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### **CORPORATE AUDIT COMMITTEE**

#### **ANNUAL REPORT TO COUNCIL 2016/17**

##### **1. INTRODUCTION**

This is the twelfth 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 2016 to August 2017.

##### **2. REVIEW OF WORK DONE IN 2016/17**

###### **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 2016 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 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 2015/16 which concluded that all prudential indicators were in line with projections and that the average rate of investment return was 0.47% which is 0.06% above the benchmark rate.
- ii. In addition the committee received an update report six months into the 2016/17 year which showed an average rate of investment return of 0.50% which is 0.13% above the benchmark rate and all actions on target in line with the strategy..
- iii. Members then reviewed the Treasury Management and Annual Investment Strategy for 2017/18. This set out the treasury limits in force, treasury

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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 2015/16 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 2016/17. 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.
- iii. Finally during the year the Committee endorsed the recommended option for the future procurement of external audit by PSAA Ltd following statutory changes and we are currently awaiting the results of new five year contracts from April 2018.

### **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 2015/16 statement.
- ii. In relation to the 2016/17 review, two reports were received to inform the Committee of their role and the overall process of the review.
- iii. Whilst there were no governance failures the Council did decide to acknowledge as a significant issue the scale of the financial challenge and the pressures on all services, notably Social Care. The formal statement is then to be signed by the Leader of Council and Chief Executive prior to the statutory deadline.

### **e. Internal Audit –**

- i. The Committee received a report on a new approach to the preparation of the Audit Plan – the reasonable assurance model – which looked at eight core themes of an organisation. It was supportive of this new methodology as well as the new style and presentation of the plan which demonstrated

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the linkages between the Council's priorities and the different elements of the Council's internal control framework.

- ii. The Committee was satisfied with the balance of the plan in relation to the Council's key corporate risks as well as the mix of its planned projects, unplanned commissions and follow-up of previous reports.
- iii. In relation to performance the Committee noted the performance against the plan with almost 88% of the plan completed as at the end of 2016/17 alongside a number of other key indicators such as customer satisfaction and the level of productivity at high levels.
- iv. 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.
- v. Updates were also received around the 'Audit West' partnership arrangements with the integrated service continuing to out-perform its savings targets. All staff have now successfully integrated into a single structure and wider benefits were well in advance of original projections.
- vi. The potential to continue to build on these arrangements is already being realised with new audit methodologies introduced, significant productivity gains through simplification and use of one single process across partners and increased use of areas such as Data Analytics to maximise the sharing of resources.
- vii. The committee was pleased to see the new arrangements working effectively and remains keen to support further progress so that the partnership continues to deliver value to the Council.

### **f. Counter Fraud -**

- i. The Committee considered the annual plan for pro-active work in reducing and eliminating fraud and corruption within the Council's activities and monitored progress.
- ii. The Committee were pleased to hear of the significant and positive progress in reducing fraud, loss and error in a range of areas including Business Rates and Housing & Council Tax Benefits. The committee commended the officers on their progress and supported further activity.

### **g. Awareness & Briefings**

- i. Updates and briefings continue to be a strong part of the Committee's approach to raising awareness of key governance issues with members and several additional briefings were given during the year at meetings. These included -

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- Internal Audit
- External Audit
- Treasury Management
- Risk Management
- Annual Accounts

- ii. This approach continues to be welcomed and has resulted in constructive and valuable debate of individual topic areas which will continue in 2017/18.

### **h. 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.

### **3. WORK PLAN FOR 2017/18**

- i. Whilst the Committee's work in 2017/18 will be broadly similar to the year recently ended it will keep under close review a number of key issues –
  - a) Financial resilience of the organisation;
  - b) Future contracting arrangements for External Audit;
  - c) Early closure arrangements for the Accounts and its implications;

### **4. MEMBERSHIP AND SUPPORT**

- i. 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.
- ii. The Committee is supported by a number of officers notably the Head of Audit West and the Chief Financial Officer who leads on financial issues through his S151 role.
- iii. The external auditors are currently represented by an Engagement Lead and Audit Manager from Grant Thornton.