

CORPORATE AUDIT COMMITTEE

Minutes of the Meeting held

Wednesday, 1st May, 2024, 4.00 pm

Councillors: David Biddleston (Chair), George Leach, Malcolm Treby, Sam Ross and Toby Simon

Independent Member: John Barker

Officers in attendance: Enfys Hughes (Democratic Services Officer), Jeff Wring (Director of One West & Avon Pension Fund), 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: Beth Bowers (Grant Thornton (External Auditors)), George Amos and David A Johnson

1 APPOINT A VICE-CHAIR

RESOLVED that Councillor Sam Ross be Vice-Chair of the Corporate Audit Committee.

2 EMERGENCY EVACUATION PROCEDURE

The Democratic Services Officer drew attention to the emergency evacuation procedure as set out on the agenda.

3 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS

Apologies were received from Councillor Lucy Hodge, Councillor Toby Simon was her substitute.

4 DECLARATIONS OF INTEREST

Councillor Toby Simon declared that he was a member of the Pensions Committee. There were no other declarations of interest.

5 TO ANNOUNCE ANY URGENT BUSINESS AGREED BY THE CHAIR

There was none.

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

There were no items.

7 ITEMS FROM COUNCILLORS AND CO-OPTED AND ADDED MEMBERS

There were no items.

8 MINUTES - WEDNESDAY 7TH FEBRUARY 2024

RESOLVED that the minutes of the meeting held on 7th February 2024 be confirmed as a correct record and signed by the Chair.

9 EXTERNAL AUDIT PLAN - B&NES COUNCIL AND AVON PENSION FUND

Colleagues from Grant Thornton were at the meeting to present the External Audit Plan. Beth Bowers introduced David Johnson who was the Audit Manager for the Council and George Amos who was the Audit Manager for the Pension Fund.

David Johnson gave an overview of the plan for the Council briefly highlighting the ongoing auditing delays for local authorities. He went on to outline the significant risk areas and stated that they had determined materiality for the Council at £7.7m for the Council and £7.8m for the group. They liaised with Aequis to form their opinion. In respect of significant weaknesses they would have a planning meeting and there would be a progress report to the next meeting. It was envisaged that the sign off would be at the September or November Committee. He highlighted the increase in fees due to the new PSAA (Public Sector Audit Appointments) contract and IFRS 16 leases which resulted in a large amount of work and preparation. He referred to the escalation policy which included steps to ensure that there were no delays with sign-off in the future so that the audit was delivered in the time frame.

Beth Bowers reminded members of her previous disclosure of a close family member being part of the Pension Fund.

The following questions were answered:

- Noting the increase in fees, over the last 15 years the costs of audits had not increased in line with inflation and the PSAA contract would redress the balance and support Grant Thornton in catching up with the backlog;
- page 23 the management override of controls, this was a mandated risk (Councillor Toby Simon);
- there would be a meeting with the Chair of the Corporate Audit Committee in September after the main audit work was under way in June – July;
- the terms rebuttable and non-rebuttable were explained and it was noted that there were different forms of revenue in the public sector and revenue was not the main driver (Councillor David Biddleston);
- Grant Thornton delved into the details and explained examples of high-risk items. With the Roman Baths the risk and materiality were analysed and only high-risk items were reported on (Councillor Toby Simon);
- significant risks were often similar year-on-year (Councillor David Biddleston);
- reference was made to IT audit and regard to the Horizon Post Office scandal. There was a Grant Thornton team of IT experts who did detailed work on systems on a risk-based frequency, plus testing year-year but if there was a new Council system then further work would be done as it could be seen as a significant risk (John Barker);
- a glossary of terms might be useful for new members, however, it was difficult to know what some people didn't know (Councillor David Biddleston);
- with changes to the structure or functionality it would be useful to have more networking between members (John Barker);

- the suggestion was made that all members be invited to the Chair's briefing before a Committee (Councillor Malcolm Treby) and this would be trialled.

George Amos presented the audit plan for the Pension Fund and stated that materiality was £62.9m. The revenue and expenditure risks were rebutted and there was work on the journals and level 3 investments. In the IT audit there was work on Altair which was specific to the Pension Fund. Other systems were common to both the Council and the Pension Fund. Both audits were running at the same time and were envisaged to be considered at the September Committee.

The following questions were answered:

- Altair was a Pensions specific system supplied by Heyward;
- there was a focus on work where materiality was mis-stated and the External Auditors had been made aware of the financial value near the materiality threshold (Councillor Toby Simon).

On a motion from Councillor Malcolm Treby, seconded by Councillor Toby Simon it was

RESOLVED

- 1) That the 2023/23 External Audit Plan for the Council (Appendix 1) and External Audit Plan for the Avon Pension Fund (Appendix 2) be endorsed; and
- 2) that all members of the Committee be invited to the virtual Chair's briefing before a Committee.

10 ANNUAL GOVERNANCE STATEMENT 2023/2024 & LOCAL CODE OF CORPORATE GOVERNANCE

The Head of Audit and Assurance One West (Finance) presented the report which enabled the Committee to fulfil its responsibilities associated with the Council's Annual Governance Statement 2023/24 and sought endorsement of the revised Local Code of Corporate Governance which would be an attachment to the Annual Report to Council.

During questions the following matters arose:

- The process to decide on whether an issue was deemed 'significant' for inclusion in the Statement was explained - Senior Officers used their professional judgement in consultation with the Monitoring Officer, Section 151 Officer and members of Executive Leadership Team. (Councillor Malcolm Treby);
- in determining the necessary interventions it was confirmed that the correct Risk Management Strategy was referred to in the report (John Barker);
- the DSG (Direct Schools Grant) and the related safety valve agreement was included in the statement and was subject to scrutiny (Councillor Toby Simon).

On a motion from Councillor Sam Ross, seconded by Councillor Malcolm Treby it was

RESOLVED

- 1) That the report on the process to produce the Annual Governance Statement 2023/24 be noted; and
- 2) the Council's Local Code of Corporate Governance (2024) for adoption by the Council, be endorsed.

11 ANNUAL REPORT OF THE CHIEF AUDIT EXECUTIVE 2023/24

The Head of Audit and Assurance presented the report which was a requirement under the Public Sector Internal Audit Standards to provide an annual audit opinion. Updates on delivery of the 2023/24 Internal Audit Plan had been received by the Committee in November 2023 and February 2024. There had been 26 planned audit reviews carried out plus 2 unplanned reviews - cash handling at two Community Resource Centres and a review of Public Health Service Budget Management. Other work that informs the 'opinion' is the 'follow-up' of previous audit recommendations. During the year, 23 Audit Reports were 'followed-up' and it was identified all the recommendations for 13 reports had been implemented. Focussing specifically on 4 Audit Reports assigned a Level 2 rating ('Limited Assurance'), it was reported management were implementing the recommendations, but capacity issues had resulted in delays.

In respect of IT audit reviews recorded in the report, there were two on cyber security and implementation of recommendations was linked to the Azure migration. Work was ongoing on the migration. It was highlighted that staff had just received a reminder to complete the Cyber Security E-learning course.

The following issues were raised during questions:

- The reference in the report to North Somerset Council should in fact be Bath and North East Somerset Council;
- audit of maintained schools – it was explained that there were 7 schools and these schools were required to complete the Schools Financial Value Standards annual return as required by the Department of Education (Councillor Toby Simon);
- continuing issue of Internal Audit Team capacity and resourcing - it was reported that adverts were about to go out to recruit an Auditor and Senior Auditor. (Councillor Malcolm Treby).

On a motion from Councillor Sam Ross, seconded by Councillor George Leach it was

RESOLVED

- 1) To support the conclusion that the Council's system of internal control was effective; and

- 2) to confirm that the opinion of the Chief Audit Executive, based on his assessment of effectiveness, could be relied upon as a key source of evidence in the Annual Governance Statement 2023/24.

12 INTERNAL AUDIT PLAN - 2024/2025

The Head of Audit and Assurance presented the report and stated that the Committee had been consulted at the last meeting on areas to be included in the Plan and the response highlighted Climate and Ecological Emergency Response – Performance and funding to the Third Sector. These areas have been included in the Plan for approval. He highlighted the long list of audit reviews being the core activity of the team and that the Plan also recorded other areas of work including – fraud prevention and detection, corporate governance annual review, and independent certification of grant funding including WECA grants.

In response to comments on monitoring Climate Emergency it was highlighted that members could attend the Climate Emergency and Sustainability Policy Development and Scrutiny Panel if they wished. The Director of One West explained that it was important to separate internal audit and risk management, issues were considered by this Committee and some by the scrutiny panel. Officers worked hand in hand with scrutiny.

Management of the Heritage Collection/Exhibits was noted as below the line of available capacity and this was questioned (Toby Simon). The Head of Audit and Assurance explained that he was aware of the service seeking accreditation for their management of collections and so if accreditation was achieved this would provide external assurance about systems and processes.

On a motion from Councillor Toby Simon, seconded by Councillor Sam Ross it was

RESOLVED to approve the Internal Audit Plan 2024/25 (Appendix 1).

13 RISK MANAGEMENT - UPDATE REPORT - FRAUD RISK

The Director One West presented the report and explained that moving forward the Committee would be looking at the Corporate Risk Register every other meeting. He introduced one of the Senior Auditors who gave a powerpoint presentation on fraud risk. The presentation would be circulated to members of the Committee.

After the presentation following questions, the issues below were raised:

- The increase in data matches for the prevention and detection of fraud, could be a result of improved data matching and possibly an increase in fraudulent activity;
- The investigation of any potential fraudulent activity would be co-ordinated by the internal audit team and assisted by officers from other services;
- It's likely that the cost of living crisis and the pandemic had led to an increase in fraud activity.

RESOLVED to note the report/presentation and the Council's approach to managing Fraud Risk.

14 AUDIT COMMITTEE - DRAFT WORKPLAN

The Director One West presented the workplan for the next 4 meetings.

RESOLVED

- 1) To note the workplan; and
- 2) to note that the September 25th meeting would be in the Community Space in Keynsham, with a later start time of 5.30pm.

The meeting ended at 6.05 pm

Chair(person)

Date Confirmed and Signed

Prepared by Democratic Services