

Appendix 1

Audit Committee Annual Report to Council – 2024/25

1. Introduction

This report covers the work undertaken from May 2024 to end of April 2025. The purpose of this report is to comply with the Constitution that requires the Full Council to receive a report from the Audit Committee, detailing its activities and effectiveness for the year and the proposed work programme for the following year. The Committee's annual report is one of the means by which Council is assured that the Committee is carrying out its role effectively.

2. General Approach

The Audit Committee is committed to the principles of openness, effectiveness, and collaboration. The Committee is a key component of the Council's governance framework. Its function is to provide an independent and high-level resource to support good governance and strong public financial management. The purpose of the Committee is to provide to those charged with governance, independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and governance processes. By overseeing both internal and external audit activity it makes an important contribution to ensuring that effective assurance arrangements are in place.

3. Review of Work Carried Out – May 2024 to end of April 2025

a. Financial Governance – Annual Accounts (Council & Pension Fund)

- i) At the Committee meeting on the 27th November 2024, the Group Accountant Financial Accounting & Corporate Finance gave a presentation on the revised draft accounts for 2023/24.
- ii) At the meeting on the 27th November 2024, representatives from Grant Thornton presented the Audit Findings Reports for the Council and the Avon Pension Fund. The high-level summary was an unqualified opinion. It was not possible to give certification as there had been an objection, although this would not have any material impact on the accounts. There were a small number of recommendations and adjustments. It was resolved:
 - 1) To note the issues contained within the Audit Findings Reports and addendum to the Auditor's Annual Report for the Council; and
 - 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 (including revised opinion) for 2023/24.

b. Financial Governance - Annual Accounts (Council Owned Companies)

- i. In line with the Committee's Terms of Reference at the 27th November 2024 meeting the final approved and signed Aequus Developments Ltd (ADL), Aequus Construction Ltd (ACL) and Aequus Group Holding Limited (AGHL) Accounts for 2023/24 were reviewed. The meeting was attended by the Aequus Financial Controller and they presented the accounts and answered questions raised by Committee Members. It was resolved that that the audited accounts of ADL, ACL and AGHL had been reviewed in line with the Committee's Terms of Reference and the audited accounts of ADL, ACL & AGHL (Council wholly owned companies) be noted.

c. Financial Governance – Treasury Management

- i. The Committee acts as a scrutiny function for the Council's Treasury Management arrangements as recommended by CIPFA.
- ii. The Committee formally received reports on the outturn of performance for the year 2023/24 and a mid-year update on performance for 2024/25, plus the strategy statement for the year 2025/26.
- iii. The Treasury Management Performance Report 2023/24 was presented to the 25th September 2024 meeting of the Committee. The Committee noted the report.
- iv. A Treasury Management Performance Report to 30th September 2024 was presented to the meeting on the 27th November 2024.
- v. Committee Members reviewed the Treasury Management Strategy Statement for 2025/26 on the 5th February 2025. This set out the external context, borrowing strategy, treasury investment strategy, treasury management prudential indicators, current position, borrowing requirement and interest rates forecasts. It was resolved to recommend the proposed actions within the Treasury Management Strategy Statement to the 25th February Council meeting; and to note the Treasury Management Indicators (detailed in the Appendix 1 of the Statement).

d. Financial Governance - External Audit

The External Auditors were in attendance at all four committee meetings during the period of this report and presented information as follows:

- i At the Committee meeting in September 2024, the External Auditors presented three reports. The External Audit Update reported on progress with the external audit and stated that by the November Corporate Audit Committee all work would be complete, and the final report would be submitted to that committee. Members were informed that there were currently no major findings.

The Audit Findings for the Avon Pension Fund and the Annual Audit Report were also presented. The Annual Audit Report was an interim report as the audit of the accounts had not yet been finalised and the report focussed on the Value for Money.

- ii. At the Committee meeting in November 2024, the External Auditors presented the Audit Findings Reports for Bath and North East Somerset Council and Audited Statement of Accounts for Council and Avon Pension Fund 2023/24.
- iii. The External Auditor also presented an Audit Progress Report and Sector Update in February 2025.
- iv. Finally, the External Audit plan for 2024/25 was presented to the Committee for information and endorsement in April 2025. The Committee endorsed the 2024/25 External Audit Plan for the Council & External Audit Plan for the Avon Pension Fund.

e. Corporate Governance (Including Risk Management) –

- i. The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review.
- ii. The results of the annual governance review for 2023/24 were included in the Council's Statement of Accounts presentation to the Committee on 27th November 2024. The Committee was advised of the inclusion of two 'significant issues':
 - 1) Financial Challenge – Service Demand and Cost Pressures
 - 2) Children's Services - Dedicated Schools Grant (DSG) deficit and the Safety Valve Agreement
- iii. Also linked to the Annual Governance Statement, in May 2024, an updated Local Code of Corporate Governance that contained minor revisions was considered and adopted by the Committee.
- iv. During the year the Committee received updates on the Council's key risks from the Director of Financial Services, Assurance and Pensions (Interim Section 151 officer). The Committee also received the Risk Management Annual Update Report on 30th April 2025, which provided a summary of the risk management process and gave assurance on the risk management framework.
- v. The Committee received a risk management update covering the SEND Collaboration for B&NES (Safety Valve) from the Director of Children's Services & Education and the Executive Director for Operations in February 2025. This included an update on the Council's plans to manage the Dedicated Schools Grant (DSG) deficit position and progress being made in relation to the Safety Valve.
- vi. The Committee were provided with a presentation and update report on the Section 106 audit findings from the Council's Head of Planning and Building Control in April 2025. This included commentary on the progress since July 2024 on mitigating high-risk areas and delivering the remaining opportunity. The Head of Planning and Building Control was invited to provide an update to the November Committee and also a report to the May 2026 meeting in order for members to be able to track progress.

f. Corporate Assurance -

Internal Audit & Counter Fraud

- i. The Internal Audit Plan for 2024/25 was approved by Committee in May 2024. In-year Internal Audit updates covering the 2024/25 plan were then presented at the September 2024 and February 2025 meetings, which included updates on any internal audit reports that had a 'Level 2' opinion, i.e. any audit areas where controls where internal were considered to be weak. These updates also reported on Fraud Prevention activity and investigations/ unplanned work that had taken place.
- ii. The Audit and Assurance Annual Report 2024/25 was presented at the 30th April 2025 Committee meeting. The annual report included:
 - a) A conclusion that reasonable assurance could be provided over the council's systems of internal control, helping to ensure corporate priorities can be achieved.
 - b) A summary of the work that supported the annual opinion, including a description of audits that had a 'Level 2' opinion and a summary of position of work as at 31 March 2025.
 - c) Commentary on the progress of implementing recommendations made during the year.
 - d) A statement on conformance with the Public Sector Internal Audit Standards.
- iii. A separate annual report on Counter Fraud activity was also presented. This report outlined the main counter fraud work that took place during the 2024/25 financial year, including updates on the National Fraud Initiative exercise. In addition, related Counter Fraud strategy and policies were also updated and approved by the Committee.
- iv. At the February meeting, members were also consulted on the Internal Audit Plan for 2025/26 and specifically asked for their input on any activity areas or themes that they would like considered for inclusion in the list of audit reviews to form the core work of the internal audit function. A draft Internal Audit Plan for 2025/26 was subsequently presented to the Committee in April 2025 for approval.
- v. In order to support members in their role of monitoring the effectiveness of the Council's system of internal control, including managing the authority's exposure to the risks of fraud and corruption, a Counter Fraud training workshop was delivered at the 1st May 2024 Audit Committee meeting. A report explaining Local Government fraud risks and the work that is carried out at B&NES to mitigate risks was provided to the committee and a presentation titled 'An introduction to Fraud and the role of Internal Audit' was delivered.

g. Awareness & Briefings

- i. Updates and briefings continue to be a part of the Committee's approach to raising awareness of key governance issues with members and several briefings were

given this year through the normal meeting cycle, as reported under the relevant headings in section 3a to 3e of this report.

- ii. In addition, during the year, a review of the effectiveness of the Audit Committee also took place. This was in line with CIPFA best practice and was led by the Head of Audit. The exercise resulted in proposed revisions to the terms of reference of the Committee, which were updated based on CIPFA requirements. The amended terms of reference was presented at the September 2024 committee meeting, with onward approval by Council in November 2024.

4. Audit Committee Work Plan for 2025/26

A work plan is prepared and presented at each meeting; this plans out the work of the Committee and links it to its terms of reference. Committee Members have the opportunity to comment and refine the workplan at each meeting

5. Membership and Support

- i. Councillor David Biddleston is the Chairperson of the Committee. The Vice Chair is Councillor Sam Ross, and the other members are Councillors Malcolm Treby, Toby Simon and George Tomlin. There is also one independent co-opted member, being John Barker.
- ii. The Committee is supported by a range of officers, notably the Director of Financial Services, Assurance & Pensions (S151 Officer), the Head of Financial Management and the Head of Audit and Assurance.
- iii. The external auditors are currently represented by an Engagement Lead and Audit Manager from Grant Thornton.

Appendix 2 – Audit Committee Workplan 2025/26

Date of meeting	Report title	Requirement & Purpose (TOR)
<i>5th February 2025</i>	External Audit Progress Update	To Note – Oversight of work of External Audit
	Treasury Management Strategy - 2025/26 Consultation	To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Governance)
	Internal Audit Plan - 2025/26 Consultation	To Note – Oversight of work of Internal Audit
	Risk Management Update - DSG/Safety Valve	To Note – Update on Significant Issues & Risk Management Arrangements
	Annual Governance Statement	To Note – Update on Significant Issues
<i>30th April 2025</i>	External Audit Plan for Council & Avon Pension Fund - Y/E 2024/25	To Approve – Oversight of work of External Audit
	Accounting Policies Update – IFRS 16	To Review & Approve – Overview of Financial Management Governance
	Internal Audit - Annual Report – Y/E 2024/25	To Note – Oversight of work of Internal Audit
	Internal Audit - Annual Plan – Y/E 2025/26	To Approve – Oversight of work of Internal Audit
	Counter Fraud – Annual Report	To Note – Oversight of Counter-Fraud & Corruption arrangements
	S106 Update - Risk Management Update Report	To Note – Oversight of Risk Management arrangements
	Risk Management – Annual Update Report	To Note – Oversight of Risk Management arrangements
<i>24th September 2025</i>	External Audit – Update Report	To Note – Oversight of work of External Audit
	Y/E 2024/25 External Audit Annual Report (Including VFM Assessment Report)	To Note – Oversight of work of External Audit
	Audit Committee Annual Report & Review of Effectiveness 2024/25	To Approve & Recommend to Council – Report back to Council on delegation of responsibility
	Treasury Management Outturn Report – Y/E/ 2024/25	To Note – Oversight of Treasury Management (Financial Governance)
	Internal Audit Update Report - 2025/26	To Note – Oversight of work of Internal Audit
	Risk Management Update Report – Corporate Risk	To Note – Oversight of Risk Management Arrangements

<i>26th November 2025</i>	Annual Accounts 2024/25 – Informal Briefing Y/E 2024/25 External Audit Findings & Accounts & Annual Governance Statement Approval ADL Accounts Y/E 2024/25 - Accounts Update Treasury Management 6 month update - 2025/26	To Note – Oversight of Financial Governance To Approve Accounts – Approve Accounts on behalf of Council To Note – Oversight of work of External Audit To Note – Financial Oversight of Council Owned Companies To Note – Oversight of Treasury Management (Financial Governance)
<i>11th February 2026</i>	External Audit Progress Update Treasury Management Strategy - 2026/27 Consultation Internal Audit Plan - 2026/27 Consultation Risk Management Update - DSG/Safety Valve Annual Governance Statement Update	To Note – Oversight of work of External Audit To Recommend to Council/Cabinet – Oversight of Treasury Management (Financial Governance) To Note – Oversight of work of Internal Audit To Note – Update on Significant Issues & Risk Management Arrangements To Note – Update on Significant Issues

Appendix 3 -TERMS OF REFERENCE – AUDIT COMMITTEE **(Agreed by Corporate Audit Committee 25/09/2024)**

AUDIT COMMITTEE

1. Committee Scope

The Audit Committee is responsible for the Council's powers and duties relating to the annual accounts, audit plans, the Annual Governance Statement, risk management arrangements and the other key financial governance procedures.

2. Functions

1. To approve on behalf of the Council its Annual Accounts, as prepared in accordance with the statutory requirements and guidance.
2. To scrutinise the Treasury Management Strategy and policies, monitor proposed changes and receive treasury management update/ outturn reports to monitor compliance.
3. To review and note on behalf of the Council the audited accounts of Council owned companies, in accordance with Council company governance arrangements, statutory requirements and guidance.
4. To monitor the effectiveness of the Council's system of internal control, including arrangements for financial management, ensuring value for money, supporting standards and ethics and managing the authority's exposure to the risks of fraud and corruption. This includes periodically reviewing key financial governance rules / procedures including Financial Regulations, Contract Standing Orders, Anti-Fraud & Corruption Strategy and related policies.
5. To note the External Auditors' Audit Plan, monitor its delivery and effectiveness during the year, and support effective relationship with the external auditor and other review agencies.
6. To approve the Internal Audit Plan within the budget agreed by the Council and to monitor its delivery and effectiveness (including the implementation of audit recommendations).
7. To consider, prior to signature by the Leader of the Council and Chief Executive, the Annual Governance Statement (including the list of significant issues for action in the ensuing year), as prepared in accordance with the statutory requirements and guidance; and to monitor progress on the significant issues and actions identified in the Statement.
8. To review periodically the Council's risk management arrangements, make recommendations and monitor progress on improvements.
9. To consider the Auditor's Annual Report from the External Auditor and to monitor progress on accepted recommendations.
10. To monitor and promote good corporate governance within the Council and in its dealings with partner bodies and contractors, including review of the Council's Local Code of Corporate Governance and in any such other ways as the Committee may consider expedient (within the budget agreed by the Council).

11. To consider and make recommendations of any other matters relating to corporate governance which are properly referred to the Committee or which come to its attention, e.g. the procurement of External Audit Services, monitoring the governance of Council owned companies.
12. To discharge its responsibilities, the Committee and individual members of the Committee can meet privately and separately with the external auditor and / or Chief Audit Executive and have the right to call on any other officer.
13. To make an annual report to Council on the work [and findings] of the Committee, including (if necessary) any measures necessary to improve the effectiveness of the Committee.

In all the above, the Committee will, as appropriate, wish to develop effective liaison with the following:

- a) the Standards Committee of the Council with regard to matters of ethical governance.
- b) the relevant Policy Development and Scrutiny Panel(s) - to complement but not to duplicate the exercise of their legitimate role in checking compliance with Council processes and policies and in reviewing policies and practice.
- c) relevant Cabinet Members, in particular the Leader and the Cabinet Member with responsibility for Resources, whose portfolios include executive functions related to the matters covered by these terms of reference.
- d) the Council when developing the Council's Code of Corporate Governance.

3. Composition

The size of the Panel will be determined by Council. Appointments will be made having regard to rules on political proportionality – as set out in the [proportionality table](#). There will also be a minimum of one independent non-voting co-opted member.

4. Quorum

One quarter of the membership or 3 Councillor/ voting Members of the Committee whichever is greater.

5. Substitution

Substitute Members are permitted in line with [Council Procedure Rule 3.1.4](#).