

## REPORT TO AUDIT COMMITTEE – 1 NOVEMBER 2018

### AUDITED ANNUAL ACCOUNTS 2017/18 – ACTION PLAN

#### 1 Recommendations

The Committee is recommended to:

- 1.1 Consider and approve the detailed action plan contained within the Independent Auditor's Report
- 1.2 Agree that a report on progress towards achieving the actions is presented to Audit Committee on 20 March 2019.

#### 2 Discussion

- 2.1 It was agreed at Audit Committee on 20 September that Officers would bring back the management response to the Appendix 1 of the Independent Auditor's Report on the 2017/18 Annual Accounts.
- 2.2 The **Appendix** to this Report details the management response to each of the four Actions within Appendix 1 of the Auditor's Report and the timescales for completion.
- 2.3 Officers propose bringing a progress report on the achievement of the Action Plan back to Audit Committee on 20 March 2019. Officers have also met with the external auditor to discuss in more detail the issues and recommendations raised as well as expanding on the proposed management action.
- 2.4 The Monitoring Officer has been consulted in the preparation of this report and had no comments to make and is satisfied that the report complies with the Scheme of Governance and relevant legislation.

#### 3 Scheme of Governance

- 3.1 The Committee is able to consider and take a decision on this item in terms of Section G.1.3 of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to a review of the financial statements, management letters or reports and compliance with relevant codes of practice.

#### 4 Implications and Risk

- 4.1 An Equalities Impact Assessment is not required as the actions do not have a differential impact on people with protected characteristics.
- 4.2 There are no direct financial or staffing implications arising from this report.

- 4.3 The following Risk has been identified as relevant to this matter on a Corporate Level: Budget Pressures ([Corporate Risk Register](#)). The following Risk has been identified as relevant to this matter on a Strategic Level: Balancing the Books ([Directorate Risk Registers](#)).

**Ritchie Johnson**  
**Director of Business Services**

Report prepared by Alan Wood, Head of Finance  
10 October 2018

# Appendix 1

## Action plan 2017/18

### 2017/18 recommendations for improvement

No.	Issue/risk	Recommendation	Agreed management action/timing
1	<p><b>With the increasing pressure to identify savings and use of reserves to support ongoing expenditure, it is important that financial information supports robust challenge and monitoring.</b></p> <p><b>The council does not specifically report on progress against agreed savings but focuses on achievement of a balanced bottom line. It is therefore difficult to demonstrate if savings were achieved or if compensating factors produced the required outcome.</b></p> <p><b>The council earmarks a range of balances for specific purposes. While the reasons for setting up the funds are clear, the audit trail to support their use and/or removal could be enhanced to demonstrate that balances are used as intended.</b></p> <p><b>There is a risk that financial monitoring reports are not sufficiently detailed to enable robust scrutiny.</b></p>	<p>To enhance transparency and scrutiny of information, budget monitoring reports should provide details on the extent of achievement of savings plans, any consequent impact on service delivery and more narrative on the reasons and use of earmarked balances.</p>	<p>The focus of the Council in recent years has been on strategic and prioritised spending rather than just on savings. Therefore, adherence to agreed budgets will be the focus including an assessment of savings. The use of reserves will be reviewed through the revised Reserves Strategy.</p> <p><b>Each monitoring cycle</b></p>
2	<p><b>While council priorities have been agreed, it is unclear what improvement action is intended, associated resource implications and how progress will be monitored.</b></p>	<p>Develop clear actions and milestones to take forward agreed council and community planning partnership priorities ensuring that progress can be measured and pace of change demonstrated.</p>	<p>Delivery plans have been developed for each of the Council Priorities which set out the programme of work to achieve the Priorities over the next 5 years. Performance measures are being developed for each of the outcomes to</p>

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	 <p><b>There is a risk the council is unable to achieve the improvement expected when priorities were agreed.</b></p>	 <p>Develop supporting medium term resource plans demonstrating financial and workforce capacity to deliver priorities.</p>	 <p>ensure that Councillors have confidence that progress is being made. Lead committees will receive 6 monthly updates on progress against all agreed actions, whilst full council will receive an overview of the full plan each year. The Medium-Term Financial Strategy is linked to the Council Priorities and will continue to be refined.</p> <p><b>February 2019</b></p>
3	<p><b>New scrutiny arrangements implemented around 18 months ago have not been used by the council's policy committees.</b></p> <p><b>There is a risk that council decisions are not subject to effective scrutiny.</b></p>	<p>Committees could be asked to report back on their scrutiny arrangements to ensure that it is given sufficient attention. Where appropriate, further support and training should be provided until the arrangements are embedded.</p>	<p>The additional scrutiny by Policy Committees is evident through the financial monitoring reports received and discussed. The wider scrutiny role will be reviewed.</p> <p><b>April 2019</b></p>
4	<p><b>There is regular review of the council's performance information by elected members and officers. Such reviews could make more use of benchmarking and the outcomes be systematically used to target areas for improvement.</b></p> <p><b>There is a risk that performance information is not effectively used as a driver for improvement.</b></p>	<p>Arrangements should be put in place to demonstrate that the outcome from performance information reviews informs improvement plans.</p>	<p>The Council is actively engaged in the Local Government Benchmarking Framework corporately, and services make use of wider benchmarking through professional networks. A greater emphasis will be placed on the use of benchmarking as an important tool to support improvement.</p> <p><b>April 2019</b></p>