

Minutes

of the Virtual Meeting of

The Audit Committee

Thursday, 28 January 2021

Virtual meeting by Teams

Meeting Commenced: 10.30 am

Meeting Concluded: 12.02 pm

Councillors:

John Cato (Chair)

Sandra Hearne (Vice-Chairman)

Patrick Keating

Marcia Pepperall

Richard Westwood

Officers in attendance: Steve Ballard (Principal Accountant (Closure and Systems)), Hazel Brinton (Democratic Services Officer), Peter Cann (Senior Auditor), Richard Penska (Interim Director of Finance & Property), Melanie Watts (Head of Finance) and Jeff Wring (Head of Audit West).

Also in attendance: Jon Roberts and Gail Turner-Radcliffe (Grant Thornton)

AUD Chairman's Welcome

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The Chairman welcomed everyone to the third 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)

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None

AUD 22 Minutes 19 November 2020

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

AUD 23 External Audit Update

A representative from Grant Thornton presented the report and drew members attention to the Annual Audit Letter which was the public facing summary of the detailed audit work and discussions already held with committee members and presented in the Audit Report at the previous meeting. He noted this would be the final Annual Audit Letter as it had been replaced henceforth by the Annual Auditors' Report. Members noted the areas of recommendation in the letter and that officers would regularly report on the implementation of the recommendations.

The representatives from Grant Thornton presented the Audit Progress Report and Sector Update. It was noted that the Annual Audit Letter closed the 2019/20 financial year with an unqualified opinion. Work had been completed on the Teachers' Pension claim certification, but an extension had been granted for the certification of claims and returns in respect of Housing Benefit claims. All the audit deliverables for 2019/20 had been received by the council and those for 2020/21 would be brought to the next meeting.

Members attention was drawn to the sector update which included information on the new Value for Money arrangements for 2020/21 which resulted from a review of the Code of Practice by the National Audit Office. It was noted that the most significant change had been to the criteria underpinning the external auditors' work which aimed to improve the value of the audit work to the taxpayer and council. Henceforth, the external auditors would analyse the council's arrangements for improving the performance of the value for money of the services it provided. A more holistic report would incorporate matters such as benchmarking and best practice comparisons to form a useful commentary on the council's arrangements for value for money. Going forwards the Auditors' Annual Report would highlight a change in recommendations and would focus on the identification of weaknesses rather than a binary opinion on the accounts and may take the form of general observations for improvement or in the case of a significant weakness, key recommendations on the action to be taken by the council.

Members asked questions on whether the previous criteria were not more active than the new criteria and the impact of the change in reporting approach on the council. Members noted that committee members had been making their own inquiries into the operation of other authorities' approaches to the work of their audit committees.

A representative from Grant Thornton further reported on revised International Auditing Standards (ISAs) and in particular the standard for Auditing Accounting Estimates and Related Disclosures which included significant enhancements in respect of the audit risk assessment process for accounting estimates of which the council had a number. She highlighted the "How can you help" section for the committee which noted that the auditor will be making additional enquires of committee members and management for 2020/21 on the council's accounting estimates in a similar way to their traditional enquiries on fraud risk assessment procedures and going concern considerations. An error in the list of material

accounting estimates was noted and a query raised on the meaning of level 2 and level 3 investments. A request for a glossary of terms in reports was made.

A representative from Grant Thornton reported on recommendations from the Redmond Review into local authority financial reporting and external audit. He explained the historical context to the report for member and noted that the report recognises the importance of the local government audit; sets out a new path for local authorities and their auditors including an annual meeting with the auditor and Full Council; recommends the greater inclusion of independent members on audit committees and appropriate training for audit committee members; comments on the role of the regulator in ensuring that audit quality is meaningful to the user of the accounts; recommends that CIPFA simplifies the current local authority financial reports making them more accessible to readers; recommends the creation of a new audit regulator; expands eligibility for appointment as a local public auditor; recommends the increasing of fees and work content and incorporates an extended deadline for delivering audited financial statements to councils. He also noted areas in which he felt the review could have gone further including the involvement of the NHS in the proposals.

The Chairman thanked the representatives for their presentation and noted that he and the committee members looked forward to engaging with them further on the review's proposals.

AUD **Risk Management Update** **24**

The Interim Director of Finance and Property presented the report on Risk Management to members and noted the provision to the committee of the Corporate Risk Register, Covid 19 Risk Register and the EU Transitions Risk Register as part of the report. He noted that risk management this year was being undertaken in greater detail due to the scale of risks brought about by Covid 19 and the UK exit from the European Union which were recorded in the relevant registers. Some crossover of entries was noted between the three registers. The Covid 19 and EU Transitions registers had been retained due to the size of the risks which were being managed in real time with a weekly review by the Corporate Leadership Team (CLT) of those currently impacting the business and a fortnightly emergency review by CLT particularly of the Covid 19 risk register. He added that going forwards, the format adopted for all risk registers will be that of the Corporate Risk Register. He noted the outstanding action regarding the internal audit report on risk management references and standardisation of them in decision making and committee reports

The Chairman noted his appreciation for the increase in quality of the presentation, visibility and clarity of the risk registers presented to the committee. A query was raised on the amount received and paid out in the form of government grants due to Covid 19. The Interim Director of Finance and Property advised that he received an update each week on the amounts and undertook to send out a briefing to members later that day.

Resolved: that the Audit Committee note the Corporate Risk Management arrangements and those exercised over the COVID 19 pandemic and Brexit.

AUD 25 Senior Management Review

The Interim Director of Finance and Property provided members with a verbal update on the Senior Management Review which had been concluded by the Chief Executive. A new Corporate Services Director who would also be the S151 Officer would be appointed in due course. The deletion of several posts and the creation of others were noted as were the movement of a number of services away from the Corporate Services directorate. He added that the Children's and Adult Services directorates had been separated.

Members requested an updated organisational chart and regular briefings as further changes were made to directorate structures.

AUD 26 Treasury Management Strategy 2021/22

A representative of the Interim Director of Finance and Property presented the report which highlighted the key messages arising from the treasury management risk workshop provided to members of the committee. The workshop had been facilitated by the council's finance officers and Arlingclose, the council's treasury management advisors, and delivered as part of the audit committee's role in overseeing the council's treasury management function.

He noted that it had been agreed that as a result of the workshop that there was no requirement for significant changes to the council's current Treasury Management Strategy and the outcome of the discussions had been used by officers to inform the drafting of the strategy for 2021/22. This had been submitted to the Executive for approval and subsequent approval by the Council.

The Chairman noted that he wished to have further discussions to clarify his understanding around the reporting processes of the Property Investment Board.

Resolved: that subject to the correction of typographical errors that the Audit Committee note:

1. the key messages from the treasury management member training workshop held on 13 January 2021
2. that Members recognised that the council's treasury management team would continue to work within the council's current Treasury Management Strategy, and accepted that it provides sufficient flexibility to allow investment opportunities to be considered, whilst providing sufficient mitigation of risk and
3. that information supporting the investment strategy will be subject to on-going review, by officers and members, supported by the council's treasury management advisors.

AUD 27 Internal Audit - Audit Committee Consultation

A representative from Audit West presented the report which updated members on the methodology used to create the Internal Audit Plan and requested member input into areas or themes they wished to be considered within the plan for 2021/22. He noted the report also outlined the intended approach towards COVID-19 activity and requested members note the intention to keep the plan under regular review so that resources could be prioritised.

He advised that Audit West would use the Reasonable Assurance Model with which members were familiar in order to plan its audit work and that a rigorous stakeholder consultation process would take place between January and April to inform the work plan. He further advised that as a result of ongoing Covid 19 pressures, the work plan would be subjected to a six-month rolling review to ensure the second half of the year was adequately resourced and prioritised and a Covid 19 contingency resource would be used to assist in the smoothing of any impact.

In addition to Covid-19 factors around financial resilience, local economic impacts and broader financial assurance around the use of Covid-19 grants, members attention was drawn to the inclusion of the Chartered Institute of Internal Auditors' ten key areas for 2021 which organisations should take account of in preparing their audit plans.

The Chairman thanked the internal auditors for their report and the work they were doing and noted a request for a further briefing session for members to discuss the issues noted in the report and any others that may arise.

Resolved: that the Audit Committee note:

1. the request by the internal auditor that the Audit Committee comment on any areas or themes they would like to be considered in relation to the Internal Audit Plan for 2021/22 and
2. the intention to keep the plan under constant review, including a six-month reassessment, in order to prioritise resources as required.

Chairman
