

## **Appendix 1 - DRAFT**

### **AUDIT COMMITTEE**

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

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

This is the twelfth annual report of the Committee since it was established by the Council in July 2006. 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. Following review at its workshop and formal meeting in September 2017 the Committee received and recommended for approval the Annual Accounts for the year ended 31 March 2017.
- 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 2017/18 accounts for approval the Committee received a briefing from officers in July 2018. 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 which include approval of accounts by the end of July instead of September.

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

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

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maximise financial returns. During the year the Councils 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 2016/17, an update on performance in year for 2017/18 and the strategy for the year 2018/19. 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 2016/17 and 2017/18 which were examined during the last 12 months 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. 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 oversaw the process for the letting of the contract for External Audit conducted nationally by PSAA Ltd, which included the confirmation of Grant Thornton as the Council's external auditor for the next five years.

### **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 Children's Services and Social Care and the Committee was updated on some of the plans to meet this challenge and the potential risks and impacts.
- iii. During the year the Committee received updates on the Councils key risks. This included a presentation on the overall financial challenge, key issues facing Adult Social Care and a comprehensive review of Information and Cyber-Security risks. The Committee spent time discussing the scale of these risks along with progress against actions.

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- iv. Finally the Committee reviewed a new local code of corporate governance which they recommended on to full Council and were commended by all Members on the work to create the new code.

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

#### **Internal Audit & Counter Fraud**

- 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 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.
- 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.
- xii. 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.
- xiii. The Committee had previously heard 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 and it is proposed a further workshop will be held in 2018/19 to update Members further.

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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 briefings were given this year through the normal meeting cycle which included -
  - Council's overall financial position and Savings Plan
  - Adult Social Care risks and cost pressures
  - Information Governance & Security Risks
  - External Audit
  - Internal Audit
  - Treasury 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 2018/19.

### 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 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 and meeting the financial challenge;
  - b) Treasury Management Arrangements;
  - c) Information Governance risks post the implementation of the new Data Protection Act (GDPR)
  - c) Savings plans and risks in Children's and Adults Services;

## 4. MEMBERSHIP AND SUPPORT

- i. Councillor Mary Blatchford is the Chair of the Committee and during the year Councillor David Jolley was appointed Chairman of full Council and left the Committee along with one of the independent members, Beverley Robertshaw.
- ii. The Committee is supported by a range of officers, notably the Head of Audit West, Head of Finance & Property (S151 Officer) and the Corporate Accounting Manager.
- ii. The external auditors are currently represented by an Engagement Lead and Audit Manager from Grant Thornton.