

## Appendix 1

### AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL - 2018/19

#### **1. INTRODUCTION**

This is the thirteenth annual report of the Committee since it was established by the Council in July 2006. It covers the work done from September 2018 to July 2019.

#### **2. REVIEW OF WORK DONE IN 2018/19**

##### **a. Financial Governance – Annual Accounts**

- i As most of the Committee had changed following the elections in May 2019 a briefing session on the role of the Committee, External Audit, Internal Audit and S151 Officer was held including a separate session on the key issues and changes within the Accounts from the previous year. The committee expressed its appreciation of the efforts by officers to prepare the accounts by the statutory deadline and explain the complex statements
- ii. Following review at its formal meeting in July 2019 the Committee received and recommended for approval the Annual Accounts for the year ended 31 March 2019.
- iii. 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.
- iv. The Council report highlighted a range of issues around risks, materiality and triviality and potential impacts on transactions and the accounts including 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 and approved with an unqualified opinion.

##### **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 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 2018/19 including a mid-year update on performance and the strategy for the year 2019/20. 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 2018/19 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 received the outcome of the external auditors key grant certification work and were pleased there were no significant issues identified.

### **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 and issues affecting senior management capacity during the year with a number of key positions being vacant during this time. The financial pressures were especially prevalent in Children’s Services 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 alongside an update of contract management and procurement. The Committee spent time discussing the scale of these risks along with progress against actions.
- iv. The Committee also received a revised Risk Management Strategy and its associated process and procedures setting out the framework for managing risk in the future. The Committee discussed this in detail and commended the efforts of officers in the clarity of the proposed new processes and endorsed the strategy.

### **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 2019/20 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 2018/19 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. 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 service 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.

#### **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
  - Role of the Committee
  - External Audit
  - Internal Audit
  - Treasury Management
  - Annual Accounts
  - Procurement

- ii. This approach continues to be welcomed and has resulted in constructive and valuable debate of individual topic areas which will continue in 2019/20.

#### **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 the new Chair of the Committee recommended a refresh to ensure that all elements of CIPFA's advice was taken on board and revised set sent to Council for approval.

### **3. WORK PLAN FOR 2019/20**

- i. As the majority of the Committee has changed since the elections in May 2019 including the Chair, the Committee's work whilst being broadly similar to the year ended will be kept under close review.

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

- i. Councillor John Cato is now the new Chair of the Committee following the elections in 2019 and nearly all the members have changed as a result of the elections in May 2019. The long-standing independent co-opted member Anthony Roche ended his tenure in April 2019 and the make-up of the Committee will be kept under close review during the year.
- ii. The Committee is supported by a range of officers, notably the engagement lead from Audit West, Director 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.