

Draft notes

of the informal Virtual Meeting of the

Audit Committee

Thursday, 25th November 2021

held via Microsoft Teams.

Meeting Commenced: 10:30 Meeting Concluded: 12:05

Councillors:

P John Cato (Chairman)

P Sandra Hearne (Vice Chairman)

P Marcia Pepperall

P Richard Tucker

P Patrick Keating

P: Present

A: Apologies for absence submitted

Also in attendance:

Officers in attendance: Amy Webb (Corporate Services), Mark Anderson (Corporate Services), Hazel Brinton (Corporate Services), Peter Cann (Audit West), Melanie Watts (Corporate Services), Jeff Wring (Audit West)

1 Chairman's Welcome

The Chairman welcomed everyone to this informal meeting of the Audit Committee.

2 Minutes of the meeting held 20 September 2021

No corrections or clarifications to the 20 September 2021 meeting minutes were noted. As this meeting was informal, the minutes would be formally adopted at the next formal meeting of the committee.

Recommendation: that the Audit Committee adopts the minutes of the meeting held 20 September 2021 as the next formal meeting of the committee.

3 Internal Audit half-yearly update report

The Head of Audit and Assurance at Audit West guided members through his report. He highlighted a number of elements of the report including progress on the completion of the work plan; assurance levels and

significant risks; investigations and whistleblowing including investigations into two Covid 19 related grant payments and an independent review of the issues surrounding the roofing works commissioned at a North Somerset School; counter fraud including fraud prevention information issued to staff; completion of the audit plan including a deferred audit of Green Waste Charging and Income and the implementation of recommendations of which two remain outstanding at the time of the meeting.

Members asked questions around the increase in academy schools and a corresponding reduction in the need for council resources to support the remaining local authority-maintained schools; the use of procurement frameworks in relation to purchasing at schools to ensure best value for money and the use of time plans against the completion of the audit work plan.

The Head of Audit and Assurance would report back in more detail to the committee on the suspected Covid19 grant payments fraud and the roofing works matter in due course.

Members agreed a further discussion with the Head of Audit and Assurance as to the use of time plans in relation to the completion of the audit work plan.

Recommendation: that the Audit Committee notes the progress in delivery of the 2021/22 Annual Audit Assurance Plan.

4 Risk Management and Business Planning Framework Update

The Director of Corporate Services presented the report and noted that the North Somerset Council Business Planning Framework was designed to monitor progress and risks aligned to the council's Corporate Plan priorities and Corporate Vision (open, fairer, greener).

She explained that it was a live document reviewed quarterly by leadership directorate teams and how the document was constructed. She noted the significant corporate risks to the organisation at the end of quarter 2 including more general risks faced by all organisations relating to finance, information governance and cyberattack and more specific risks relating to matters such as Covid19.

The Director of Corporate Services noted that risks are reviewed as they arise so may not yet be reflected in the report and gave examples of risks currently being discussed that quarter including fuel shortages.

Members asked questions on the reflection in the report of increased risk in some areas particularly the rise in fuel prices and the corporate impact of this; the risk to capital projects; the public availability of the risk management document and the possibility of assigning specific financial and reputational risk values to the red items on the register

The Director of Corporate Services noted the expectation of the ongoing disruption to supply chains and the impact on the council's ability to deliver services including an increase in costs to the council and explained that

individual directorates took note of specific directorate risks and mitigations. She noted that whilst mitigations are identified, these may not be sufficient to reduce the residual risk to medium and that she would feed this concern back to the Corporate Leadership Team. Members noted that the Director of Corporate Services would report back on how the committee's recommendations from the North-South Link Road review were to be implemented. She would also consider the possibility and desirability of ranking the red risks going forwards.

Recommendation: that the Audit Committee notes the risks within Strategic Risk Register and the mitigating actions applied to them.

5 Treasury Management Outturn Report 2020-21

A representative of the Director of Corporate Services presented his report. He highlighted areas in the report notably the headline metrics for April 2020 to March 2021; the pressure on the interest budget due to short term investment of cash to allow for flexibility of use; the additional external borrowing and repayment of such and the treasury management performance which was within the agreed targets.

He further noted that the treasury management function is carried out by two teams with specialist advice from Airlingclose and a broker against whose returns the in-house teams are benchmarked. He added that 2021 was a conservative year in terms of yield due to ongoing uncertainty with the pandemic. He pointed out various sections of the report and Appendices to members including the Summary of Investment Returns and Activity; Borrowing Activity; Economic Impacts; Budget Implications and Commercial Activity which included cost and valuation, income compared to budget and yield/return on investment.

Members asked questions on the review process and how often this is carried out (the Corporate Services Director's representative noted that reviews were proactive monthly); the average yield on the various types of investments made by the council; high risk investments being conducted by a few local authorities and whether the council responded to consultations on revised codes.

The Corporate Services Director's representative undertook to clarify the investment review process to members. The Head of Finance noted that there was an escalation process to the relevant Executive Member should a review of financial and other performance measures indicate that this was necessary but that formal reporting to the Audit Committee of relevant measures took place at least three times a year.

The Corporate Services Director's representative noted that commercial investments being carried out by some authorities had been criticised by CIPFA (Chartered Institute of Public Finance Accountants) and the Treasury and a revised code after the end of the consultation period was awaited to modify this type of activity by local authorities.

Recommendation: that the Audit Committee notes the treasury management out-turn monitoring report to 31st March 2021 including performance, prudential indicators, and commercial investments.

6 Treasury Management Mid-Year Report 2021-22 and 2022-23 Treasury Management Considerations

A representative of the Director of Corporate Services presented the report.

He noted that this report unlike previous ones contained a look towards the strategy for the following year after early engagement with committee members.

In presenting his report, the Directors of Corporate Services' representative highlighted the headline metrics for April to September 2021 which included lower cash flows compared to the previous year, no new borrowings and performance indicators within target levels. He drew members' attention to the sections on Summary of Investment Returns and Activity including benchmarking of the in-house treasury management teams' returns; the performance of the pooled funds; borrowings; Economic Impact; Commercial Investments and advice on borrowing to invest. He noted that no material changes to the current over-arching Treasury Management Strategy for 2022-23 were being proposed but some changes may come out of current consultations on the draft 2021 Code and that Environmental, Social and Governance investment-based decisions (ESG) and / or increasing Greener investment opportunities would be introduced.

Members asked questions on CCLA fund values and the process for incorporating the committee's thoughts into the Treasury Management Strategy for the following year. The Head of Finance undertook to consult with members on the latter point.

Recommendation: that the Audit Committee notes:

- the treasury management in-year monitoring report to 30th September 2021 including performance, prudential indicators, and commercial investments and
- the proposed matters for inclusion in the Treasury Management Strategy 2022/23

7 Audit Committee Member Training Stage 1

The Director of Corporate Services updated members on the proposals for member training.

She and the Chairman had agreed a training needs analysis which would be sent out to members to help them self-assess priorities for their individual training.

After a question from a member, she agreed to consider using a survey instead of a spreadsheet to gather the information.

8 Independent Members

The Director of Corporate Services informed members that the person specification and advert for independent members had been refreshed and that issues around eligibility had been clarified with the council's solicitor.

She proposed that an advert would be issued in the next few weeks.

9 Continuous Improvement

The Director of Corporate Services updated members on how the council proposed to monitor its major change and business as usual activity and incorporate the incremental changes that are made. She added that further work was being carried out on how to capture small improvements and assurance activities into the council's business planning framework for 2022-23 to identify areas for continuous improvement.

Chairman
