

## Appendix 1

### AUDIT COMMITTEE

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

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

This is the eleventh annual report of the Committee since it was established by the Council in July 2006. 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. Following review at its workshop and formal meeting in September 2016 the Committee received and recommended on for approval by full Council the Annual Accounts for the year ended 31 March 2016.
- ii. As part of this process the Committee considered the formal governance report for the Council 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, none of which had any financial effect on the accounts and 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.
- v. The Governance reports were therefore noted and the audit of the accounts formally completed.
- vi. In preparation for considering and recommending the 2016/17 accounts on for approval the Committee received a briefing from officers in September 2017. The committee expressed its appreciation of the efforts by officers to prepare the accounts by the statutory deadline and explain the complex statements.
- vii. Finally the Committee received an update during the year on the approach being taken by the Council to meet the earlier closing deadlines for the Accounts and the potential impacts. This will mean that the Accounts and their Audit will need to be completed by the end of July and the Committee dates and work will need to alter to reflect this change in 2018. A recommendation has been included within the covering report to give delegated authority to the Committee to approve the Accounts from 2018.

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

- i. The Committee acts as a scrutiny function for the Council's Treasury Management arrangements as recommended by CIPFA.

## Appendix 1

- ii. The Committee has previously received an extensive briefing from its Treasury Management advisors – Arling Close – on the state of the economy, the Council's role and the various mechanisms we can use to maximise financial returns. During the year the Council's S151 Officer and Corporate Accounting Manager updated Members with the latest position with regard to our investments and the state of the economy.
- iii. The Committee formally received reports on the outturn of performance for the year 2015/16, an update on performance in year for 2016/17 and the strategy for the year 2017/18. Members expressed their thanks to the officers and advisors on explaining the complexities and technical aspects of Treasury Management and were pleased to see that the Council was taking a balanced view in how to exploit opportunities in this area to deliver increased value back to the Council.

### **c. Financial Governance - 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 main grant returns.
- ii. The external auditor also presented their new audit fees for the Council 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. The Committee also reviewed the procurement options for the next External Audit contract and recommended to Council that we should be part of the national arrangements being overseen by Public Sector Audit Appointments Ltd. As at the time of writing this report we are being consulted on the appointment of Grant Thornton from 2018/19 as result of this exercise.

### **d. Corporate Governance (Including Risk Management) –**

- 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.
- ii. Whilst there were no significant issues identified, the Committee did recognise through the Annual Governance Statement the state of the financial challenge facing the Council. The financial pressures were especially prevalent in the Social Care and the Committee was updated on some of the plans to meet this challenge and the potential risks and impacts.

## Appendix 1

- iii. During the year the Committee received updates on the Council's key risks. This included a presentation on the Council's top ten risks and a focus on two areas in more depth to understand progress against actions.
- iv. In that vein the Committee reviewed the current position and key risks around the Transformation Programme and the Council's approach to Procurement and requested further information and updates.

### **e. Corporate Assurance -**

#### **Internal Audit**

- i. The Committee had previously received a report on the new approach to preparing the audit and assurance 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 2017/18 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 commended the service on its performance against the plan with almost 99% 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.
- 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 new integrated service continuing to build on a successful first year. All staff have now successfully integrated into a single structure and financial benefits had been delivered in advance of original projections within the original medium term financial plan.
- vi. The potential to now build on these arrangements to achieve further benefits 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.

## Appendix 1

### Counter Fraud

- xii. 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.
- xiii. 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.

### 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 briefings were given this year through the normal meeting cycle which included -
  - Procurement
  - Transformation Programme
  - External Audit
  - Internal Audit
  - External Audit
  - 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. A high level desktop review of the Committee's work against CIPFA's best practice model was undertaken and no significant issues were identified following the change in the previous year with regard to Treasury Management.

## 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 and meeting the financial challenge;
  - b) Future contracting arrangements for External Audit;
  - c) Early closure arrangements for the Accounts and its implications;

## 4. MEMBERSHIP AND SUPPORT

- i. Councillor Mary Blatchford is the Chair of the Committee and following the sad passing of Councillor Derek Mead during 2017 the Committee welcomed Councillor John Ley-Morgan from September 2017.

## Appendix 1

- ii. The Committee also recommended the extension of the role of one its independent lay members – Mr Anthony Roche - by two years to April 2019 which was endorsed by Council.
- ii. The Committee is supported by a range of officers, notably the Head of Finance & Property (S151 Officer), Corporate Accounting Manager and Head of Audit West.
- ii. The external auditors are currently represented by an Engagement Lead and Audit Manager from Grant Thornton.