

## **Appendix 1 - Draft**

### **CORPORATE AUDIT COMMITTEE**

#### **ANNUAL REPORT TO COUNCIL 2017/18**

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

This is the thirteenth 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 2017 to July 2018.

##### **2. REVIEW OF WORK DONE IN 2017/18**

###### **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 2017 in September 2017 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.
- vi. The Committee considered the accounts for the year ended 31 March 2018 in July 2018. Comments to be added post July meeting.

###### **b. Financial Governance – Treasury Management**

- i. The Committee considered the Treasury Management Outturn for 2016/17 which concluded that all prudential indicators were in line with projections and that the average rate of investment return was 0.47% which is 0.14% above the benchmark rate.
- ii. In addition the committee received an update report six months into the 2017/18 year which showed an average rate of investment return of 0.26%

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which is 0.10% 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 2018/19. This set out the treasury limits in force, 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 2016/17 and 2017/18 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. 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 appointment of Grant Thornton as the Council's external auditor for the next five years.

### **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 previous year's statement.
- ii. In relation to the 2017/18 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 and Children's Services. The formal statement is then to be signed by the Leader of Council and Chief Executive prior to the statutory deadline.

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iv. Finally a revised local code of Corporate Governance was proposed and recommended on to full Council to take account of updated guidance and this was endorsed by all Members.

### **e. Internal Audit & Counter Fraud –**

- 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 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 2018/19 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 reviewed the outcomes of the service against its key performance indicators for 2017/18 notably high risk audits and the impacts of unplanned work and investigations alongside a number of other key indicators such as customer satisfaction and the level of productivity.
- 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 improvements delivered to Internal Audit through the 'Audit West' arrangements with 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.
- vi. 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.
- vii. The committee was also pleased to see that the formal independent review of the service against its professional standards resulted in the highest rating and remains keen to support further progress so that the arrangement continues to deliver value to the Council.
- viii. Finally the Committee considered the annual plan for pro-active Counter-Fraud work in reducing and eliminating fraud and corruption within the Council's activities and monitored progress.

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### **f. 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 -
  - Housing Benefit
  - 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.

### **g. 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 2018/19**

- i. Whilst the Committee's work in 2018/19 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) Treasury Management Arrangements;
  - c) Savings plans and risks in Children's and Adults Services;

## **4. MEMBERSHIP AND SUPPORT**

- i. Councillor Brian Simmons is Chair of the Committee and during the year Cllr Chris Pearce was replaced by Cllr Chris Watt. The Committee would like to extend their condolences following the sad passing of Cllr Pearce.
- 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.