 57 was another responsibility for the APF and the majority of the work was complete and management were responsive to the amendments;
- Councillor Sam Ross – page 76 referred to individual names and it was confirmed that it was more appropriate to use job titles/roles;
- Councillor Sam Ross page 80 how to avoid significant differences in the future – as custodians of the APF it was a manual task to go through reconciliation checks and, in context, was not as large with assets of £5 billion;
- John Barker (Independent Member) – estimation differences depended on the scenario and what was appropriate, they had to be reported. Work undertaken was based on evidence from the fund managers and they looked at movement in the markets. A similar approach was followed by colleagues who had also noted estimation differences.

On a motion from Councillor Lucy Hodge, seconded by Councillor Sam Ross it was

**RESOLVED**

- 1) To note the issues contained within the Audit Findings Reports for the Council and Avon Pension Fund;
- 2) to approve the audited Statement of Accounts, including the Letters of Representation for both Bath & North East Somerset Council and the Avon Pension Fund for 2022/23, subject to, any amendments necessary upon quantification of the impacts of any issues arising from the ongoing work by the external auditors;
- 3) that the Chair of the Corporate Audit Committee and the Chief Finance Officer make arrangements to sign the Statement of Accounts for 2022/2023 as representing a “true and fair view” of the financial position as at 31st March 2023, following any amendments necessary upon quantification of the impact of any issues arising from ongoing work by the external auditors;
- 4) if there are any new and significant issues identified before the accounts are signed-off, if necessary, the Chair would email the Committee for information.

### **35 EXTERNAL AUDIT - ANNUAL REPORT - 2021/22 & 2022/23**

Jon Roberts (Grant Thornton External Auditor) presented the report and explained that the report covered two periods 2021/22 & 2022/23. He stated auditors follow the NAO (National Audit Office) framework which sets out practice and guidance with a narrative, commentary and observations. He explained the hierarchy of findings which included the statutory recommendations - of which there were none; the key recommendations – which included the DSG and its recovery plan under the safety valve programme; and 15 improvement recommendations – that provided a narrative of the opportunities to improve in line with best practice.

In relation to risk assessments, there were two set out and one was upheld – the arrangements for managing the DSG recovery plan - and the other had no significant weakness. It was a positive report and it was hoped that the scrutiny was appreciated.

The following points were made during questions:

- Councillor Lucy Hodge – were links to other Committees were being picked up. In respect of financial sustainability, the Business Change Hub had been reported to scrutiny (page 262);
- further detail would be appreciated in the Reserves table;
- the majority of movement was the Covid reserves which were down, though the Council had protection against unplanned shocks;
- the Section 151 Officer reported that reserve balances were up and some of this related to grants. If grants were not spent then money would be returned to the government;
- the section 25 statement went to all directors for horizon scanning, looking at demand pressures to ensure that enough reserves were held in case of unplanned risk;
- the Head of Financial Management confirmed that £12.5m was the target level of unearmarked reserves, although the year end balance could fluctuate as it includes carry forward of revenue underspends;

- Councillor George Leach – the financial statement audit goes through the reserves in detail;
- Councillor David Biddleston – every year the earmarked reserves are reappraised looking at the long-term and the balance. If not used they can be released;
- Councillor Lucy Hodge – it would be helpful for Members to see the Corporate Risk Register;
- Aequus would be addressing other groups including the political groups and the external auditors would report on progress in the future;
- Councillor Malcolm Treby – in respect of conclusions from any actions that weren't followed up, the recommendations were tracked and there was an option to raise an issue (page 24-25);
- Councillor Malcolm Treby – page 266 management would brief the Committee on the response to the confidential item;
- the Director – One West would report to the Committee regarding contract waivers and why these were needed;
- Councillor David Biddleston – the Committee role was to be a critical friend and there was a recovery plan and safety valve for the DSG. A number of other Councils had the same issue. This period the external auditors had done a 'deep dive' to ensure previous concerns were addressed;
- Councillor Lucy Hodge – governance – the Section 151 Officer stated that there was a Capital Strategy Group who looked at governance, best practice and management of the capital programme.

**RESOLVED** to note the Annual Report including the VFM conclusions and the recommendations arising.

**36 AUDIT COMMITTEE - DRAFT WORKPLAN**

The Director – One West explained that this was a working document and contained more detail since initial drafting. He confirmed the Corporate Risk Register would now be considered by the Committee.

**RESOLVED** to note the 2023/24 workplan for the Committee subject to any proposed amendments.

The meeting ended at 5.30 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**

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