

Draft Minutes

of the Virtual Meeting of the

Audit Committee

Thursday, 19th November 2020

held via Microsoft Teams.

Meeting Commenced: 10:30 Meeting Concluded: 13:50

Councillors:

P John Cato (Chairman)
P Sandra Hearne (Vice Chairman)

P Marcia Pepperall
P Richard Westwood
P Patrick Keating

P: Present
A: Apologies for absence submitted

Other members: Councillors Caroline Cherry, Mark Crosby, Mike Solomon.

Also in attendance: Barrie Morris and Gail Turner-Radcliffe (Grant Thornton)

Officers in attendance: Mark Anderson (Corporate Services), Stephen Ballard (Corporate Services), Hazel Brinton (Corporate Services), Peter Cann (Audit West), , Richard Penska (Corporate Services), Mike Riggall (Corporate Services), Melanie Watts (Corporate Services), Jeff Wring (Audit West)

AUD Chairman's Welcome

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The Chairman welcomed everyone to the second 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. The meeting had started slightly later than the scheduled time due to technical difficulties with members connecting to the meeting.

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 11 Election of Vice-Chairman for the Municipal Year 2019-20 (Agenda item 1)

Resolved that: Councillor Sandra Hearne be elected as Vice-Chairman of the Audit Committee for the Municipal Year 2020-21.

The Chairman expressed his thanks to Councillor Richardson as outgoing Vice-Chairman.

AUD 12 Declaration of disclosable pecuniary interest (Standing Order 37) (Agenda Item 4)

None.

AUD 13 Minutes of the meeting held on 7 July 2020 (Agenda Item 5)

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

AUD 14 Statement of Accounts 2019-20 (Agenda Item 7)

A representative of the interim Director of Finance and Property presented a summary of the Head of Corporate Accountancy's report on the Statement of Accounts 2019/20. He summarised the adjustments that had been agreed with the Council's external auditor. He noted that the external audit was now substantially complete, and no further amendments were expected. He explained the additional support given to members to facilitate their role in reviewing and approving the Statement of Accounts and Annual Governance Statement and drew members' attention to reports received from the council's external auditors.

The representative of the interim Director of Finance and Property informed the Chairman that the external auditors had requested the "Informing the Risk Assessment" letter signed by the Chairman on behalf of the committee and sent to the external auditors be taken as part of the consideration of the Statement of Accounts 2019/20 and that the request to use electronic signatures be formally resolved.

The Chairman ruled that the "Informing the Risk Assessment" letter sent to the council's External Auditor be considered under Item 12 as urgent items of business under the Local Government Act 1972.

Note: Minute AUD 19 refers.

Barrie Morris of Grant Thornton highlighted the key message of the external audit reports which was the background against which the Statement of Accounts had been prepared and the external audit undertaken. He and Gail Turner-Radcliffe presented the Audit Findings Report, drawing members attention to key areas and noting the focus of work on the valuations of property, plant and equipment and net pension liabilities and the impact of Covid-19 on the economy and thus the valuations. The representatives from

Grant Thornton noted that their audit work was now complete and highlighted their Action Plan and Recommendations to members. They noted that their opinion on IT General Controls which had highlighted a theoretical but unexploited weakness in respect of segregation of duties for superusers was still to be incorporated into their report.

Members asked and had queries answered on the following areas of the Accounting Statements and Annual Government Statement: whether the work on property, plant and equipment valuations was complete; the leisure centres valuation and error in those due to incorrect floor plans being used - additional procedures have now been put in place; valuations on the council-owned shopping centres and noted the Property Investment Board takes regular assessments as part of their duties; monitoring of the capital budget 19/20 and the risk register of issues around the capital budget; the detail behind the Adult Social Care budget and the increase in Homecare clients; Key Performance Indicators (KPIs) and how the metrics are chosen for inclusion in the report; Education and Children's Safeguarding KPIs; the proportion spent on welfare issues; property, plant and equipment valuation and movement; the value of property investments in relation to pension assets; accounting treatment of Dedicated Schools Grant with which the External Auditors disagree; Business Rate arrangements under the City Region Deal; members' and senior officers' business interests; investment properties, level of expenses and net yield ; the council's savings programme and contract management.

Resolved:

- 1) that the Chairman and Chief Financial Officer sign the Statement of Accounts 2019/20 with electronic signatures;
- 2) that the Letter of Representation be approved;
- 3) the Statement of Accounts for 2019/20 be approved, subject to, any amendments necessary upon quantification of the impact of any issues arising from on-going work and assurance by the external auditors;
- 4) that arrangements are made for the Chair of the Council's Audit Committee and the Chief Financial Officer to electronically sign the Accounts for 2019/20 as representing a 'true and fair view' of the financial position as at 31 March 2020, following any amendments necessary upon quantification of the impact of any issues arising from on-going work and assurance by the external auditors; and
- 5) that arrangements be made for the Leader of the Council and the Chief Executive Officer to formally approve the Annual Governance Statement as part of the financial accounts with electronic signatures.

AUD External Audit Progress Report 2019-20 (Agenda Item 8)

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Barrie Morris from Grant Thornton drew members attention to areas of note in the External Audit Progress Report including fees; certification of claims and returns; completion of the Audit Finding Report 19/20 and the issuing of Auditors' Report to the council. He noted the sector update report which

included a revised Value for Money audit approach proposed by the National Audit Office for 2021/21 and the Redmond Review which incorporated recommendations on a new regulator; the scope to revise fees; a revision of the accounts publication deadline for Local Authorities to 30th September and the simplification of accounts. He added that a reorganisation of local government is underway for two-tier shire counties.

Members asked questions on audit fees and the impact of Covid-19 on the time taken to deliver the audit which were answered from both the perspective of the auditors and the interim Director of Finance and Property and included an acknowledgement of the efficiencies that could be developed in remote working between the council and its auditors. Questions and comments were also asked on the impact in practice on the council and officers of a sharper and more timely focus on review areas based on risk assessments and how the council can support the changes and on the appointment to the Audit Committee of independent members and skills required of those independent members.

Resolved: that the External Audit Progress Report 2019-20 be noted.

AUD 16 Treasury Management Outturn Report for 2019/20 and Mid-Year Report for 2020/21 (Agenda Item 9)

The representative of the Interim Director of Finance and Property presented the Treasury Management Outturn Report for 2019/20 which informed the committee of; the treasury management activities undertaken during the year; the treasury management indicators for 2019/20 and the commercial investment property valuations and returns for 2019/20. She drew members' attention to; the reporting framework under the Chartered Institute for Public Finance and Accountancy regulations (CIPFA); that the report confirmed that treasury activities were in accordance with the Treasury Management Policy approved by Council; the treasury management activities which complied with the agreed council strategy for the year; the activities of the treasury management team; the headline metrics for the given period; the summary of investment returns and borrowings and the strategic issues and risks facing the council in respect of investment and borrowing particularly in relation to commercial property.

Members asked questions and received answers on; the debt in relation to Avon County Council and the ability and the wisdom of restructuring the pay down period of the debt; whether the treasury management strategy will be reviewed considering future economic impacts and government policy changes and how the treasury management strategy is structured.

Resolved:

1. that the Treasury Management Out-turn Monitoring Report to 31st March 2020 be noted
2. that the treasury management indicators to 31st March 2020 be noted
3. that the commercial investment property valuations and returns for 2019/20 be noted

The representative of the Interim Director of Finance and Property presented the Treasury Management Mid-Year Report 2020/21 and noted the challenges to the team of the last six months including the impact of Covid-19 and the pressures on the council to deliver new services and existing services in a different way. She noted that the economic environment has resulted in the council maintaining more liquid funds due to very low interest rates and the need to act swiftly to emerging pressures which has had an impact on the council's revenue budget in respect of investment returns. She added however that the mitigations were in place to reduce the impact on the council's budget.

Members asked questions and received answers on; the Public Loans Works Board (PWLB) rate increase; the order of risks in respect of security, liquidity and yield and the impact of lower returns on the council's status as a "going concern" and consultation with outside bodies on treasury management as an opportunity to evaluate new ways of working.

The Chairman expressed his thanks to the Finance team for their work on the reports' presentation.

Resolved:

4. that the Treasury Management In-year Monitoring Report to 30th September 2020 be noted
5. that the treasury management indicators to 30th September 2020 be noted
6. that the commercial investment property returns to 30th September 2020 be noted

AUD 17 Internal Audit Performance Update Report Nov 2020 (Agenda Item 11)

The Chairman proposed a change to the order of the agenda and took item 11 next.

A representative from Audit West presented the Internal Audit Performance Update Report 2020/21. He drew members' attention to the sections on Completion of the Internal Audit Plan; the Audit Reviews Completed and Assurance Level Provided. He noted the in-year adjustments required to the Internal Audit Plan as a result of unplanned work particularly due to Covid-19 including the audit of grant payments paid as a result of the pandemic; the drop in the level of staff sickness throughout the council compared to last year; the 83% completion rate for audit reviews with the emphasis on home working by internal audit and council staff and the necessity to complete all audits remotely; the difficulty of remote working and the impact of this on the level of assurance that could be provided.

Members asked questions and received answers on the following: whether there was an opportunity to identify the areas of "satisfactory" internal audit opinion and how to aspire to improve these areas and the factors involved in determining the areas of internal audit focus in order to maximise the return on the council's investment in internal audit work.

Resolved:

1. that the progress in delivery of the 2020/21 Annual Audit Assurance Plan be noted
2. that the views from the Audit Committee on priorities for the remainder of the year be discussed with the internal auditors in due course

AUD Audit Committee Annual Report 2019-20 (Agenda Item 10)

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The Chairman presented the Annual Report which set out a summary of the work undertaken by the Committee in the previous year and provided a commentary over key areas of financial and corporate governance and associated assurance activities. He highlighted the benefits of the Audit Committee work to customers and residents and other areas of achievement including promoting access to the Audit Committee and to Audit Committee meetings to all members and scrutiny committees; identifying gaps in Audit Committee skills and undertaking training and embedding a Terms of Reference rewritten in line with best practice from CIPFA.

Resolved:

1. the Audit Committee approve the Audit Committee Annual Report 19/20 and
2. that the report be recommended to Council for receipt

AUD Urgent Items – Informing the Risk Assessment letter (Agenda Item 12)

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The Chairman drew members attention to the Informing the Risk Assessment letter that had been received that morning. The Chairman ruled that the letter be considered as an urgent item of business, the reason for urgency being the request by the council's external auditor that the item be considered as part of the committee's assessment of risk during the 2019/20 financial year.

Note: Minute AUD 14 refers

Members asked for clarification of the wording "standing orders are broadly being complied with" to which a response was provided by the representative of the interim Director of Finance and Property.

Resolved that the Informing the Risk Assessment letter be noted.

Chairman
