

Minutes

of the Meeting of

The Audit Committee

Thursday, 25 January 2024

Kenn Room

Meeting Commenced: 10.30 am

Meeting Concluded: 11.57 am

Councillors:

Patrick Keating (Chairperson)

Richard Tucker (Vice-Chairperson)

Marcia Pepperall

Independent Members: Peter Bray, Sharon Colk.

Apologies: Barrie Morris (Grant Thornton).

Absent: Councillor Joe Tristram.

Also in attendance: Councillor Roger Whitfield, Jeff Wring (Audit West), David Johnson (External Auditor, Grant Thornton).

Officers in attendance: Amy Webb (Director of Corporate Services), Melanie Watts (Head of Finance), Mark Anderson (Principal Accountant - Resources), Steve Ballard (Principal Accountant - Closure and Systems), Peter Cann (Head of Audit and Assurance), and Jessika Robinson (Committee Services Support Officer).

AUD Public Participation (Standing Order 17)

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None.

AUD Declaration of Disclosable Pecuniary Interest (Standing Order 37)

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None declared.

AUD Minutes of the meeting held on 23 November 2023

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The Committee noted that the Independent Committee Members, Peter Bray and Sharon Colk were not recorded in attendance for the November meeting.

Resolved: that the minutes of the meeting on 23 November 2023 be approved as a correct record, subject to the attendance records being altered to include Peter Bray and Sharon Colk.

AUD 22 Matters referred by Council, the Executive, other Committees and Panels (if any)

None.

AUD 23 Council Spending Controls

The Director of Corporate Services delivered the Revenue Budget Update for 2023/24 detailing the Council Spending Controls

The report noted the pressures on the Council's revenue budget and the emergency measures that were being implemented to enable the Council to control spending as part of its plans to end the financial year without an overspend. The measures have been developed by researching and shared knowledge with other Local Authorities, informing the council about the likely outcomes and effectiveness of the measures.

The report outlined the increasing demand on key statutory services, notably in children's social care and home to school transportation and that the income the council receives to fund these costs is fixed and does not increase. Therefore, the council had a budget gap and a legal requirement to balance the budget at the end of each financial year.

A summary of the emergency budget actions was shared including the vacancy management process, a retrospective review of all transactions and a review and reprioritisation of ear-marked reserves

The Committee enquired about the town and parish council General Power of Competency, the scope for transference of North Somerset Council non-statutory duties and the un-capped precepts that town and parish councils have. It was confirmed that there had been instances where ownership of assets and services had been transferred in the past.

Resolved: that the Audit Committee noted the council Spending Controls and Revenue Budget Update for 2023/24.

AUD 24 Audit Committee Workplan

The Director of Corporate Services presented the Audit Committee Workplan and explained the purpose was to provide a forecast on what items would be bought to Audit Committee and when.

Resolved: that the Audit Committee Workplan was accepted.

AUD 25 Annual Governance Statement 2023/24

The Head of Audit and Assurance presented the plan for preparing the Annual Governance Statement for 2023/24 and advised that the Audit Committee had specific terms of reference given to it which requires it to consider the Annual Governance Statement and the framework which supports it which included

primarily the local code of corporate governance.

The Committee were asked to note that whilst the report describes the outline process for completion of the statement, work will be completed with the council's Section 151 Officer, as the statement is compiled to identify any detailed parts of the process which may benefit from being refreshed.

Members were advised that feedback previously provided by the Audit Committee in respect of amendments to wording and presentation was accepted and contained within the 2022/23 statement.

The Committee asked how serious incidents that had come to pass were identified. The process was explained and members were guided to section 3.2 of the report. There was a follow-up question about Annex A (External Review column) and what role the Ombudsman had in overall consideration of the AGS. The Officer gave an example of the complaints process and that if a lot of complaints were referred to and upheld by the Ombudsmen regarding a particular service area, then this could identify an issue of significance which could merit discussion/ consideration for inclusion.

Resolved: that the Audit Committee noted the Annual Governance Statement 2023/24 and the process for completion of the statement in partnership with the Section 151 Officer.

AUD 26 Internal Audit Plan 2024/25

The Head of Audit and Assurance presented the plan for developing the Internal Audit Plan for 2024/25. The Committee were advised that following the development process, they will be presented with a draft Audit Plan in April 2024 for their consideration.

The Audit Committee were asked to:

1. comment on any areas or themes they would like to be considered in relation to the Internal Audit Plan for 2024/25.
2. note the intention to keep the plan under regular review, including a six-month progress assessment, to prioritise resources as required.

The Committee was advised that difficulty in recruiting audit specialists and budget restraints posed a risk to effective audit assurance. Members were then told of examples where the Audit Plan and process had returned value and opportunities for cost savings.

Resolved: that the Audit Committee:

1. had commented on the areas or themes it would like to be considered in relation to the Internal Audit Plan for 2024/25.
2. noted the intention to keep the plan under regular review, including a six-month progress assessment, in order to prioritise resources as required

3. acknowledged the significant activity taking place regarding internal audit and noted satisfaction with the actions being taken.
4. noted the request for members to feedback via email to the Audit Committee Chairperson, concerning areas that members would like to be considered on the 24/25 plan
5. noted the proposal to review the plan biannually.

AUD 27 North Somerset Council - Audit Progress Report and Sector Update

The report was presented by the representative for the External Auditor, Grant Thornton. It was requested that the minutes reflect the following inaccuracies with the report:

1. the report title was "Auditor's Annual Report on North Somerset Council 2022/23" and not Audit Progress Report and Sector Update. The latter was incorrectly detailed on both the meeting agenda and workplan.
3. references were made about the "Cabinet" when this should have referenced the "Executive".
2. the report incorrectly referenced Swindon Council. This should have said North Somerset Council.

Assurances were given to the Committee that the contents of the report were specific to North Somerset Council and no other authority. The Committee was advised that it was not possible to unpublish documents that had been made a public record, but this would be corrected by documenting the errors within the minutes.

The Committee were asked to note the following Improvement Recommendations:

3. to strengthen the link between strategic priorities and the capital programme, the capital programme could be categorised by outcomes identified within particular Corporate Plan outcomes. This would demonstrate clearly how the council was delivering the Corporate Plan outcomes through the capital programme.
4. that the Council should continue the on-going oversight of the action plan undertaken by the Children and Young People's Services Policy and Scrutiny Panel and subsequently to the Executive.

Members expressed it was reassuring to see that internal risks identified align to those that had been identified externally and that it was encouraging that there are so few recommendations.

Resolved: that the Audit Committee noted the Auditor's Annual Report on North Somerset Council 2022/23 and the improvement recommendations concerning the

capital programme and Children and Young People's Services.

AUD 28 Treasury Management Strategy 2024/25

The Principal Accountant for Resources presented the report and the Committee were asked to note the Treasury Management Strategy 2024/25. The Audit Committee were asked to:

1. note the contents of the report which summarised the key components of the draft Treasury Management Strategy for 2024/25 and the associated impacts.

The report detailed:

4. how the Council planned to manage its cash-flows and resources in the year ahead to ensure effective treasury management.
3. the proposed Prudential & Treasury Indicators for 2024/25.
4. the proposed policy for making Minimum Revenue Provision in respect of repayment of the Council's external debt, within the revenue budget.

Members were advised the 2024/25 capital strategy was being developed and the final Treasury Management report to the Executive in February would include the actual level of new borrowing to support the capital plans, although this was not expected to vary significantly from that presented to the committee.

Interest rates were high, but it was anticipated that they would not remain so, impacting negatively on the income generated through the council's investments. The representative detailed the Environmental Social and Governance (ESG) investment position and ambition to invest a further £6m in ESG holdings. The Committee then debated the returns, wider impacts, and benefits of ESG investments compared to non ESG investments.

Members asked about the risks concerning treasury management and how these had been mitigated. It was explained that as previously highlighted, interest rates were set to decrease and that the investment strategy supported mitigation of the risks.

Resolved: that the Audit Committee noted the draft Treasury Management Strategy 2024/25 and the associated impacts.

AUD 29 Update of the Annual Accounts and Accounting Policies

The Principal Accountant for Closures and Systems presented the Update of the Annual Accounts and Accounting Policies.

The Audit Committee were requested to note the following:

1. the developments in the CIPFA Code of Practice for Local Government

Accounts, inclusive of that there were limited changes to the Code for 2023/24.

5. the officers were proposing no significant changes to existing accounting policies in 2023/24.
4. the 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 2023/24 accounts.
5. 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, were considered material due to their nature.

Members asked questions regarding materiality. It was clarified that Auditors also gave a view on this and that the audit planning process would encapsulate emerging risks.

The Committee were keen to understand North Somerset Council's financial position in context with the local and national picture. It was not possible to provide insight into other authorities, but there were notable factors that had a positive impact on North Somerset Council's position, such as relative organisational stability, being a smaller authority, benefitting from tourism and the council's historic decisions to not make high risk investments.

Members further noted there was potential for further energy price increases and this could have an impact on North Somerset Council

Resolved: that the Audit Committee noted:

1. the developments in the CIPFA Code of Practice for Local Government Accounts, including that there were limited changes to the Code for 2023/24.
2. That officers were proposing no significant changes to existing accounting policies in 2023/24.
3. 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 2023/24 accounts.
4. that 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, were considered material due to their nature.
5. The update of the council's Annual Accounting Policies

AUD Urgent business permitted by the Local Government Act 1972 (if any)

30

None.

Chairperson
