

**CORPORATE AUDIT COMMITTEE**

**Minutes of the Meeting held**

Wednesday, 25th September, 2024, 5.30 pm

**Councillors:** David Biddleston (Chair), George Leach, Sam Ross (Vice-Chair) 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 and George Amos (Grant Thornton External Auditors)

**15 EMERGENCY EVACUATION PROCEDURE**

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

**16 APOLOGIES FOR ABSENCE AND SUBSTITUTIONS**

Apologies were received from Councillor Malcolm Treby.

**17 DECLARATIONS OF INTEREST**

There were none.

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

There was none.

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

There were none.

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

There were none.

**21 MINUTES - 1ST MAY 2024**

**RESOLVED** that the minutes of the meeting held on 1<sup>st</sup> May 2024 be confirmed as a correct record and signed by the Chair.

**22 REVIEW OF EFFECTIVENESS 2024**

The Head of Audit and Assurance presented the report, stating it's a best practice requirement (CIPFA Position Statement for Audit Committees in Local Authorities) to carry out a self-assessment of the effectiveness of the Corporate Audit Committee. The Chair and Vice-Chair were invited to meet with the Head of Audit & Assurance to consider/discuss the completed self-assessment checklist and draft action plan. The exercise resulted in proposed revisions to the terms of reference of the Committee were updated based on the CIPFA requirements. The Head of Audit & Assurance requested a further amendment to the terms of reference based on consideration of the CIPFA Treasury Management Code of Practice and this was to point 2 in the Functions section. The requested change to the Terms of Reference as recorded in Appendix 4 of the report was – "To scrutinise the Treasury Management Strategy and policies, monitor proposed changes and receive treasury management update/outturn reports to monitor compliance". He also commented on other areas of improvement including: considering increasing the number of co-opted independent members and the need to carry out an assessment of the skills and knowledge of Committee members to assist in the planning training for members.

During discussion the following points arose:

- Following the elections it had been noted that there was only one remaining councillor on Corporate Audit – Lucy Hodge along with our independent member John Barker. It would be useful to reflect on the members' current skills set and if there were gaps to fill them (Councillor Sam Ross).
- The Head of Audit and Assurance would be sending round a skills assessment checklist for members to complete.
- It was noted that some Corporate Audit Committees did not have an independent member (Councillor David Biddleston).

It was proposed by Councillor George Leach and seconded by Councillor Sam Ross and

**RESOLVED** that

- 1) the process followed to carry out the self-assessment and the evaluation of the effectiveness of the Audit Committee be noted;
- 2) the comments on findings, conclusions and recommended actions of the self-assessment be noted; and
- 3) the revised terms of reference of the Committee be approved and recommended to Council.

## **23 ANNUAL REPORT - APRIL 2023 - MAY 2024**

The Head of Audit and Assurance presented the report and explained that Full Council had delegated powers to the Corporate Audit Committee and it must report back annually as part of the terms of reference. The report recorded the work of the Committee under headings linked to the terms of reference - annual accounts of Council, Avon Pension Fund and Council owned Companies; treasury management; corporate governance; external and internal audit and risk management. He reminded members that the Committee maintained a workplan and had undertaken an effectiveness review in line with best practice.

During discussion the following points arose:

- Section 4 Membership and Support to record that Councillor Tony Simon had replaced Councillor Lucy Hodge as a member of the Committee (Councillor Toby Simon).
- It was confirmed that there was just one key recommendation (Councillor Sam Ross).
- The local code on Corporate Governance was included as an appendix.

It was proposed by Councillor Toby Simon and seconded by Councillor George Leach and

**RESOLVED** that the Annual Report covering the period April 2023 – May 2024 be agreed and the Chair of the Committee be requested to present it to the November meeting of Council.

## **24 EXTERNAL AUDIT - UPDATE**

Beth Bowers (Grant Thornton External Auditors) presented the three reports in turn, starting with the External Audit Update report. She reported on progress with the external audit and stated that most of the planned work would be completed this week. By the November Corporate Audit Committee all the work would be complete and the final report would be submitted to that committee. There were currently no major findings and the sector update included some publications relevant to BANES or the sector as a whole. David Johnson (Grant Thornton) had sent apologies as he had a clash of Committees.

During questions the following points arose:

- Councillor David Biddleston queried the position of other Council audit sign-offs and it was explained that for a few years there was slow progress as a result of the pandemic and national issues including sector wide improvements. BANES was broadly in a positive position having signed off on 2022-2023 and the sign-off for 2023-2024 planned for November 2024.
- Councillor Toby Simon commented that Grant Thornton had done a good job locally for BANES and the West of England, whose audit would be signed-off next Monday.

Beth Bowers reported on the Audit Findings for the Avon Pension Fund stating progress was similar to that of the Council. The main area they were still looking for assurance on is linked to very complex investments. Any delay related to third party investment fund managers and not the BANES Pension team as they waited for a few bits of evidence to be provided. Once the investment work was finalised the IAS19 assurance letters would be provided to the Avon Pension Fund admitted bodies.

George Amos (Grant Thornton) referred to the headlines on page 90 and completion of testing on the journal entries, the management override of control was completed, level 2 and 3 assurances were progressing, increasing the number of people who could approve bank reconciliations, a list of users to perform tests on in Aggresso,

no improvement required on the accounting statement and that the Avon Pension Fund accounts had been subject to a technical review.

During questions the following points arose:

- The significant breach in respect of the pension RPI increase (Councillor Toby Simon). This was noted in the annual report and was not material and there was no impact on the Grant Thornton opinion. BANES management had taken this seriously. The Director of Financial Services, Assurance and Pensions explained that there had been complex issues relating to controls and software and specialists had been brought in. Repeated testing had been undertaken and they were within the expected figures. There had been some difference in opinion between the Council and External Auditors but Grant Thornton were satisfied and it was a reasonable position to be in. Councillor Toby Simon stated that the issue had also been reported to the Pension Committee. It was confirmed that there was a variety of characteristics with different employer backgrounds being affected by the issue (John Barker).

Beth Bowers (Grant Thornton) reported on the Annual Audit Report which was interim as the audit of the accounts had not yet been finalised. The report focussed on the Value For Money (VFM) judgement where the audit work had been completed for 2023/24. She highlighted the executive summary which identified key recommendations and areas of weakness/focus. There was also a useful summary and follow up on previous recommendations. The Dedicated Schools Grant (DSG) High Needs deficit was highlighted as a significant weakness.

During questions the following points arose:

- The reason for the DSG issue was overspending in order to meet the statutory duties for children with EHCP (Education Health Care Plans) in expensive out of area placements. A report would be submitted to Council on the DSG action plan and the financial risk to the Council.
- The Executive Director of Resources explained that there was a revised plan for the management of SEND (special educational needs and disabilities) and a cumulation of the deficit. Basically, grant funding had not kept up with the cost of placements. This was a national issue to finance the deficit in the funding of placements which the DfE (Department for Education) had not recognised.
- The Director of Financial Services confirmed this affected 30 – 40 Councils.
- It was important that the Council met its obligations but this problem would continue to grow (Councillor David Biddleston).
- It was suggested that the Director of Education be invited to present the Committee with an updated position on the issue, addressing the financial risk and plans but noted that the Director of Financial Services was already in discussions on the issue and the Executive Director of Resources stated that the timing of the update would need to be aligned with the result of the ongoing discussions with the DfE.
- To note the improved relationships with WECA (West of England Combined Authority). Councillor Toby Simon reported that WECA now had a full set of statutory officers and there was a commitment to rebuild with an Improvement

Board to get the authority back on track. He said it was likely that North Somerset Council would join WECA.

- Beth Bowers (Grant Thornton) agreed there had been lots of change and noted that best practice could be strengthened.
- The Director of Financial Services explained that a new contract management framework would be introduced to improve and identify better value, with a need to prioritise resources. This would enable us to implement an action plan. It should be noted that the process would take several years to do successfully and gain good value for money as this involved a lot of services and many third parties.
- Councillor David Biddleston stated that as Chair he (and the Vice-Chair) should meet with the External Auditors to meet the CIPFA best practice requirements. Beth Bowers (Grant Thornton External Auditors) responded that she would arrange this.

It was proposed by Councillor David Biddleston and seconded by Councillor Toby Simon that

**RESOLVED** that

- 1) the Audit Update Report, Audit Findings Report for the Avon Pension Fund and Annual Audit Report be noted; and
- 2) the Director of Education be invited to present the Committee with an updated position on the issue of the DSG, addressing the financial risk with an action plan but noting the points made by the Director of Financial Services and the Executive Director of Resources, in respect of ongoing discussions and timing of this.

## **25 TREASURY MANAGEMENT PERFORMANCE REPORT TO 31ST MARCH 2024**

The Head of Financial Management explained that this was a backward looking report for information looking at performance in 2023-24 against the Treasury Management Strategy. The report had already been considered by Council and Cabinet in July.

He highlighted the following points:

- The average total investment return for the period was 4.85% below the benchmark of 4.95%.
- Paragraph 3.15 showed the split between short term (4.95%) and long term investments (4.43%), he explained the impact of economic factors and valuation at year end.
- Appendix 2 highlighted that the average balance of investments for the year was £50 million and it showed where they were invested, with majority in money market funds at year end with easy access.
- Revenue budgets had benefited from additional investment interest of £0.5 million.
- Borrowing had increased by £36 million to end the year at £245 million.
- £30 million of new borrowing has a short term maturities to maintain a variable element to the portfolio to benefit from projected falling interest rates.
- Borrowing interest cost was £1.8 million lower than budget.

- Treasury Management indicators were in Appendix 1 and reassurance given that all were in line with approved limits.
- The economic market review referred to declining UK inflation and pressures on economic growth which had flat-lined. The Bank of England base rate had increased to 5.25% from 4.25% over the year.
- Appendix 8 shows the main risks from the Treasury Risk Register.

Councillor David Biddleston noted that the Council was going in the right direction and it was helpful to have the Arling Close Review which was very easy to read.

**RESOLVED** that the Treasury Management Report to 31st March 2024, prepared in accordance with CIPFA Treasury Code of Practice and the Treasury Management Indicators to 31st March 2024, both be noted.

## **26 INTERNAL AUDIT - UPDATE REPORT (PLANNED WORK 2024/25)**

The Head of Audit and Assurance presented the report which gave an update on the work of the Audit Team and progress against the Audit Plan. He gave the following information:

- The 5 audits that had been work in progress were now completed and the Wifi Networks audit had been allocated a level 4 (Good) assurance level (the assurance level had not been recorded in the report).
- The Property Maintenance audit was allocated a level 2 limited assurance rating as there were 5 high risk weaknesses, covering the IT and system management, completion of condition surveys, maintaining records of quotes for repairs, lack of separation of duties (raising jobs and authorising payments, and inadequate verification of works carried out. This was considered a watching brief for the Committee based on the Committee's historical oversight of action taken related to another 'Level 2' (Limited Assurance) audit review of Property Compliance.
- In 2024/25 there were 32 grant certification reviews which had increased from last year's (29), lots of resources were used in April to complete this work
- As at the end of August two reports had been issued to management – Climate Ecology Responsibility and the Dedicated Schools Grant Safety Valve (Programme Management).
- Although progress on completing the planned work was limited in the first 5 months of 2024/25, this was due to the need to complete previous year work and team resources being allocated to other clients. The recruitment of two new staff in August and September provided confidence that the situation would improve over the autumn/winter.
- In terms of 'follow-up' of audit reviews the report highlighted two cases where progress on implementing agreed recommendations was not as planned and therefore these were highlighted as 'amber' and would continue to be monitored and reported on as necessary.

During questions the following points were raised:

- Members were looking forward to the outcome of the Car Parking - Emissions Income charging audit review.

- Bristol City Council had issues with petty cash (Councillor Toby Simon), the Director Financial Services, Assurances and Pensions stated there were some petty cash amounts in Adult Social Care and Children Services. The Head of Audit and Assurance stated that an audit had been undertaken of the Children Services Imprest Account and this only identified minor issues.
- It was explained that the Council had significant property to maintain - corporate and commercial.

**RESOLVED** that the progress in delivery of the 2024/25 Annual Audit Assurance Plan be noted.

**27 RISK MANAGEMENT - UPDATE REPORT - CORPORATE RISK**

The Director of Financial Services, Assurances and Pensions presented the regular update report which had the latest Corporate Risk Register attached as a watching brief for the Committee. It demonstrated the assessment process, risk appetite and tolerance.

**RESOLVED** that the report be noted.

**28 DRAFT WORKPLAN 2024 - 2025**

The Director of Financial Services, Assurances and Pensions presented the workplan which was a dynamic changing document. The Chair explained that the CIPFA requirement was that members should take the knowledge test to identify areas for training and there should be some self-learning. The officer added that the best practice advice contained within appendix 1 of the External Audit report from Grant Thornton contained some useful reading material.

**RESOLVED** to note the workplan 2024-25.

The meeting ended at 7.08 pm

Chair(person) .....

Date Confirmed and Signed .....

**Prepared by Democratic Services**