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CORPORATE AUDIT COMMITTEE

ANNUAL REPORT TO COUNCIL 2014/15

1. INTRODUCTION

This is the tenth annual report of the Committee since it was established by the Council on 12 May 2005. It covers the work done during the year September 2014 to June 2015.

2. REVIEW OF WORK DONE IN 2014/15

a. Financial Governance – Annual Accounts

- i. The Committee approved on behalf of the Council an unqualified set of accounts for the year ended 31 March 2014 within the statutory deadline. This included the accounts for the Pension Fund.
- ii. The Committee then considered the formal governance reports for the Council and Pension Fund submitted by the external auditors (Grant Thornton) on their audit of the accounts.
- iii. The Council report highlighted some presentational and technical changes to the accounts and recommendations to improve the quality of the reconciliation process between the Property and Asset registers for accounting purposes. However there were no proposed changes to the General Fund Balances and Reserves. The auditors also noted that the accounts were presented promptly and that they were supported by good quality working papers.
- iv. The report on the Pension Fund Accounts highlighted that the financial statements were produced to a good standard, supported by good quality working papers and there were no material adjustments to the accounts.
- v. Both Governance reports were therefore noted and the audit of the accounts formally completed.

b. Financial Governance – Treasury Management

- i. The Committee considered the Treasury Management Outturn for 2013/14 which concluded that all prudential indicators were in line with projections and that the average rate of investment return was 0.08% above the benchmark rate.
- ii. In addition the committee received an update report six months into the 2014/15 year which showed an average rate of investment return 0.04% above the benchmark rate and all actions on target in line with the strategy..
- iii. Finally the Committee reviewed the Treasury Management and Annual Investment Strategy for 2015/16. This set out the treasury limits in force,

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treasury management indicators, current position, borrowing requirement, prospects for interest rates and the borrowing and investment strategies.

- iv. The committee agreed that current performance is good despite this being a very difficult and challenging arena due to the uncertainties within the global financial economy and therefore scrutiny will continue to be important to ensure Council resources are invested wisely

c. External Audit -

- i. Alongside the audit of the accounts for 2013/14 the external auditor also conducted work in relation to concluding a satisfactory VFM opinion for the Council following assessments of our financial resilience, economy, efficiency and effectiveness and a broadly satisfactory review of our four main grant returns.
- ii. The external auditor also presented their new audit fees for the Council and Pension Fund as well as their audit plans for 2014/15. No significant variances were proposed from the previous audit approach and update reports on their work continued to be presented to the Committee alongside references to key national reports and reviews which could impact on the governance framework.

d. Corporate Governance –

- i. The Accounts and Audit Regulations require the Council to carry out an annual review of its governance arrangements, and to produce an annual statement detailing the results of that review. In addition there was a review of progress against actions identified in the 2013/14 statement.
- ii. In relation to the 2014/15 review, two reports were received to both introduce the Committee to their role in relation to the review.
- iii. All views were fed back to senior management and it was pleasing to note that no significant issues were identified for 2014/15 which is a positive sign of an effective internal control environment. The formal statement was then signed by the Leader of Council and Chief Executive prior to the statutory deadline.
- iv. During the year the Committee also received a report on proposed changes to the Council's Financial Regulations including those affecting Schools and the Committee recommended them on for formal approval by Council.

e. Internal Audit –

- i. The Committee considered the Service's work plan and monitored its progress during the year. The Committee was satisfied with the balance of the plan between planned projects, unplanned commissions and follow-up of previous reports.

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- ii. Whilst benchmarking results were broadly solid with costs below average and quality assurance indicators high, the Committee did express concern that only 81% of the plan had been completed. However the Committee recognised the changes which were ongoing within the function in its joint working arrangement with North Somerset and supported the positive actions to address resource gaps and improved performance on almost all areas including the implementation of audit recommendations.
- iii. The committee noted the annual opinion on the internal control framework and that with increased pressure on budgets, choices on the degree of internal control had to be made and there was therefore an imperceptible rise in the level of the risk being accepted.
- iv. The committee also received updates on progress of the audit function towards a shared service with North Somerset Council. This proposal built on the first 12 months of joint working between the two Councils and the sharing of a Head of Service.
- v. The Committee were briefed in December on the move towards a single integrated function and were supportive of the proposal which was eventually presented and approved by the Cabinet Member in December 2014.
- vi. The new integrated service is now formally in operation under a five year contract with additional savings of almost 25% guaranteed to be delivered over the contractual period. The potential to now build on these arrangements to achieve further benefits can now be realised and work is already underway in areas such as Data Analytics to maximise the sharing of resources.. Additionally the audit service have contracted with the South West Audit Partnership to work in tandem in a number of areas. Both of these moves enabled further savings to be delivered without any loss of productivity and the Committee welcomed these significant and very positive steps to improving the audit service.

f. Review of Terms of Reference

- i. As part of good practice a high level desktop review was undertaken of the Committee's Terms of Reference against CIPFA's best practice model for Audit Committees. Areas previously highlighted included independent support and training and development.
- ii. In relation to independent support the committee has already tackled this through the adoption of a co-opted independent member and the level of independence to the committee will be kept under review.

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3. WORK PLAN FOR 2014/15

- i. Whilst the Committee's work in 2015/16 will be broadly similar to the year recently ended it will keep under close review a number of key issues –
 - a) The future development of the Shared Internal Audit service;
 - b) The on-going management of the organisation's Corporate Risks;
 - c) Financial resilience of the organisation through its Accounting and Treasury Management arrangements.

4. MEMBERSHIP AND SUPPORT

- i. Three meetings were held during 2014/15 with Councillor Andy Furse acting as Chair of the Committee during this time. Following the elections in May 2015 a new Chair was selected Councillor Brian Simmons and two new Councillors – Chris Dando and Chris Pearce – were appointed to the Committee.
- iii. The Committee's lead officer is the Head of Audit West. Other officers attend, notably the Divisional Director (Business Support) who leads on financial issues through his S151 role, Corporate Finance Manager and Group Manager for Audit & Risk.
- iii. The external auditors are currently represented by an Engagement Lead and Audit Manager from Grant Thornton.