



**TRAFFORD
COUNCIL**

**AGENDA PAPERS FOR
ACCOUNTS AND AUDIT COMMITTEE MEETING**

Date: Tuesday, 5 February 2013

Time: 6.30 pm

Place: Rooms 7 and 8, Ground Floor, Quay West, Trafford Wharf Road, Trafford Park, Manchester, M17 1HH

A G E N D A	PART I	Pages
1.	ATTENDANCES To note attendances, including Officers and any apologies for absence.	
2.	MINUTES To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 21 st November 2012.	1 - 4
3.	ANNUAL GOVERNANCE STATEMENT 2011/12 - UPDATE ON SIGNIFICANT GOVERNANCE ISSUE : RECORDS AND INFORMATION MANAGEMENT To note a report of the Records and Information Manager.	5 - 8
4.	TACKLING BENEFIT FRAUD To receive a presentation from the Investigations Manager.	
5.	TREASURY MANAGEMENT STRATEGY 2013/14 - 2015/16 To consider a joint report of the Executive Member for Finance and the Director of Finance (To Follow).	
6.	EXTERNAL AUDIT PROGRESS REPORT - JANUARY 2013 To receive a report from the Council's External Auditor Grant Thornton.	9 - 22

7. **ANNUAL GOVERNANCE STATEMENT 2012/13 - APPROACH / TIMETABLE** 23 - 32

To consider a report of the Audit and Assurance Manager.

8. **AUDIT AND ASSURANCE REPORT FOR THE PERIOD OCTOBER TO DECEMBER 2012** 33 - 44

To note a report of the Audit and Assurance Manager.

9. **ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2012/13** 45 - 48

To consider a report of the Audit and Assurance Manager.

10. **URGENT BUSINESS (IF ANY)**

Any other item or items which by reason of special circumstances (to be specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency.

THERESA GRANT
Chief Executive

Membership of the Committee

Councillors M. Whetton (Chairman), Mrs. L. Evans (Vice-Chairman), Mrs. Baugh, C. Boyes, B Brotherton, T. Ross and P. Lally

Further Information

For help, advice and information about this meeting please contact:

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This agenda was issued on **Thursday, 24 January 2013** by the Legal and Democratic Services Section, Trafford Council, Quay West, Trafford Wharf Road, Trafford Park, Manchester, M17 1HH.

21ST NOVEMBER 2012

PRESENT:

Councillor Whetton (In the Chair),
Councillors Baugh, Boyes, Brotherton, Mrs. Evans, Lally and Ross.

In attendance: Director of Finance (Mr. I. Duncan),
Principal Audit and Assurance Team Leader (Mr. J. Miller),
Technical Finance Manager (Mr. G. Bentley),
Insurance Officer (Mr. P. Edwards),
Democratic Services Officer (Mr. I. Cockill).

21. **MINUTES**

RESOLVED: That, subject to an amendment to Minute No. 17 so that the explanatory note reads "Adjustment to the Cash Flow Statement to reflect a misclassification of grant income", the Minutes of the meeting held on 26th September 2012, be approved as a correct record and signed by the Chairman.

22. **AUDIT AND ASSURANCE REPORT FOR THE PERIOD JULY TO SEPTEMBER 2012**

The Audit and Assurance Manager submitted a report summarising the work of Audit and Assurance during the period July to September 2012 and providing ongoing assurance to the Council on the adequacy of its control environment.

The Principal Audit and Assurance Team Leader responded to a question regarding school audit reports advising that final reports were issued to the Head Teacher, Chair of the Governing Body, Executive Member and a wide circulation of officers, however, there was an onus on the school to report the findings to its own Governing Body. With regard to the implementation of improvement actions, the Principal Audit and Assurance Team Leader also explained the follow-up action taken to secure acceptance of recommendations, indicating that particular emphasis was given to those with a fundamental control weakness.

RESOLVED: That the report be noted.

23. **ANNUAL AUDIT LETTER 2011/12**

The Committee received the External Auditor's Annual Audit Letter summarising the findings from the 2011/12 audit of the Council, broadly comprising the audit of financial statements and an assessment of arrangements to achieve value for money in the use of resources.

The Director of Finance advised that the Annual Audit Letter formalised the findings reported at the last meeting as part of the Annual Governance Report (Minute No. 15 of the meeting held on 26th September 2012 refers) and responded to a query concerning the verification of delivered budgeted savings.

RESOLVED: That the Committee notes the findings from the audit and

acknowledges the external auditor's comment that despite it being a challenging year, the Council has again met the challenges successfully.

24. ANTI-FRAUD AND CORRUPTION STRATEGY, POLICY AND SUPPORTING GUIDANCE

The Audit and Assurance Manager submitted a report advising that the Council's Anti-Fraud and Corruption Strategy, Policy and associated supporting documents had been revised. The updated documentation was attached to the report.

Acknowledging the arrangements to ensure that managers and staff are made aware of the revised documents, the Committee was eager to ensure that the Strategy was disseminated to all relevant personnel. Members also queried the frequency for notifying agency staff and the disciplinary procedure for staff where there is fraudulent activity in respect of public funds administered by the Council for which a police and criminal prosecution may be brought.

RESOLVED –

- (1) That the Anti-Fraud and Corruption Strategy be approved, subject to re-enforcement being given that employee fraud covers all the relationships an individual may have with the Council and, as such all cases will be referred for disciplinary investigation.
- (2) That the Committee notes that the guidance supporting the Strategy will be publicised across the Council.
- (3) That the Committee also notes that the Acting Corporate Director Transformation and Resources will investigate the feasibility of raising awareness of the Strategy through the e-learning pledge and also the means by which agency staff are informed.

25. TREASURY MANAGEMENT 2012/13 MID-YEAR PERFORMANCE REPORT

The Executive Member for Finance and the Acting Corporate Director Transformation and Resources submitted a joint report providing an update on the progress of the treasury management activities undertaken for the first half of 2012/13 and the Committee discussed the issues impacting upon operations.

RESOLVED –

- (1) That the Treasury Management activities undertaken in the first half of 2012/13 be noted.
- (2) That the exception to one prudential indicator relating to capital expenditure, as detailed in the report, be endorsed.

26. RESERVES AND PROVISIONS

The Acting Corporate Director Transformation and Resources submitted a report providing Members of the Committee with the background to the Council's

arrangements for the creation and use of provisions and reserves. The report also provided details of the Council's current reserves, estimated value at the end of 2012/13 and an estimate of future commitments.

RESOLVED: That the report be noted.

27. PRESENTATION ON THE COUNCIL'S INSURANCE ARRANGEMENTS

The Committee received a presentation from the Finance Manager and Insurance Officer providing an analysis of trends and costs associated with the Council's insurance function. The presentation outlined the Insurance Team's key areas of focus and its successes and advised on the timescale of a claim, the liability claim latency period and the risk mitigation process.

RESOLVED: That the officers be thanked for an excellent and informative presentation.

28. INSURANCE PERFORMANCE REPORT

The Acting Corporate Director Transformation and Resources submitted a report providing a summary of insurance performance for 2011/12 for all non-school activity. In particular, the report provided information on the level of activity in 2011/12 compared to recent years, covering, public liability claims including highway claims, employer liability claims and motor vehicle claims; the insurance budget and premium costs; and future issues and further planned work.

The Committee, questioning how proposed budget savings in Highway Maintenance would impact upon public liability highway claims, was advised that claims could be defended provided that repairs and inspections conformed to the Council's revised minimum policy requirements.

RESOLVED –

- (1) That the report be noted and that the statistics on repudiation rates that showed that a greater proportion of claims are being successfully defended, be welcomed.
- (2) That, for the purposes of monitoring, the Committee wishes to receive an annual report on insurance activity and performance.

29. ACCOUNTS AND AUDIT COMMITTEE – WORK PROGRAMME – 2012/13

The Audit and Assurance Manager submitted a report setting out the updated work plan for the Committee for the 2012/13 Municipal Year and outlining the areas to be considered at each of its meetings. Members' attention was drawn to the Benefit Fraud Investigation training and development which was to be conducted at the next meeting on 5th February 2013.

RESOLVED: That the 2012/13 work programme be noted.

The meeting commenced at 6.30 p.m. and finished at 8.37 p.m.

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Agenda Item 3

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 5 February 2013
Report for: Information
Report of: Records and Information Manager

Report Title

Annual Governance Statement 2011/12 – update on significant governance issue : Records and Information Management

Summary

This brief report provides an extract from the 2011/12 Annual Governance Statement outlining one of the significant governance issues identified for further development through 2012/13 i.e. the need for an effective electronic records managements solution; and embedding the corporate records management policy within services.

It includes a brief update on work undertaken to date and further work planned in respect of this issue which will be referred to by the Records and Information Manager at the Committee meeting.

Recommendation

The Accounts and Audit Committee is asked to note the report for information which the Records and Information Manager will make reference to when attending the Committee to update members on progress to date.

Contact person for access to background papers and further information:

Name: Paula Titterington – Records and Information Manager
Extension: 3212

Background Papers:

2011/12 Annual Governance Statement

**Annual Governance 2011/12 Statement – Significant Governance Issue :
Records and Information Management**

1. Introduction

Detailed below is an extract from the 2011/12 Annual Governance Statement followed by a brief update on actual progress made to date in respect of embedding records management and information management practices, policies and procedures across the Council, including the implementation of an Electronic Document and Records Management Solution (EDRMS).

2. Annual Governance Statement 2011/12 Extract

The following detail was included in sections 5.7&5.8 of Trafford Council's 2011/12 Annual Governance Statement :

.....

5.7 The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to progress its Transformation Programme in order to continue to improve and transform service delivery arrangements, to ensure the Council effectively delivers its objectives and manages its resources to meet the financial challenges currently being faced.

5.8 Detailed below are significant governance issues and a summary of the actions planned to address these in 2012/13.

2011/12 Issues and Action Planned 2012/13

1. Significant work has already taken place in 2011/12, and will continue in 2012/13 to fully embed records management and information management practices, policies and procedures across the Council. This work is aligned to the Council's planned transformation of its long term accommodation, and will be supported by enabling technologies including the roll out of EDRMS. In respect of the ongoing developments regarding the Electronic Document and Records Management solution, work in 2012/13 is focussed on embedding this solution across the Council's services.

EDRMS is being rolled out to all services in the Transformation and Resources Directorate followed by other services that are planned to move in the new Town Hall Complex and finally rolled out to all other Council services resulting in a corporate wide approach and standard for Electronic Document and Records Management.

The Information Security Strategy group, consisting of representatives from a number of services is being established to support developments in information governance and security, including the above.

.....

3. Updated position (January 2013)

Significant work has already taken place in 2012 and will continue through 2013 to fully embed records management and information management practices, policies and procedures across the Council. This work is aligned to the Council's planned transformation of its long term accommodation, and will be supported by enabling technologies including the roll out of EDRMS, offsite storage and scan on demand services which will ensure the Council meets its statutory and legal obligations with regards to record keeping.

EDRMS is being rolled out to all services that will be moving into the New Town Hall premises (circa 840+staff) in the first instance, followed by all other services resulting in a corporate wide approach and standard for Electronic Document and Records Management.

Offsite storage and scan on demand services are also being rolled out to all services to reduce the requirement for physical storage onsite, improve the security of records, scan on demand records that are required for access and over the longer term build up the electronic memory of records to assist with the success of agile working, making records available to all employees regardless of location.

The solution chosen through the procurement exercise was Serengeti Systems EDRMS, a system which is already embedded in Planning and Building Control and Parking Services and has been piloted in CYPs.

Work is continuing to prepare services for the cutover activities associated with moving to this new way of working. Local experts have been identified in all services areas to ensure that the Council gets the maximum benefit out of its investment. Training has been carried out for the local experts and the ICT support services and vigorous testing is currently taking place in advance of corporate rollout to ensure the solution chosen delivers the requirements for a 'best in class' EDRM solution.

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TRAFFORD COUNCIL

EXTERNAL AUDIT PROGRESS REPORT - JANUARY 2013

Audit Area	Planned date	Complete?	Comments
<p>2012-13 Audit fee letter</p> <ul style="list-style-type: none"> ▪ proposed 2012-13 audit fee ▪ outline audit work programme. 	November 2012	✓	We set out our proposed audit fee and work programme for 2012-13 in a letter to the Chief Executive. A copy is attached at the end of this report..
<p>2012-13 Audit Plan</p> <p>We are required to issue a detailed audit plan to the Council, setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.</p>	March 2013		We will produce a plan highlighting accounting risks we identify from our audit planning and discussion with the finance team. We will set out our proposed work to address those risks.
<p>Interim Accounts audit</p> <p>Our interim fieldwork will include the following:</p> <ul style="list-style-type: none"> ▪ review of the Council's control environment ▪ examine and test controls within the Council's core financial systems ▪ liaise with and assess the work of Internal Audit ▪ review arrangements to compile the Annual Governance Statement ▪ examine progress on prior year recommendations ▪ early work on emerging accounting issues. 	January - June 2013		We are meeting with Council officers on a regular basis to discuss accounting issues. We will conclude our initial findings on the accounting risks identified in our Audit Plan during our interim audit.

Audit Area	Planned date	Complete?	Comments
<p>Value for Money Audit work</p> <p>We will give our statutory VFM conclusion on the arrangements to secure economy, efficiency and effectiveness based on two criteria, specified by the Audit Commission, related to the Council's arrangements for:</p> <ul style="list-style-type: none"> • securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future • challenging how it secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency. 	January – September 2013		<p>We will complete our risk assessment and set out a planned programme of VFM work to inform our 2012-13 conclusion.</p> <p>All our VFM work will be completed by September 2013. We will present a separate financial resilience report detailing our findings to management. We will include other key VFM conclusion findings and recommendations in our Annual Audit Letter.</p>
<p>2012-13 Final Accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> ▪ audit of the 2012-13 financial statements and Whole of Government Accounts return ▪ proposed opinion on the Council's accounts ▪ proposed Value for Money conclusion. 	June-September 2013		Our Annual Report to those Charged with Governance will detail matters arising from our accounts audit.
<p>2012-13 Annual Audit Letter</p> <p>We are required by October 2013 to summarise our work performed at the Council, including:</p> <ul style="list-style-type: none"> • accounts audit • VFM audit work • grant claim certification. 	October 2013		Our Annual Audit Letter will summarise the findings from our 2012-13 audit.

Audit Area	Planned date	Complete?	Comments
<p>2012-13 Grant claims report</p> <p>Our review of the Council's 2012-13 grant claims will take place during the period June to December 2013.</p>	<p>June - December 2013</p>		<p>Our Grant claims report will summarise our findings from our audit of the Council's 2012-13 grant claims.</p>

Grant Thornton UK LLP
January 2013

Reports and Developments

Protecting the public purse (November 2012)

This Audit Commission report finds that councils are targeting their investigative resources more efficiently and effectively, detecting more than 124,000 cases of fraud in 2011/12 totalling £179 million. But it urges them not to drop their guard, as new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.

The report gives the results of the Audit Commission's annual survey of English councils. It says that, despite these detection rates, more can still be done. The National Fraud Authority (NFA) estimates that the total amount of fraud in the UK costs every adult in the country about £1,460 a year. Fraud targeting just local government exceeds £2.2 billion per year.

The Audit Commission has updated its checklist which organisations can use to consider how effective they are at responding to the risk of fraud.

<http://www.audit-commission.gov.uk/fraud/protecting-the-public-purse/Pages/protecting-the-public-purse-2012.aspx>

Tough Times (November 2012)

These are challenging and uncertain times for councils as they cope with the second year of the four-year Spending Review. The savings needed are lower in 2012/13 than in 2011/12, but the cumulative effect is significant for many.

The report is the second in the Commission's Tough times series. It finds that in 2011/12, councils largely delivered their planned savings and in many cases added to reserves. However, auditors reported that signs of financial stress were visible.

A sizeable minority of councils had to make additional in-year cuts, seek additional funding, or restructure efficiency programmes in order to deliver their budgets.

The report says that auditors are concerned that 12 per cent of councils are not well-placed to deliver their 2012/13 budgets. They feel that a further 25 per cent will cope in 2012/13, but may struggle in the remaining years of the Spending Review period.

<http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/toughtimes2012.aspx>

Striking a balance (December 2012)

'Striking a balance' presents the Audit Commission's findings from research undertaken during 2012 on the level of reserves that councils hold and on the decisions councils make relating to them.

Reserves are an essential part of good financial management. They help councils cope with unpredictable financial pressures and plan for their future spending commitments. The level, purpose and planned use of reserves are important factors for elected members and council officers to consider in developing medium-term financial plans and setting annual budgets.

The report encourages English councils to focus more attention on the £12.9 billion set aside in their reserves – the equivalent of nearly a third of their net spending on services in 2011/12. While it finds that councils routinely consider reserves as part of their annual budget setting, the report calls for officers to offer elected members clearer and more comprehensive advice, equipping them to make better-informed decisions. It also calls for greater clarity from councils about the reasons for holding reserves.

<http://www.audit-commission.gov.uk/nationalstudies/localgov/Pages/Strikingabalance.aspx>

Auditing the Accounts 2011/12: Quality and timeliness of local public bodies' financial reporting (December 2012)

The Audit Commission's Auditing the Accounts 2011/12 report summarises the results of auditors' work for 2011/12 at councils, fire and rescue authorities, police bodies, other local government bodies, parish councils and internal drainage boards. The report covers the timeliness and quality of financial reporting and summarises:

- auditors' work on the 2011/12 financial statements;
- auditors' work on the Whole of Government Accounts returns;
- auditors' local value for money work;
- public interest reports and statutory recommendations issued by auditors since December 2011; and
- the key financial reporting and financial management challenges facing bodies for 2012/13.

The Commission reports that auditors were able to issue the audit opinion by 30 September 2012 at 98 per cent of councils, all fire and rescue authorities, 97 per cent of police bodies, all other local government bodies, 97 per cent of parish councils and 97 per cent of internal drainage boards. This is an improvement for all types of body compared with 2010/11.

Eleven principal bodies received an unqualified audit opinion by 31 July 2012 and published their audited accounts promptly.

At the date of preparing the report, no principal bodies had received a qualified audit opinion on the 2011/12 accounts, which is a considerable achievement. The overwhelming majority of small bodies (93 per cent of parish councils and 95 per cent of internal drainage boards) received an unqualified opinion on their 2011/12 annual return by 30 September.

<http://www.audit-commission.gov.uk/audit-regime/support-guidance/auditing-the-accounts/pages/auditing-the-accounts-1112.aspx>

Towards a tipping point (December 2012)

While authorities met their 2011–12 targets as they anticipated, Grant Thornton's review concluded that the confidence in achieving targets in the medium-term has fallen since last year. With many factors leading to an uncertain environment in which to set financial plans, we ask if a critical point is coming where local authorities can no longer deliver.

Overall, local authorities have continued to manage in the current environment, but improving scenario planning, sensitivity analysis and reporting of savings programmes as well as ensuring financial governance arrangements remain robust will help finance management to influence key stakeholders in the uncertain times ahead.

A summary for each theme follows.

- 86% of authorities were rated green for **key indicators of financial performance** for 2010–11, and this has increased to 96% for 2011–12. Liquidity received the lowest overall rating (87%). While for many authorities their Treasury Management Strategy is leading to a planned reduction in liquidity, and borrowing headroom provides a degree of confidence for the medium-term, authorities will need to ensure that their liquidity is carefully monitored, for example in the collection of council taxes and business rates during challenging economic times.
- Local authorities demonstrated good **financial governance** during our 2010–11 reviews, with 86% receiving green ratings. This has increased to 92% for 2011–12. This theme has the first sub category to receive a red rating (Adequacy of Reporting) and it will be critical that financial information is reported accurately, at the right frequency, and in a format that ensures effective monitoring and decision making. This includes where services are not delivered in-house, which will be an increasing trend for the sector.
- Our 2010–11 reviews indicated that the weakest thematic area was **financial controls**, with 71% of authorities receiving a green rating. Our 2011–12 reviews indicate an improvement, with 83% of our sample receiving a green rating. However, this is the joint lowest overall rating, along with strategic financial planning. A key risk to be managed in this area continues to be embedding the changes resulting from reductions in finance staff and the associated increase in financial responsibilities of service managers and budget holders.
- Local authorities demonstrated strong **strategic financial planning**, during our 2010–11 review, with 93% in our sample receiving a green rating. This declined to 83% for 2011–12, the only thematic area that saw a fall in the overall green rating. While this remains at a high level overall, the reduction highlights the increasing difficulty local authorities face in planning for the medium-term in what

remains a greatly challenging and uncertain period. It remains critical that authorities improve their scenario planning and the use of sensitivity analysis on key assumptions in their financial models.

The report also provides details of a similar review we undertook of a sample of NHS trusts and primary care trusts for both 2010-11 and 2011-12. Health bodies received lower ratings than local authorities for 2010-11, with significantly lower levels of green ratings across themes, and with no green ratings for key indicators of financial performance. There has been some improvement for 2011-12. For example, and unlike local authorities, strategic financial planning for health bodies has improved. However, the overall ratings remain significantly lower than the overall local authority ratings.

http://www.grant-thornton.co.uk/Global/Publication_pdf/towards-tipping-point-report.pdf

2012/13 Final Accounts Workshops

We have invited your staff to attend a workshop that will help them to prepare your financial statements for 2012/13.

We are providing a series of 17 joint workshops with CIPFA's Financial Advisory Network (FAN) during February and March. The events will encompass the key issues arising from the CIPFA Code and Guidance Notes revisions, as well as the latest position on future expected changes to the Code and their potential impact on the accounting requirements. The events will also include an update on the 2012/13 Whole of Government Accounts (WGA) process, a practitioner presentation on how their authority have streamlined the accounts closedown process to take several weeks off the audit sign-off date, and a practical and interactive workshop to explore ways to improve the clarity, readability and relevance of the published Statement of Accounts.

The closest event for Trafford Council is in our Manchester office on 14 February 2013.

<http://www.cipfa.org/Events/F/FAN-Undertaking-the-201213-Accounts-closedown-20130214>

2013/14 Fees and work programme

The Audit Commission is consulting on its 2013/14 proposed work programme and scales of fees.

Two separate consultation documents cover the Commission's work:

- at local government and police bodies; and
- at health bodies.

Following an exercise to outsource the work of its in-house audit practice, in March 2012 the Commission announced significant reductions of up to 40 per cent in audit and certification fees from 2012/13 onwards. When the Commission announced the reductions, they said that they expected these lower fees to apply for five years, from 2012/13 to 2016/17, subject to annual review.

The Commission do not plan to make any changes to the work programme for 2013/14. They therefore propose that scale audit fees are set at the same level as the fees applicable for 2012/13. The Commission will publish the final work programme and scales of fees for 2013/14 by April 2013.

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201314fees/Pages/201314feesandworkprogramme.aspx>

Key Considerations

The Accounts and Audit Committee may wish to consider the following questions in respect of the issues highlighted in this briefing paper.

- Has the Council considered the Audit Commission's updated checklist to consider how effective they are at responding to the risk of fraud?
- Has the Council considered if members are provided with sufficient information on the current level of reserves and the forward strategy for reserves needed to support the Council's medium and long-term spending plans?
- Has the Council made appropriate use of the Financial Resilience section of the Audit Commission's Value for Money Profiles tool to compare reserves over time and with other councils?
- Has the Council considered the questions suggested in the Audit Commission's 'Striking a balance' report to help elected members gather information that will assist them in their decision making and scrutiny roles?
- Has the Council considered the findings in the Audit Commission's Tough Times report to assess how well placed it is to deliver the budget in 2012/13 and over the remainder of the Spending Review period?
- Has the Council considered the findings of Grant Thornton's Towards a Tipping Point and considered how they compare with identified best practice in each of the four areas?
- Has the Council responded to the Audit Commission's consultation on the 2013/14 proposed fees and work programme?

Contact Details

If you would like further information on any items in this briefing, please feel free to contact either your external audit Director.

Alternatively, all Audit Commission reports and other material can be found on www.audit-commission.gov.uk.

Grant Thornton reports can be found on our public sector website <http://www.grant-thornton.co.uk/en/Services/Public-Sector/>

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Theresa Grant
Chief Executive
Trafford Council
Quay West
Trafford Wharf Road
Trafford Park
Manchester
M17 1HH

19 November 2012

Dear Theresa

Trafford Council - Planned audit fee for 2012/13

We are delighted to have been appointed by the Audit Commission as auditors to the Council and look forward to providing you with a high quality external audit service for at least the next five years. We look forward to developing our relationship with you over the coming months, ensuring that you receive the quality of external audit you expect and have access to a broad range of specialist skills where you would like our support.

The Audit Commission has set its proposed work programme and scales of fees for 2012/13. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

For 2012/13, the Commission has independently set the scale fee for all bodies. The Council's scale fee for 2012/13 is £156,119 which compares to the audit fee of £260,199 for 2011/12, a reduction of 40%.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/scaleoffees1213.

The audit planning process for 2012/13, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

Our fee is based on the risk based approach to audit planning as set out in the Code of Audit Practice and work mandated by the Audit Commission for 2012/13. It covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

The fee does not include any amounts for the exercise of additional formal audit powers and duties such as considering objections to the accounts. We will notify the Council of any such additional fees during the year.

Value for money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VFM conclusion and a separate report of our findings will be provided.

Our planning to date has not identified any additional work which we are required to undertake to support our VFM conclusion. We will continue to assess the Council's arrangements and discuss any additional work required during the year.

Certification of grant claims and returns

The Audit Commission has replaced the previous schedule of hourly rates for certification work with a composite indicative fee. This composite fee, which is set by the Audit Commission, is based on actual 2010/11 fees adjusted to reflect a reduction in the number of schemes which require auditor certification and incorporating a 40% fee reduction. The composite indicative fee grant certification for the Council is £21,500.

Billing schedule

Our fees are billed quarterly in advance. Given the timing of our appointment we will raise a bill for two quarters in December 2012 with normal quarterly billing thereafter. Our fees will be billed as follows:

Main Audit fee	£
December 2012	78,060
January 2013	39,030
March 2013	39,029
Grant Certification	
June 2013	21,500
Total	177,619

Outline audit timetable

We will undertake our audit planning and interim audit procedures between November 2012 and March 2013. Upon completion of this phase of our work we will issue our detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VFM conclusion will be completed by the end September 2013, together with our work on the whole of government accounts return.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2012 to March 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VFM.
Final accounts audit	June to September 2013	Report to those charged with governance	This report will set out the findings of our accounts audit and VFM work for the consideration of those charged with governance.
VFM conclusion	January to September 2013	Report to those charged with governance	As above
Financial resilience	January to September 2013	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2013	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2013	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Grant certification	June to December 2013	Grant certification report	A report summarising the findings of our grant certification work
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Our team

The key members of the audit team for 2012/13 remain unchanged:

	Name	Phone Number	E-mail
Engagement Lead	Mick Waite	0161 234 6347	mick.j.waite@uk.gt.com
Engagement Manager	Helen Stevenson	0161 234 6354	helen.l.stevenson@uk.gt.com
Audit Executive	Andrew McNeil	0161 912 4624	andrew.mcneil@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Public Sector Assurance at sarah.howard@uk.gt.com.

Yours sincerely

Mick Waite

Director
For Grant Thornton UK LLP

cc Ian Duncan, Director of Finance

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 5 February 2013
Report for: Information / Approval
Report of: Audit and Assurance Manager

Report Title

Annual Governance Statement 2012/13 – Approach / Timetable

Summary

The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 4 of the Accounts and Audit Regulations 2011. This report sets out a proposed action plan / timetable to ensure compliance with the production of an Annual Governance Statement for 2012/13.

In December 2012, CIPFA/SOLACE issued updated guidance in respect of the content of the Annual Governance Statement and guidance supporting the annual review of governance arrangements. In facilitating the production of the Annual Governance Statement, the Audit and Assurance Service will use the guidance as a reference point throughout the process.

The Accounts and Audit Committee have a role in reviewing the robustness of the statement prior to sign off by the Chief Executive and Leader. As has been the practice in previous years, the report proposes delegation of responsibility for this task to a smaller working group of the Committee.

Recommendation

The Accounts and Audit Committee is asked to

- (a) Note the timetable / action plan;
- (b) Agree to delegate responsibility for reviewing the robustness of the Annual Governance Statement to a working group made up of the Chairman, Vice Chairman and opposition spokesperson.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers:

- Chartered Institute of Public Finance and Accountancy (CIPFA) / Society of Local Authority Chief Executives (SOLACE) – “Delivering Good Governance in Local Government : Framework” (2012).
- CIPFA / SOLACE – “Delivering Good Governance in Local Government : Guidance Note for English Authorities \ 2012 Edition

1. Introduction

- 1.1 The Accounts and Audit Regulations 2011 set out requirements related to the Council's systems of internal control, and the annual review and reporting of those systems.
- 1.2 The Regulations require Councils to have a sound system of internal control which facilitates the effective exercise of the Council's functions and which include the arrangements for the management of risk.
- 1.3 In addition, the Regulations require the Council to conduct a review at least once in a year of the effectiveness of its systems of internal control. Following the review the Council must approve an **Annual Governance Statement** which then accompanies its Statement of Accounts. This assurance statement is made by the Chief Executive and Leader of the Council.
- 1.4 The Annual Governance Statement should be prepared in accordance with "proper practices in relation to internal control". Proper practices relate to guidance set out in the CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework" and supporting guidance associated with this (referred to in section 2 of this report).
- 1.5 It was previously required that the Annual Governance Statement was completed and approved by 30 June each year. Since the 2011 Regulations came into effect the deadline is now 30 September. CIPFA recommends as best practice, however, that a full draft version of the AGS should accompany the statement of accounts by the end of June.
- 1.6 This report sets out the Council's approach to producing its Annual Governance Statement for 2012/13. As provided in previous years, this includes a proposed timetable for its completion.

2. Governance

- 2.1 **Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.**

It comprises the systems, processes and controls, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate lead their communities.

Good governance leads to good management, good performance, good stewardship of public money, good public engagement and, ultimately, good outcomes for citizens and service users. Good governance

enables an authority to pursue its vision effectively as well as underpinning that vision with mechanisms for control and management of risk.

(Source: CIPFA / SOLACE – Delivering Good Governance in Local Government).

2.2 Effective governance arrangements are required to be in place to ensure that:

- the Authority's policies are implemented in practice;
- the Authority's values and ethical standards are met;
- laws and regulations are complied with;
- required processes are adhered to;
- financial statements and other published information are accurate and reliable;
- human, financial and other resources are managed efficiently and effectively, and;
- high-quality services are delivered efficiently and effectively.

The CIPFA/SOLACE framework provides a structure to assist authorities with their approach to governance. Originally published in 2007, it sets the standard for local authority governance in the UK. CIPFA and SOLACE reviewed the Framework in 2012 to ensure that it remains 'fit for purpose' and issued an addendum to it in the Autumn of 2012 which provides an updated example annual governance statement. An updated guidance note was also produced to assist Councils in the process for reviewing governance and subsequent reporting of this through the Annual Governance Statement.

2.3 Authorities are encouraged to test their governance arrangements against the principles contained in the Framework. The Framework adopts six core principles that must be considered when defining good governance:

- Focusing on the purpose of the authority and the outcomes for the community and creating and implementing a vision for the local area.
- Members and officers working together to achieve a common purpose with clearly defined functions and roles.
- Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour.
- Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.
- Developing the capacity and capability of members and officers to be effective.
- Engaging with local people and other stakeholders to ensure robust public accountability.

2.4 In order to meet the expectations of the Corporate Governance framework, local authorities are expected to do the following:

- Review their existing governance arrangements against the Framework.
- Maintain a local code of governance, including arrangements for ensuring its ongoing application and effectiveness.
- As required in the Accounts and Audit Regulations 2011, prepare an **Annual Governance Statement** in order to report publicly on the extent to which they comply with their own code on an annual basis, including how they have monitored the effectiveness of their governance arrangements in the year, and on any planned changes in the coming period.

2.5 Trafford Council's Corporate Governance Code (last updated in June 2012) reflects the core principles outlined in the CIPFA Framework and states the arrangements in place to ensure governance arrangements are reviewed annually and reported on through the Annual Governance Statement.

3. The Process to Support the Annual Governance Statement

3.1 The Audit and Assurance Service is responsible for facilitating the production of the Annual Governance Statement. It is important, however, to recognise that it is not a document owned by the audit function – it is the Authority's statement on its governance processes. The proposed timetable reflects input from officers and members to the process.

3.2 The following arrangements are in place to enable the production of the Annual Governance Statement in 2012/13.

a) Annual Review of Corporate Governance (Assurance Gathering process)

The Audit and Assurance Service is responsible for undertaking an annual assessment to evaluate the position against the Council's Code of Corporate Governance and assesses progress in implementing previous improvement actions.

This will include an assurance mapping exercise to identify potential sources of assurance available with the aim of:

- Mapping all systems / processes in relation to which assurance is required in accordance with the existing CIPFA framework.
- Identifying existing sources of assurance to confirm that key controls / risks are operating / managed effectively. Sources include:
 - **Management Controls** including legal compliance, performance management, and risk and financial reporting functions operating at corporate and directorate level;

- **Internal assurance** including Internal Audit, other compliance functions and internal review work;
- **External assurance** e.g. External auditor and other inspectorates, partner's compliance functions etc.

The Audit and Assurance Service will facilitate the coordination and reporting of available assurance evidence: both internal and external, (including consideration of the extent that reliance can be placed on the assurance available). This will require support from managers in providing the appropriate information required. Findings and recommendations from this exercise will be reported via the Corporate Management Team and any significant issues reported publicly through the Annual Governance Statement.

b) Production and Approval of the Annual Governance Statement

- Input from members and officers to produce and approve the 2012/13 Annual Governance statement. This includes:
 - Directors and senior managers, with co-ordination from the Audit and Assurance Service to contribute to the content of the Statement.
 - CMT, Directors and senior managers to review the adequacy/robustness of the Statement.
 - Accounts and Audit Committee Sub Group to review the draft Statement and the process supporting it.
 - Sharing of the Statement with the External Auditor.
 - Chief Executive and Leader to agree the draft Annual Governance Statement which is then to be presented to the Accounts and Audit Committee at its June 2013 meeting.
 - Accounts and Audit Committee to approve the final version of the Annual Governance Statement, which is signed by the Chief Executive and Leader, and accompanies the Council's final accounts at the September 2013 meeting.

The planned timetable for the process of producing the Annual Governance Statement is in Appendix A.

The recommended elements of the process based on CIPFA guidance is represented in Appendix B.

4. Benefits of the Process

- 4.1 It should be noted that whilst compliance with legislation is of course of great importance, the information provided by this exercise is invaluable in the management of the Authority. The process provides an assessment of governance arrangements across the Council, and also identifies where

strengths and areas for improvement exist in those arrangements. Where applicable, associated action plans should be established where areas for development / improvement are identified.

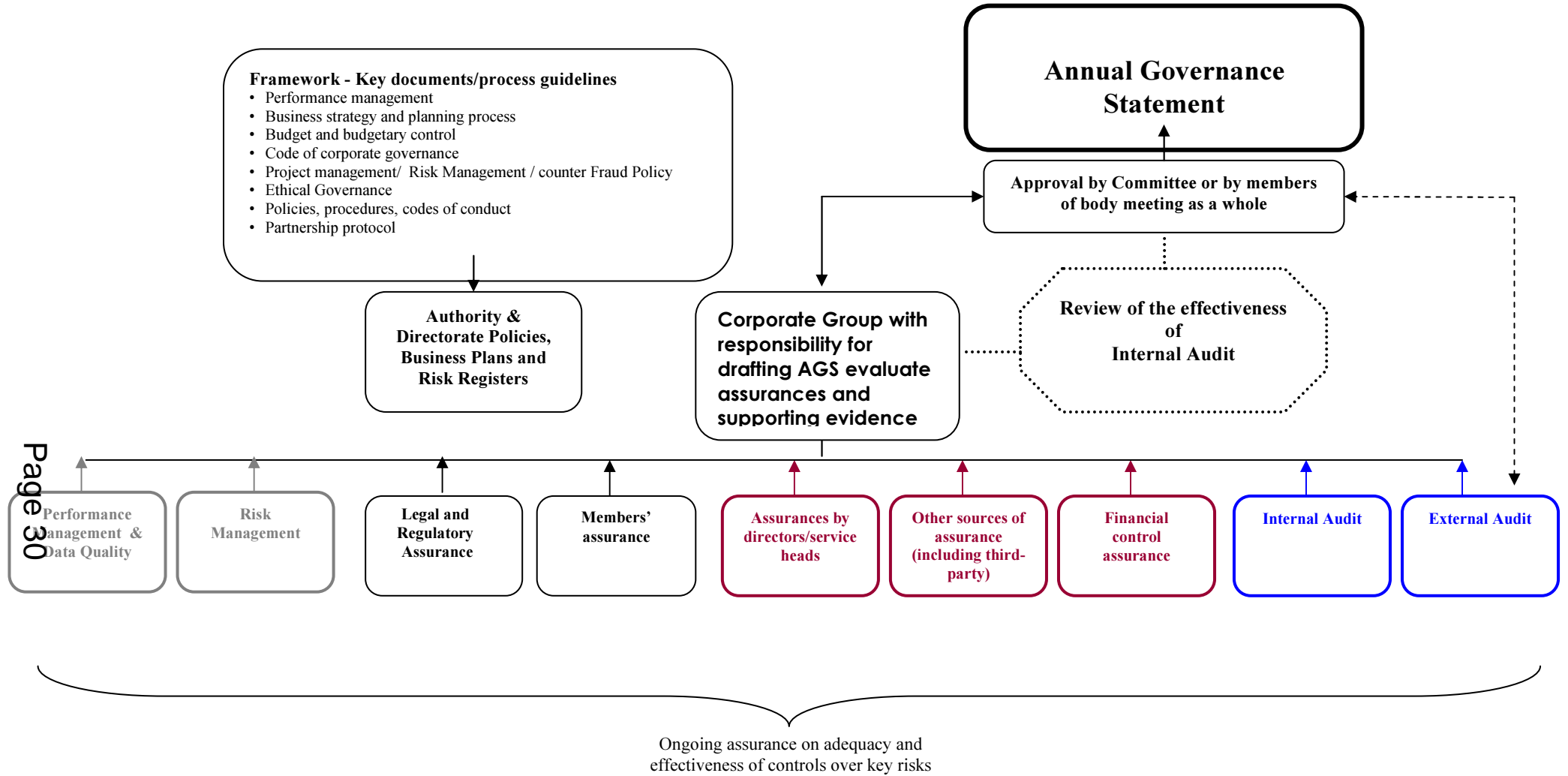
Appendix A

Action Plan to enable the production of the Annual Governance Statement for 2012/13

Actions Required	Timescale
<ul style="list-style-type: none"> CMT / Accounts and Audit Committee to receive report outlining the Authority's approach to the Annual Governance Statement for 2012/13. 	February 2013
<ul style="list-style-type: none"> Obtain assurance on risk management processes / management of strategic risks – final update of Strategic Risk Register for 2012/13 to be agreed by TPR&CMT and reported to the Accounts and Audit Committee. 	March 2013
<ul style="list-style-type: none"> Audit and Assurance review and evaluation of the Authority's actual position in relation to its Corporate Governance Code. 	May 2013
<ul style="list-style-type: none"> Production of the Annual Internal Audit Report and opinion – based on work completed by the Audit and Assurance Service during 2012/13 providing assurance relating to key systems, procedures and controls in place across the Council. 	May 2013
<ul style="list-style-type: none"> Complete collation of evidence to support the production of the draft Statement including both internal and external assurance. 	May 2013
<ul style="list-style-type: none"> Production of a first draft of the Annual Governance Statement for review by / comment from senior officers, members and the External Auditor (co-ordinated by the Audit and Assurance Service in consultation with CMT). 	Draft AGS shared with CMT – end of May 2013 & Grant Thornton – mid June 2013
<ul style="list-style-type: none"> Accounts & Audit Committee (through appointed working group) to review robustness of the Annual Governance Statement. 	Mid June 2013
<ul style="list-style-type: none"> The Audit and Assurance Service to co-ordinate production of the draft Annual Governance Statement incorporating the above. 	Mid June 2013
<ul style="list-style-type: none"> Completed Draft Annual Governance Statement for 2012/13 to be agreed by the Chief Executive and Leader and presented to the Accounts and Audit Committee. 	End of June 2013.
<ul style="list-style-type: none"> Final Annual Governance Statement 2012/13, signed by the Chief Executive and Leader, to be submitted to accompany the final accounts and approved by the Accounts and Audit Committee. 	September 2013

ANNUAL GOVERNANCE STATEMENT FRAMEWORK

Appendix B



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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 5 February 2013
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period October to December 2012.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period October to December 2012.**
- **To provide ongoing assurance to the Council on the adequacy of its control environment.**

Recommendation

The Accounts and Audit Committee is asked to note the report.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers:

Audit and Assurance reports



TRAFFORD
COUNCIL

Audit and Assurance Service Report October to December 2012

Date: 5 February 2013

<p>1. Purpose of Report</p> <p>This report summarises the work of the Audit and Assurance Service between October and December 2012. At the end of the year, these quarterly reports will be brought together in the Annual Internal Audit Report which will give the Audit and Assurance Service's opinion on the overall effectiveness of the Council's control environment during 2012/13.</p>
<p>2. Planned Assurance Work</p> <p>Key elements of the 2012/13 Work Plan include:</p> <ul style="list-style-type: none"> • Fundamental Financial Systems reviews • Annual corporate governance review • Completion of the Annual Governance Statement for 2011/12 • Audits of council partnership arrangements • Continued review of risk management arrangements and provision of guidance. • Review of Corporate Procurement Arrangements, contracts audits and value for money arrangements • ICT audit reviews • Anti fraud and corruption work • Ongoing advice to services and Input / advice in respect of key projects across the Council, including supporting the council's transformation agenda. • School audits and other establishment audit reviews such as libraries and children's centres • Audit reviews of other areas of business risk.
<p>3. Main areas of focus – Q3 2012/13</p> <p>Work in this quarter covered a number of the main themes listed above including :</p> <ul style="list-style-type: none"> • Issue of the updated Anti-Fraud and Corruption Strategy • Submission of data to the Audit Commission to support the National Fraud Initiative data matching exercise • Commencement of a review and update of the Council's Risk Management Policy and Strategy to be completed in quarter four. • Completion as planned of a number of audit reviews (to either draft or final report stage) including the Trafford Partnership, Complaints processes, Information Governance and a number of other reviews relating to individual services, functions, financial systems and schools.

Points of information to support the report:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good	Green
Medium / High – Good	Green
Medium – Adequate	Green
Low / Medium - Marginal	Amber
Low – Unsatisfactory	Red

Where applicable, an opinion is stated in each audit report to assess the standard of the control environment.

Report Status:

Draft reports:

These are issued to managers prior to the final report to provide comments and a response to audit recommendations.

Final reports:

These incorporate management comments and responses to audit recommendations, including planned improvement actions.

Breadth of coverage of review (Levels 1 to 4)

Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:

- **Level 4 : Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
- **Level 3 : Directorate wide** - Area under review has a significant impact within a given Directorate.
- **Level 2 : Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
- **Level 1 : Establishment / function specific** - Area under review relates to a single area such as an establishment.

Level of Risk Associated with Opinion Level and Breadth of Coverage

This provides an estimate of the level of risk given the audit opinion provided and breadth of coverage of the review.

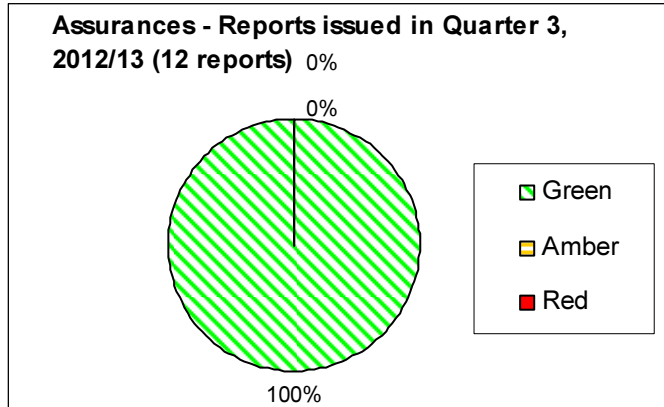
High Risk (H)	– Red Opinion / Level 3 or 4
Medium Risk (M)	– Red Opinion / Level 1 or 2 , or Amber Opinion / Level 2, 3 or 4.
Low Risk (L)	– Green Opinion or Amber Opinion / Level 1.

Summary of Assurances for 3rd Quarter 2012/13

Q3 – 2012/13

6 draft reports and 6 final reports

Chart 1 – Analysis of Assurance by Opinion Levels (Quarter 3)



Year to Date (up until 31 December 2012)

7 draft reports and 26 final reports

Chart 2 - Analysis of Assurance by Opinion Levels (Year to Date)

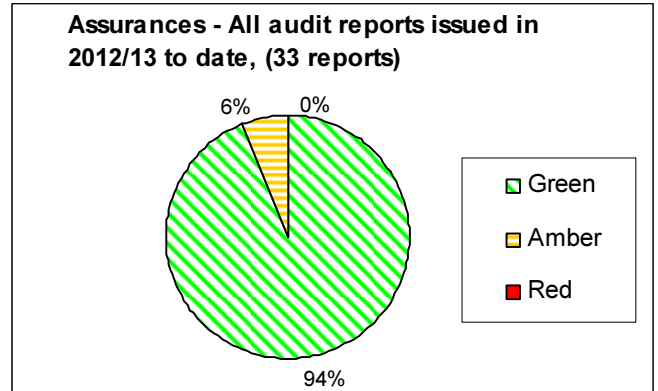


Chart 1 shows that good or at least adequate levels of control were in place for all reports issued in the quarter. For the year to date, good or at least adequate controls were in place for 94% of the reports issued (Chart 2).

4. Summary / Conclusions

A total of 12 audit reports were issued in the quarter, six final reports and six draft reports. All of the areas reviewed were overall deemed to have at least adequate controls in place.

This included High Opinions for the review of the Council's Income control processes and Medium/High opinions for two other reviews currently at draft report stage (Libraries Central Ordering processes follow up and an audit of St. Alphonsus RC Primary school).

Four other final reports issued were given a medium opinion where, whilst overall procedures were adequate, a number of areas for further development were identified. These related to reviews of Blue Badge procedures, foster care payments, Sale Waterside Facilities Management contract monitoring and Urmston Junior School.

As reported in Section 7, 98% of all recommendations made in the six final reports issued have been accepted.

In terms of other draft reports issued, medium opinions were given for reviews of the Trafford Partnership, Works Management and Fuel Cards monitoring. Responses to recommendations made will be incorporated in to final reports and details reported in a future update.

Three of the reviews undertaken were undertaken specifically to include follow up of recommendations made in previous audit reviews. (Libraries Central Ordering, Fuel Cards and Works Management). For these reviews, the audit opinion was at least maintained as Medium and in the case of the Libraries review had improved from Medium to Medium/High. Of the 32 recommendations made across the three reviews, 47% had been implemented with a further 34% implemented in part or no longer applicable. (Details in Section 7).

Other reports issued where a formal opinion was not given but findings reported related to Information Governance (issued as a follow up of a previous report intended for guidance purposes) and also a review of service complaints arrangements following up previous work undertaken by the Partnerships and Performance Service.

(A listing of all audit report opinions issued including key findings is shown in Section 5).

During the period, the Audit and Assurance Service led on producing the Council's updated Anti-Fraud and Corruption Strategy, including supporting policy and guidance documents, which was presented to the Accounts and Audit Committee in November 2012. (An update will be provided to the Accounts and Audit Committee in March 2013 on anti-fraud and corruption related work including investigative work and further work undertaken and planned to support the Strategy).

The Service also co-ordinated the submission of required data to the Audit Commission in October 2012 for the 2012/13 National Fraud Initiative.

5. Summary of Audit & Assurance Opinions Issued – Q3: 2012/13

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS		
Level 4 Reports :		
Information Governance (Transformation and Resources) / (Transformation and Resources)	N/A * (GREEN) (14/11/12)	Follow up report of a previous review which was conducted by Salford Audit Services to provide advice and guidance on information governance arrangements using ISO27001 guidelines as a reference point. The review found good progress had been made in the development of an information governance structure and all of the high priority recommendations from the report on ISO27001 had been implemented.
Income Control 2011/12 (Transformation and Resources) / (Finance)	High (GREEN) (4/12/12)	A High audit opinion was given in the previous internal audit reviews and this has been maintained for the latest review.
Level 3 Reports :		
Sale Waterside Facilities Management : Cofathec / Cofely Contract Monitoring review (Economic Growth and Prosperity) / (Economic Growth and Prosperity).	Medium (GREEN) (21/12/12)	It is acknowledged that the overall contract monitoring and performance management arrangements for the contract are good. There are however, a number of recommendations of a strategic nature that require addressing during the remaining term of the contract. This includes areas such as succession planning to ensure continued monitoring of the contract, development of a risk register, monitoring of client satisfaction and, in the longer term, future consideration of an exit strategy. All recommendations have been accepted and an action plan established to inform developments through 2013.
Level 2 Reports :		
Blue Badge procedures (Transformation and Resources) / (Transformation and Resources)	Medium (GREEN) (21/12/12)	Overall, adequate standards of control are in place resulting in a Medium Level of Assurance. Areas for development include the need to improve independent checking processes in respect of the application procedure and also the monitoring of income from the issue of the blue badges. All recommendations have been accepted.
Foster care payments (Children and Young People) / (Supporting Children and Families)	Medium (GREEN) (13/12/12)	Overall, audit testing confirmed that payments to foster carers are accurate, timely and paid in accordance with the approved allowance rates. There is appropriate segregation of duties between awarding of allowances, administration and payment of claims. Recommendations made included ensuring adequate audit trails are in place in some areas, particularly in respect of additional discretionary payments. All recommendations have been accepted with planned implementation in early 2013.
Level 1 Reports :		
Urmston Junior School (CYPS) / (Education)	Medium (GREEN) (17/10/12)	Audit testing revealed a satisfactory level of compliance with the controls covering most business risks. Areas for improvement included in the action plan include ensuring there is sufficient monitoring to ensure that bank accounts never go overdrawn (occurrence identified but subsequent bank charges were reversed) and ensuring there is a full audit trail in respect of income collection and banking processes.
DRAFT REPORTS		
Level 4 Reports :		
Trafford Partnership (Transformation and Resources) / (Authority- wide)	Medium (GREEN) (15/11/12)	The purpose of this review was to evaluate the effectiveness of controls in relation to the strategic partnership governance arrangements. The partnership had commissioned CIPFA to undertake a review of the partnership support arrangements during 2010 with an Improvement Plan subsequently agreed. The partnership can demonstrate significant progress in addressing the improvements, enabled through the restructuring of partnership support and streamlined governance arrangements.

		Areas highlighted in the review for further development included further development of protocols and processes in relation to the co-ordination of a formal risk management approach, information and data sharing protocols and awareness in respect of codes of conduct.
Complaints Processes (Authority wide) / (Supporting Children and Families; Education; Economic Growth and Prosperity; Highways and Environment)	N/A (GREEN) (20/11/12)	A formal audit opinion was not given as the review consisted of a follow up of review work originally carried out by the Partnerships and Performance Service of complaints processes for four service areas. Four follow up audit reports were issued and in each case the overall conclusions were that the majority of previous recommendations had been implemented or work was underway to implement them.
Works Management System (Authority wide & Environment, Transport and Operations) / (Highways and Environment; Finance; Transformation and Resources)	Medium* (GREEN) (19/11/12)	Some progress has been made in implementing previous audit recommendations. Improvements to budget monitoring and reconciliation processes to the Council's accounting system were noted. An action plan to address any outstanding recommendations is being agreed with the Environment, Transport and Operations Directorate before a final report is issued in 2013. Once the report is finalised, details will be included in a future update.
Level 3 Reports :		
Fuel Cards (Environment, Transport and Operations) / (Highways and Environment).	Medium* (GREEN) (15/11/12)	The review included a follow up of previous recommendations made in 2011/12 and it was noted that some progress has been made implementing improvements. A number of officers have been designated as responsible for card management and monitoring duties. Further development is required to ensure adequate guidance is available to assist monitoring arrangements and adequate monitoring of the use of individual fuel cards is taking place including the regular use of exception reports to assist with this.
Level 2 Reports :		
Libraries - Central ordering processes follow up review (Transformation and Resources) / (Transformation and Resources)	Medium / High* (Green) (19/12/12)	A medium level of assurance was given in the previous audit review and the follow up audit has resulted in medium/high level of assurance being given this year. Good progress has been made in implementing the previous recommendations made such as in respect of ordering and stock control and performance monitoring.
Level 1 Reports :		
St. Alphonsus RC Primary School (CYPS) / (Education)	Medium / High (GREEN) (4/12/12)	In most areas reviewed, the audit review identified good practice with effective procedures in place. Record keeping is of a high standard, providing clear audit trails. Agreed areas for development are to be included in an action plan within the final report to be issued in quarter four of 2012/13.

** This is a revised opinion given following a review of progress made in implementing recommendations made in the previous audit review. This opinion is based only on the areas tested and assumes the controls reviewed as part of the previous audit, that were not covered as part of this follow up audit, have been maintained.*

6. Other Assurance Work

There is a significant amount of work undertaken by the Service that does not result in an audit opinion being given. There is ongoing work such as the **provision of advice and input to working groups; conducting investigation work; co-ordinating the update of the Council's Strategic Risk Register and undertaking financial appraisals of contractors.**

In addition to the above activities, other work undertaken during Q3 included:

- Facilitating the submission of data to the Audit Commission in October 2012 to support the 2012/13 National Fraud Initiative data matching exercise.
- Producing the revised Anti-Fraud and Corruption Policy, Strategy and supporting guidance documents (presented to the November 2012 Accounts and Audit Committee).
- Issue of guidance on gifts and hospitality to managers and staff in December 2012.
- Issue of guidance to schools (via the schools e-bulletin recently established by CYPS) re accepted levels of hospitality provided at schools to ensure schools compliance with national standards on propriety. In the same bulletin a copy of Audit Commission guidance for governors on fraud risks in schools (originally published in 2011) was also circulated.

7. Impact of Audit Work – Improvements to the Control Environment

Key indicators of the impact of Audit and Assurance are: (a) Acceptance of Recommendations (b) Implementation of them.

Acceptance of Recommendations

From the final reports issued during the quarter:

- **98% of all recommendations made (47 out of 48) have been accepted. In the year to date 94% (180 out of 192) of recommendations have been accepted against a Service annual target of 95%.**

Implementation of audit recommendations

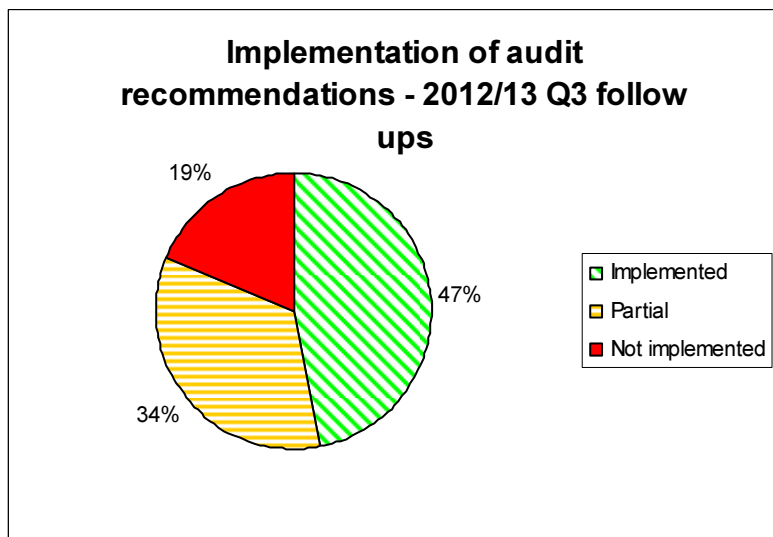
Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means. These include:

- Internal audit follow up reviews which specifically review progress made in implementing all recommendations in previous audit reviews.
- Requesting assurance from managers as to progress made by the completion of self assessments.
- Through reviews undertaken on an annual or cyclical basis e.g. fundamental systems reviews, assessing progress in terms of ongoing improvements in controls.

Draft reports from three follow up reviews were issued in the quarter (Fuel Cards, Libraries Central Ordering and the Works Management system). **In previous audit reviews, all three areas were allocated a Medium opinion. In all instances this has improved or at least maintained.** An analysis of progress made in implementing the recommendations is shown in Chart 3.

(It should be noted that for audit reports issued in the previous year where a Low or Low/Medium opinion was given, work is currently in progress in conducting follow up work and this will be reported in the 2012/13 Annual Internal Audit Report).

Chart 3 – Follow Up Audits (Quarter 3) : Recommendation Implementation Analysis of % of Recommendations Implemented



Of the 32 recommendations made across the three reviews, 47% have been fully implemented with 19% yet to be implemented. The remaining 34% are either in progress, alternative controls established or are no longer applicable.

Further details are as follows:

- **Works Management review:** 6 out of 15 recommendations implemented and a further 6 in progress or N/A and 3 yet to be implemented.
- **Fuel Cards :** 5 out of 10 recommendations implemented and a further 3 in progress or N/A and 2 yet to be implemented.
(For the above two audit reviews, opinions of Medium were maintained. As part of the 2013/14 Audit Plan, further review work will be carried out as part of annual reviews of significant systems).
- **Libraries Central Ordering :** 4 out of 7 recommendations implemented, 2 in progress or N/A and 1 yet to be implemented. For the Libraries review, the opinion has improved from Medium to Medium High since the previous audit.

8. Performance against Audit & Assurance Annual Work Plan

Appendix A shows an analysis of time spent to date against planned time for the 2012/13 Operational Internal Audit Plan

As at the end of quarter three, 996 audit days were spent to date (against profiled planned time of 1015 days). The small difference is largely accounted for by annual leave taken given the closure over the Christmas period.

As previously reported, a Principal Audit and Assurance Officer left the Council in June 2012 and the vacancy was not filled. There are currently no plans to make any significant revision to the 2012/13 Internal Audit Plan, providing that the loss of available audit days can be met from the contingency. All planned review work detailed in the Plan reported to the Accounts and Audit Committee in March 2012 is being progressed or still planned to commence in the final quarter of 2012/13. Given the contingency in the Plan has been utilised, however, in the event there are any areas of work which do not commence as planned in the current year and instead are carried forward to commence in 2013/14, this will be highlighted in the 2012/13 Annual Internal Audit Report.

Client satisfaction surveys (April to December 2012)

Client Surveys: A client questionnaire is sent out with each audit report canvassing managers' views on the conduct of the audit review and its impact. A summary of feedback received is shown below.

QUESTION	V.GOOD	GOOD	SATISFACTORY	ADEQUATE	POOR	% v.good - good
1. Consultation on audit process and audit coverage prior to commencement of the audit	4	4				100%
2. Feedback of findings and liaison during the audit	4	4				100%
3. Professionalism of auditors	4	4				100%
4. Helpfulness of auditors	4	4				100%
5. Timeliness of the review and the draft report	2	5	1			87.5%
6. Clarity of the report	3	5				100%
7. Accuracy of the report	3	5				100%
8. Practicality of the recommendations made	2	5				100%
9. Usefulness of the audit as an aid to management	3	4				100%
Total	29	40	1			98.5%

9. Planned Work for Quarter 4 2012/13

Progress will continue to be made in completing each category of work in the audit plan. Areas of focus will include :

- Ongoing work and issue of draft audit reports in respect of a number of areas including audits of the HR/Payroll system audit (completed in quarter three), ICT audit review of arrangements for the new data centre, Section 106 Planning Agreements, Let Estates, Pest Control, Sale Library and a number of follow up audits including schools.
- Issue of final audit reports including audits of service complaints processes, business continuity and the Trafford Partnership.
- Commencement of a number of audit reviews including Legal Debt Recovery, Corporate Health and Safety, Carrington weighbridge follow up review, CYPS Section 75 partnership agreement and a number of school and establishment audits.
- Presenting the proposed updated Risk Management Policy and Strategy to CMT and the Accounts and Audit Committee.
- Agreeing the approach / timetable for producing the 2012/13 Annual Governance Statement.
- Facilitate the update of the strategic risk register to be reported in March.
- Report on ongoing work in March 2013 in respect of the Anti-Fraud and Corruption Strategy, including awareness raising work undertaken or planned and work to support the National Fraud Initiative.
- Produce the 2013/14 Internal Audit Plan for approval by CMT and the Accounts and Audit Committee in March.
- Conduct the annual self assessment of Internal Audit against standards set out in the CIPFA Code of Practice for Internal Audit in Local Government, and report to the Accounts and Audit Committee in March (in future years an assessment will be made against the Public Sector Internal Audit standards to be introduced from April 2013).

APPENDIX A

2012/13 Operational Plan: Planned against Actual Work (as at 31 December 2012)

<u>Category</u>	<u>Details</u>	<u>Planned Days 2012/13</u>	<u>Planned Days (up to 31/12/12)</u>	<u>Actual Days (as at 31/12/12)</u>
Fundamental Systems	Completion of 2011/12 fundamental systems reviews. Planning and commencement of 2012/13 fundamental systems reviews.	230	140	143
Governance	Corporate Governance Reviews. Collation of supporting evidence and production of the 2011/12 Annual Governance Statement Audit reviews of governance arrangements for the Council's significant partnerships.	140	90	84
Corporate Risk Management	Progression of actions to support the Council's Risk Management Strategy including review of risk management processes and awareness raising and provision of guidance to services and partnerships.	40	30	18
Anti-Fraud and Corruption	Work supporting the Anti- Fraud and Corruption Strategy, including raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption. Continued work in supporting the National Fraud Initiative. Investigation of referred cases, including if applicable those highlighted through the National Fraud Initiative.	180	135	137
Procurement / Value for money	Review of procurement / contract management arrangements across the council including systems in place and associated arrangements to secure value for money.	120	90	72
ICT Audit	Reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT and awareness raising regarding appropriate use of ICT.	120	90	89
Schools	School Audit reviews Support the Council in raising awareness with schools of the new DfE Schools Financial Value Standard (SFVS). Pupil Referral Unit follow up audits	190	120	136
Establishments	Reviewing governance and control arrangements across a range of establishments such as libraries, youth centres and children's centres.	100	70	47
Assurance – Other Key Business Risks	Selected on the basis of risk from a number of sources including risk registers, senior managers' recommendations and internal audit risk assessments. This will include a number of reviews relating to each Directorate across the Council.	130	100	137

Service Advice / Projects	General advice across all services. Support and advice to the organisation in carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.	120	90	89
Financial Appraisals	Financial Assessments of contractors and potential providers	80	60	44
TOTAL		1450 *	1015	996

*Note: There are 1595 planned available days in total but 145 days relate to contingency. A member of staff left the Service in June 2012 which will result in a reduction of approximately 120 available operational audit days. This will be met from the contingency.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 5 February 2013
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2012/13

Summary

This report sets out the updated work plan for the Committee for the 2012/13 municipal year.

It outlines areas to be considered by the Committee at each of its meetings, over the period of the year. The work programme helps to ensure that the Committee meets its responsibilities under its terms of reference and maintains focus on key issues and priorities as defined by the Committee.

The work programme is flexible and can have items added or rescheduled if this ensures that the Committee best meets its responsibilities.

Recommendation

The Committee is asked to note the 2012/13 work programme.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers:

Accounts and Audit Committee Terms of Reference.

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit *	Risk Management	Annual Governance Statement / Corporate Governance	Anti- Fraud & Corruption Arrangements	Accounts
28 June 2012	Agree Committee's Work Programme for 2012/13 Training & Development – Presentation on draft accounts (provided outside committee)					
	- 2011/12 Annual Internal Audit Report	- Audit Progress Report		- Review 2011/12 draft Annual Governance Statement - Accounts and Audit Committee Annual Report to Council		- Review 2011/12 draft accounts - Treasury Management Annual Performance 2011/12
26 September 2012	Training & Development - Treasury Management (to be provided outside committee – 10 October 2012) - Role of External Audit (Presentation by the Audit Commission at the Committee meeting)					
	- Q1 Internal Audit Monitoring Report	- Annual Governance Report	- Strategic Risk Register Monitoring Report	- 2011/12 Annual Governance Statement (final version)	- Benefit Fraud Investigation 2011/12 Annual Report	- Approval of Annual Statement of Accounts 2011/12
21 November 2012	Training & Development – Insurance (Presentation at the Committee meeting)					
	- Q2 Internal Audit monitoring report	- Annual Audit Letter			- Anti Fraud and Corruption Policy and Strategy.	- Treasury Management : mid year review - Insurance update - Reserves update

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Annual Governance Statement / Corporate Governance	Anti- Fraud & Corruption Arrangements	Accounts
5 February 2013	Training and Development - Benefit Fraud Investigation (Presentation at the Committee meeting)					
	- Q3 Internal Audit monitoring report	- Audit Update		- Consider improvement action taken in 2012/13 in respect of a 2011/12 governance issue. - Report on arrangements for 2012/13 Annual Governance Statement		-Treasury Management Strategy
20 March 2013	Training and Development – consideration of 2013/14 work programme.					
	- 2013/14 Internal Audit Plan	- Audit Opinion Plan - Grant Claims report	- Risk Management Policy and Strategy - Strategic Risk Register Monitoring Report	- Consider improvement action taken in 2012/13 in respect of a 2011/12 governance issue. - Effectiveness of Internal Audit (Annual Review)	- Anti Fraud & Corruption / National Fraud Initiative update	

* Details for the External Audit work plan are subject to confirmation given the changes in external audit arrangements for 2012/13.

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