

Minutes

of the Meeting of

The Audit Committee

Friday, 23 April 2021

Virtual meeting by Teams

Meeting Commenced: 10.30 am

Meeting Concluded: 12.38 pm

Councillors:

John Cato (Chairman)

Sandra Hearne
Patrick Keating
Marcia Pepperall
Richard Tucker

Also in attendance: Gail Turner-Radcliffe (Grant Thornton).

Officers in attendance: Steve Ballard (Principal Accountant (Closure and Systems)), Hazel Brinton (Democratic Services Officer), Peter Cann (Senior Auditor), Mike Riggall (Information and ICT Security Manager) and Ayesha Tinsley (Digital Apprentice).

AUD Chairman's Welcome

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The Chairman welcomed everyone to the fourth virtual meeting of the Audit Committee.

He explained the procedures to be followed at the meeting and confirmed that decisions taken at this virtual meeting would have the same standing as those taken at a physical meeting of the Council in the Town Hall.

The Chairman reminded everyone that the meeting was being livestreamed on the internet and that a recorded version would be available to view within 48 hours on the North Somerset Council website.

At the invitation of the Chairman the Democratic Services officer took a roll call of councillors to confirm attendance for the benefit of those in the meeting and members of the public watching online.

AUD Declaration of Disclosable Pecuniary Interest (Standing Order 37)

2

None.

AUD Minutes 28 January 2021

3

Resolved: that the minutes of the meeting be **approved** as a correct record.

AUD External Audit Update

4

A representative from Grant Thornton presented the report and drew members attention to the progress and timetable for their work programme on the Financial Statements Audit for 2021/21. She noted completion of certification work on the Housing Benefit Subsidy claim and workshops given to the authority's officers earlier in the year. She brought members' attention to the audit deliverable dates for the Audit Plan, Audit Findings Report, Auditors' Report and Auditors' Annual Report.

The representative highlighted the planning materiality levels for the audit of the 2020/21 statements and two presumed significant risks of misstatement of revenue recognition and management override of controls. She indicated other areas of focus including estimates in the areas of plant, property, equipment and pension liability and work on the planned insourcing of the Council's waste collection service.

The representative noted the updated Value for Money arrangements which would now include commentary rather than a binary opinion and the possible auditor recommendations as a result of their investigations into the council's Value for Money arrangements. She indicated the level of audit fees payable by the council to the auditors for their work noting that the fee for 2020/21 was to be agreed.

In presenting the report, the representative drew members' attention to the Sector Update which included information on the changes to the approach to Value for Money and the revised auditing standard relating to estimates.

Members asked questions and made comments on whether the auditors had an indication of the level of risk they expected when auditing the council's financial statements; whether Group accounts would be drawn up to include the council's dormant companies; further information on the types of recommendations surrounding Value for Money; an understanding of the concept of materiality; the level of audit fees, the likely percentage increase and the reasons behind this increase; whether the timetable for the audit work was achievable and the nature of any help that members could give to the external auditors in their work.

Resolved: that the report be **noted**.

AUD Update on Annual Accounts

5

A representative of the Director of Corporate Services presented the report. In doing so, he drew members' attention to the legislation underpinning the preparation of the council's accounts and the committee's role in completing them.

He highlighted this year's changes to the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice for Local Authority Accounts and the likelihood of significant changes to the code for the following year; the significant amount of work involved in the implementation of the change to accounting

treatment of leases for 2021/22; the review of accounting policies being undertaken by officers particularly in light of the council's new waste subsidiary; changes to the Annual Financial Report published on the council's website to comply with new accessibility legislation; assessment of the appropriate levels of materiality for disclosures in the council's financial statements including materiality based on political sensitivity rather than value alone; critical judgements made by officers in applying the council's accounting policies and major sources of estimation uncertainty in the preparation of the accounts and how officers will support members in making their judgement on the "true and fair" representation of the council's financial position.

Members asked questions and made comments on IFRS16 and the potential issues, impact, risks and costs of the change to the reporting standard; the review by the committee of the council's accounting policies; the timescale for the workshop and briefing on the draft accounts for 2020/21; quantification of risk management as noted in the officers' report; peppercorn rents and the measurement of financial instruments.

Resolved: that the committee **notes:**

- a) the developments in the CIPFA Code of Practice for Local Government Accounts, including:
 - i. that there are limited changes to the Code for the 2020/21
 - ii. that CIPFA has consulted on improving the clarity and focus of future local government accounts, and that changes to the format of the accounts are likely to be included in the 2021/22 Code of Practice, and
 - iii. that significant work continues to be required to quantify the impact of the implementation of 'IFRS16 – Leases' in 2020/21 for implementation in the 2020/21 accounts
- b) that officers are proposing no significant changes to existing accounting policies in 2020/21
- c) that the Council's financial report document is being updated to a new template to comply with accessibility legislation
- d) the requirement for the Council's accounts to provide a 'true and fair' view of the Council's financial position and transactions, the concept of materiality, the initial assessment of materiality limits applied by officers in drawing up the accounts; and disclosures which, although not material due to their value, are considered material due to their nature
- e) officers' initial assessment of the critical judgements made in applying the Council's accounting policies, and the major sources of estimation uncertainty identified in the preparation of the 2020/21 accounts.

AUD Internal Audit Update

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A representative of Audit West presented the Internal Audit and Assurance Annual Report for 2020/21 to members. He noted the report included a summary of the audit performance and key issues and a formal opinion on the internal control framework.

In presenting his report, the representative drew members attention to the section on Internal Audit Performance noting that the plan was prepared prior to the impact of Covid19 and had been impacted by a number of other factors including

long term sickness and remote working. He noted statistics and provided commentary on the audit plan completed; audits completed within planned time; customer satisfaction; the implementation of recommendations; the assurance level provided; whistleblowing cases in the current financial year; investigations undertaken and new, unplanned work. He informed members that partnership working by Audit West across other organisations permitted a broader approach to audit reviews and allowed a strategic approach to work programming thus making the internal audit process more efficient. He noted that the formal opinion of the Chief Audit Executive on the council's internal control framework and systems to control risk was that they were reasonable.

Members asked questions and commented on the limitation of risk coverage; clarification of organisational risks; the performance dashboard and customer satisfaction; the number, nature and any common themes of the audit recommendations; how the audit opinion on the control framework can be improved from "satisfactory"; benchmarking; whether Covid grants would remain an area of focus; recommendations from investigations and whether there were higher levels than "reasonable" in respect of the internal audit opinion.

The representative from Audit West agreed to look at how the measure of customer satisfaction could be improved upon and to give more detailed information on internal audit recommendations and their implementation. He undertook to do this in an informal briefing with members.

Resolved: The Audit Committee **notes** the Internal Audit Annual Report 2020-21 and the opinion on the Internal Control environment.

The representative from Audit West presented a report on the Audit and Assurance Plan 2021/22 noting the steps involved in formulating the plan included consultation with key stakeholders of which this committee was one. In presenting the report, the representative explained that the plan formed the principal work for internal audit for the coming year and that given it had been constructed during a lockdown, it would be kept under review throughout the year. He added that any significant changes proposed would be brought back to the committee for agreement and that a contingency resource had been built into the plan in the event of any significant changes being required after a half year review.

Members asked questions and made comments on the graphics used to present the "Scope of Services" and the "Results of our Reasonable Assurance Model Risk Assessment"; whether the areas for review had indicative end dates as well as commencement dates and the procedure in the event that there was disagreement with a directorate on the areas of audit.

The representative from Audit West undertook to discuss the scope of the areas for review in more detail with members during an informal briefing.

Resolved: that the committee **approves** the Audit and Assurance Plan for 2021/22.

Chairman
