



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

Date: Wednesday, 28 June 2017

Time: 6.30 p.m.

**Place: Committee Rooms 2 and 3, Trafford Town Hall,
Talbot Road, Stretford, M32 0TH**

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 28 March, 2017.	1 - 4
3.	CYBER SECURITY UPDATE To receive a report of the Corporate Director Transformation and Resources.	To Follow
4.	MEMBERSHIP OF THE COMMITTEE 2017/18, INCLUDING CHAIRMAN, VICE-CHAIRMAN AND OPPOSITION SPOKESPERSON To note the Membership of the Committee for the 2017/18 Municipal Year, as appointed at the Annual Meeting of the Council held on 24 May, 2017, namely: Councillors Baugh, Boyes (Vice Chairman), Brotherton, N. Evans (Chairman), Lally, Mitchell and Wright (Opposition Spokesperson).	
5.	TERMS OF REFERENCE To note the Committee's Terms of reference as agreed at the Annual Meeting of the Council held on 24 May 2017.	5 - 8

6. **BUDGET MONITORING 2016/17 - PERIOD 12 OUTTURN (APRIL 2016 TO MARCH 2017)**
- To consider a joint report of the Executive Member for Corporate Services and Chief Finance Officer, which has also been submitted to the Executive meeting on 26 June 2017. 9 - 26
7. **TREASURY MANAGEMENT ANNUAL PERFORMANCE REPORT 2016/17**
- To consider a joint report of the Executive Member for Corporate Services and Chief Finance Officer, which has also been submitted to the Executive meeting on 26 June 2017. 27 - 42
8. **ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2016/17**
- To consider a report of the Audit and Assurance Manager. 43 - 82
9. **ACCOUNTS AND AUDIT COMMITTEE PROGRESS REPORT**
- To receive a report from the Council's External Auditor. To Follow
10. **CORPORATE GOVERNANCE CODE (UPDATED JUNE 2017)**
- To receive a report of the Audit and Assurance Manager. 83 - 116
11. **DRAFT ANNUAL GOVERNANCE STATEMENT - 2016/17**
- To consider a report of the Audit and Assurance Manager. 117 - 144
12. **ACCOUNTS AND AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL - 2016/17**
- To consider a report of the 2016/17 Committee Chairman and Vice-Chairman. 145 - 160
13. **ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2017/18**
- To consider a report of the Audit and Assurance Manager. 161 - 164
14. **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

Accounts and Audit Committee - Wednesday, 28 June 2017

Membership of the Committee

Councillors N. Evans (Chairman), C. Boyes (Vice-Chairman), J. Baugh, B. Brotherton, P. Lally, A. Mitchell and J.A. Wright.

Further Information

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

Chris Gaffey, Democratic and Scrutiny Officer,
Tel: 0161 912 2019
Email: chris.gaffey@trafford.gov.uk

This agenda was issued on **Tuesday, 20 June 2017** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH.

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ACCOUNTS AND AUDIT COMMITTEE

28 MARCH 2017

PRESENT

Councillor J. Coupe (in the Chair).

Councillors P. Lally (Vice-Chairman), J. Baugh, C. Boyes, B. Brotherton, A. Mitchell and T. Ross

In attendance

Chief Finance Officer

(N. Bishop)

Audit and Assurance Manager

(M. Foster)

Democratic & Scrutiny Officer

(C. Gaffey)

Also in attendance

M. Heap, Grant Thornton UK LLP

45. MINUTES

Referring to paragraphs three and four of minute 37, Members advised that they were yet to receive the requested information in relation to the Reshaping Children and Families Programme, as well as the Youth Trust and its ongoing relationship with the Council. Officers agreed to follow this up and provide Members with the required information.

RESOLVED: That the Minutes of the meeting held on 7 February 2017, be approved as a correct record and signed by the Chairman.

46. TRAFFORD COUNCIL AUDIT PLAN

The Council's external auditor, Grant Thornton UK LLP, submitted the Audit Plan for Trafford Council for the year ended 31 March 2017, which outlined its audit strategy and plan to deliver the audit. No significant risks were identified, and the external auditor confirmed that an opinion on the accounts and a Value for Money conclusion would be provided in advance of the 30 September 2017 deadline.

RESOLVED: That the external auditor's Audit Plan for the year ended 31 March 2017, be noted.

47. INTERNAL AUDIT OPERATIONAL PLAN 2017/18

The Committee received a report of the Audit and Assurance Manager providing, at a high level, the proposed Internal Audit Operational Plan for 2017/18. The report detailed how the plan was formulated, and advised of the reporting and performance monitoring process. Contingency time had been included in the plan to allow flexibility in case the service would need to react to unforeseen circumstances.

Members asked questions in relation to school audit reports and how frequently schools were audited. The Audit and Assurance Manager advised that the aim is for schools to be audited approximately every 5 years, however this varies and it was acknowledged that some had not been visited for longer than this but future

Accounts and Audit Committee
28 March 2017

plans take this into account. He agreed to follow up a Member's query to confirm details of any schools that had not been audited in the last six years. It was noted that academy schools did not currently form part of the audit plan; it was up to the academies to request the service from the Local Authority.

Members also discussed reference to Sale Waterside Arts Centre in the Audit Plan, as well as the confidentiality in relation to school audits. The Audit and Assurance Manager reminded Members that the audit process reviewed systems, not people.

RESOLVED: That the 2017/18 Internal Audit Plan be approved.

48. INTERNAL AUDIT CHARTER AND STRATEGY

The Committee received a report of the Audit and Assurance Manager providing Members with the Internal Audit Charter and Internal Audit Strategy documents for approval following their recent review. The documents were previously updated in March 2016 and were recently reviewed and updated, in agreement with the Corporate Leadership Team, to reflect a number of changes as outlined in section 2 of the report.

RESOLVED: That the Internal Audit Charter and Strategy be approved.

49. BUDGET MONITORING 2016/17 - PERIOD 10 (APRIL 2016 TO JANUARY 2017)

The Committee received a report of the Executive Member for Finance and the Chief Finance Officer informing Members of the current 2016/17 forecast outturn figures relating to both Revenue and Capital budgets. It also summarised the latest forecast position for Council Tax and Business Rates within the Collection Fund. It was noted that the projected underspend was now slightly lower, and that Children's Services had pulled back their projected overspend.

The Chief Finance Officer advised of the additional funds set aside to cover an unprecedented level of business rates appeals. It was noted that over 50% of the borough's business rates base were currently being appealed. A substantial portion of this was due to a large number of appeals by Trafford Centre businesses claiming footfall had been reduced due to the roadworks on the M60. Members were advised of the new appeals process coming into effect from 1 April 2017. The new 'check, challenge and appeal' system should reduce the amount of speculative appeals lodged, and would hopefully ensure that only genuine appeals were considered in future.

The Chief Finance Officer agreed to provide Members with further information in relation to the Carrington lease. The Chief Finance Officer would also provide Members further information in relation to the piece of playing equipment that was due to be built in Moor Nook Park and when this would be installed as requested.

RESOLVED: That the report be noted.

50. STRATEGIC RISK REGISTER 2016/17 (MARCH 2017 UPDATE)

The Committee received a report of the Audit and Assurance Manager providing Members with an update on the strategic risk environment, setting out developments relating to the management of each of the Council's strategic risks. It was noted that no risks had been added or removed since the previous update brought to the Committee in November 2016, with the only notable change being the downgrading of the risk in relation to burials within the local area from 'medium' to 'low'. The Audit and Assurance Manager agreed to look into a Member's query in relation to ensuring that all faiths were accommodated correctly in relation to burials. Members also discussed the announcement that the basic need funding received by the Council would reduce to £0 from 2018/19 onwards.

RESOLVED: That the report be noted.

51. RISK MANAGEMENT POLICY STATEMENT AND STRATEGY

The Committee received a report of the Audit and Assurance Manager detailing the recent review of the Council's Risk Management Policy Statement and Strategy. The Policy Statement set out the Authority's overall position regarding its approach to risk management, whilst the Strategy document set out, in detail, the expected arrangements to be in place to ensure there are adequate risk management processes across the Council.

RESOLVED: That the Council's Risk Management Policy Statement and Strategy be approved.

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

The Committee received a report of the Audit and Assurance Manager providing Members with the Council's revised Anti-Fraud and Corruption Strategy, Policy and supporting guidance. Further work would take place over the coming year to ensure other policies were up to date. It was noted that updates on fraud would continue to be included as part of the Committee's work programme.

Members discussed employee fraud and how this covered all the relationships an individual may have with the Council. Members also discussed how employees were assessed when the Council became aware that they had committed a crime.

RESOLVED: That the revised Anti-Fraud and Corruption Strategy, Policy and supporting guidance, be approved.

53. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2016/17

The Committee received a report of the Audit and Assurance Manager setting out the updated work plan for the Committee for the 2016/17 municipal year. It was noted that the 2016/17 work programme had now been completed, and the update from the STAR Procurement Service which was deferred earlier in the year would be added to next year's programme.

RESOLVED: That the report be noted.

54. ACKNOWLEDGEMENTS

Members of the Committee thanked the Chairman for his work over the year, and wished him well in his new role as the Mayor of Trafford for the coming municipal year.

The meeting commenced at 6.30 pm and finished at 7.35 pm

ACCOUNTS AND AUDIT COMMITTEE

Statement of Purpose

The purpose of the committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Composition

Membership of the Audit and Accounts Committee shall comprise 7 Members, be politically balanced and shall not include any Members of the Executive. A non voting member, with appropriate skills and experience, may be co-opted on to the Committee with the approval of the Council.

Terms of Reference

Internal and External Audit

- a) Review and approve (but not direct) the terms of reference for Internal Audit, an Internal Audit strategy and internal audit resourcing.
- b) Review and approve (but not direct) the annual Internal Audit work programme. Consider the proposed and actual Internal Audit coverage and whether this provides adequate assurance on organisations main business risks, review the performance of Internal Audit.
- c) Receive summary internal audit reports and seek assurance on the adequacy of management response to internal audit advice, recommendations and action plans.
- d) Review arrangements made for cooperation between Internal Audit, External Audit and other review bodies and ensure that there are effective relationships which actively promote the value of the audit process.
- e) Receive the Annual Internal Audit report and opinion.
- f) Review and consider proposed and actual External Audit coverage and its adequacy and consider the reports of external audit and inspection agencies.
- g) Receive updates from External Audit on External Audit findings and opinions (including the audit of the annual financial statements and the value for money conclusion) and seek assurance on the adequacy of management response to External Audit advice, recommendations and action plans.

Risk Management

- a) Review the adequacy of arrangements for identifying and managing the organisation's business risks, including partnerships with other organisations. This includes review of the Council's risk management policy and strategy and their implementation.
- b) Review the robustness of the strategic risk register and the adequacy of associated risk management arrangements.
- c) Receive and consider regular reports on the risk environment and associated management action.

Internal Control Arrangements, Corporate Governance and the Annual Governance Statement

- a) Review the effectiveness of corporate governance arrangements and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
- b) Conduct a critical review of the proposed Annual Governance Statement (AGS), which is a key assurance statement required to be completed each year in accordance with the Accounts and Audit Regulations 2011. The review includes the procedures followed in its completion and the content of the Statement to consider:
 - how meaningful the AGS is;
 - the robustness of the evidence and assurances on which the AGS is based; and
 - whether the AGS discloses adequately the organisations actions for addressing any significant internal control weaknesses disclosed within the statement.
- c) Make recommendations for amendment of the AGS and the associated procedures.

Anti - Fraud and Corruption Arrangements

- a) Review and ensure the adequacy of the organisation's Anti – Fraud & Corruption policy and strategy and the effectiveness of their application throughout the Authority.
- b) Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.

Accounts

- a) Approve the annual Statement of Accounts, including subsequent amendments.
- b) Consider the External Auditor's report on the audit of the annual financial statements.
- c) Be responsible for any matters arising from the audit of the Council's accounts, including the auditor's opinion on the accounts, identification of any misstatements, comments on the accounting and internal control systems and qualitative aspects of accounting practices and financial reporting.

Access and Reporting

- a) To have the right of access to senior officers and all committees of the Council.
- b) To report directly to the Executive or Council, as appropriate, on matters within these terms of reference.

Delegation

In exercising the power and duties assigned to the Committee in its terms of reference, the Audit and Accounts Committee shall have delegated power to resolve and to act on behalf of and in the name of the Council.

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TRAFFORD COUNCIL

Report to: Executive

Date: 26 June 2017

Report for: Discussion

Report of: The Executive Member for Corporate Resources and the Chief Finance Officer

Report Title:

Budget Monitoring 2016/17 – Period 12 Outturn (April 2016 to March 2017).

Summary:

The purpose of this report is to inform Members of the 2016/17 draft outturn figures relating to both Revenue and Capital budgets, the level of General and Service Reserves. It also summarises the final unaudited position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that:

- a) The pre-audited revenue budget outturn be noted;
- b) the levels of General & Service Reserves and Collection Fund balances and commitments are noted and confirmed;
- c) That the outturn position on the Capital Programme and Prudential Indicators be noted.

Contact person for access to background papers and further information:

David Muggeridge, Finance Manager, Financial Accounting Extension: 4534

Background Papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	Revenue and Capital expenditure to be contained within available resources in 2016/17.
Legal Implications:	None arising out of this report
Equality/Diversity Implications	None arising out of this report
Sustainability Implications	None arising out of this report
Resource Implications e.g. Staffing / ICT / Assets	Not applicable
Risk Management Implications	Not applicable
Health & Wellbeing Implications	Not applicable
Health and Safety Implications	Not applicable

Other Options

Not Applicable

Consultation

Not Applicable

Reasons for Recommendation

Not Applicable

Finance Officer Clearance*NB*.....

Legal Officer Clearance*JLF*.....

CORPORATE DIRECTOR'S SIGNATURE:



REVENUE BUDGET

Budget Monitoring - Financial Results

1. Based on the pre-audit outturn for the year, the Council will underspend its Service Expenditure budgets by £4.32m, (2.9%) for 2016/17, which is a favourable movement of £1.95m since last period (paragraph 5).
2. The overall variance includes a net underspend on the Directorate budgets of £603k, (0.5%), and a net underspend on Council-wide budgets of £3.72m, (17.7%).
3. There continues to be a negative pressure on the overall funding position caused by a significant level of new business rate appeals. This had led to a shortfall of £4.30m in funding income due to the need to increase the appeals provision during the year. The savings on Service expenditure and income budgets will offset this reduction of funding from business rates leaving a small net underspend of £21k to transfer to the budget support reserve.

Service Expenditure Summary Position

4. The pre-audited revenue outturn position shows an underspend figure of £4.32m. This compares to an adjusted period 10 underspend of £2.37m (i.e. £141k underspend plus £2.23m previously set aside to support the shortfall in business rates). This underspend will be transferred to an earmarked reserve to support the reduced level of funding from business rates.
5. The favourable movement of £1.95m is made up of a number of movements since period 10 and is explained below, with more detail given in Table 2:
 - reduced overall expenditure in adult social care of £920k;
 - reduction in projected overspend in children's services £286k;
 - increased savings in EGEI and T&R of £59k and £360k respectively
 - additional council-wide budget savings of £323k

Funding Summary Position

6. There has been a further reduction in overall funding to support the budget mainly attributed to an increase in the level and cost of business rate appeals. This one-off shortfall, which has been caused by the need to increase the appeals provision, is £4.30m (an increase of £2.07m since period 10) and will require resources to be set aside as detailed below:-
 - an amount of £2.23m has previously been identified from the MAG earmarked reserve of £1.41m and savings in the council-wide budget of £821k, both previously reported to the Executive and agreed; and
 - the balance of £2.07m will be met from additional savings in service budgets and are included in this report. This will leave a small balance of £21k to be transferred to the budget support reserve.
7. Detailed below in Table 1 is a summary breakdown of the service and funding variances against budget, with Table 2 providing an explanation of the variances:

Table 1: Budget Monitoring results by Service	2016/17 Budget (£000's)	Un-audited Outturn (£000's)	Variance (£000's)	Percentage
Children's Services	29,742	31,501	1,759	5.9%
Adult Services (Inc. Public Health)	47,191	46,787	(404)	(0.9)%
Economic Growth, Environment & Infrastructure	31,941	31,526	(415)	(1.3)%
Transformation & Resources	16,842	15,299	(1,543)	(9.2)%
Total Directorate Budgets	125,716	125,113	(603)	(0.5)%
Council-wide budgets	20,981	17,265	(3,716)	(17.7)%
Net Service Expenditure variance	146,697	142,378	(4,319)	(2.9)%
Funding				
Revenue Support Grant	(22,989)	(22,989)	-	-
Business Rates (see para. 20)	(38,311)	(34,013)	4,298	11.2%
Council Tax (see para. 17)	(83,247)	(83,247)	-	-
Reserves	(1,850)	(1,850)	-	-
Collection Fund surplus	(300)	(300)	-	-
Funding variance	(146,697)	(142,399)	4,298	2.9%
Net Revenue Outturn variance	0	(21)	(21)	(0.0)%
Dedicated Schools Grant	119,410	119,495	85	0.1%
Public Health	13,334	13,329	(5)	(0.0)%

8. The main variances contributing to the underspend of £4.32m are highlighted below:

Table 2: Main variances	Outturn Variance (£000's)	Explanation/Risks
Children's Services	1,759	<p>The main reasons for the adverse variance have been reported in previous monitors and mainly include pressure on the placements budget for children in care with 384 children currently in care, a reduction of 3 since the last monitoring report but an overall increase of 53 since March 2016.</p> <p>The overall variance shows a favourable movement from that previously reported of £286k explained by:</p> <ul style="list-style-type: none"> • A reduction in spend on children in social care of £94k mainly as a result of commissioning practices, leading to a reduced unit cost; • A reduced number of children with additional needs in respite and a reduction in the anticipated cost of direct payments - £60k;

		<ul style="list-style-type: none"> • An underspend in the Early Help Hub of £59k mainly due to an overachievement of income; • Minor variances across the service totalling a favourable movement of £73k.
Adult Services / Public Health	(404)	<p>The overall variance shows a favourable movement from that previously reported of £920k. This is mainly in relation to the adult client budget of £734k explained by:-</p> <ul style="list-style-type: none"> • Determination by the Secretary of State on two Ordinary Residence cases, whereby the individual's ordinary residence is in another area and not Trafford. Therefore costs incurred by Trafford will be charged to the Authority in which they are deemed to be Ordinarily Resident - £333k; • Increased clawback of monies in relation to direct payments that have been made but the money has not been spent - £228k; • Income from Personal Health Budgets - £92k; • Reduction in the requirements of the transition budget for 2016/17 -£75k; • Other minor adverse variances £6k. <p>Other areas that have seen a movement are;</p> <ul style="list-style-type: none"> • Further staffing savings across the service on vacancies - £77k; • Reduction in public health spend due to less activity than anticipated e.g. health checks - £47k; • Minor variances across the service totalling a favourable movement of £62k.
Economic Growth, Environment & Infrastructure	(415)	<p>The underspend has increased by £59k since the last report and relates to:</p> <ul style="list-style-type: none"> • Additional income - £168k. This includes £96k from backdated property rents and £57k improvement in building control income; • Increase in running costs - £76k, which includes £66k relating to the final GM Waste Disposal levy; • Minor reduction in the staff cost underspend - £33k. <p>Other items to note which are included in the overall underspend are:</p> <ul style="list-style-type: none"> • income of £273k was received from Oakfield Road car park remaining open until the substantive start of the Altair development in June 2017 (demolition started February 2017); • part year energy cost savings from the LED street lighting programme were included in the budget of

		£410k, and these have been exceeded by £70k. The total full year saving once the roll out is complete is £1.150m.
Transformation & Resources	(1,543)	<p>The underspend has increased by £360k since the last report due to:</p> <ul style="list-style-type: none"> • On-going staff vacancies - £43k. Overall there is a £913k underspend on staffing after taking account of agency costs. This equates to 4.6% of the total staffing budget and is lower than the levels experienced in 2015/16, which were in excess of 6%, and reflects the ongoing efforts to fill outstanding vacant posts; • Further reduction in running costs - £254k. Running costs are £332k underspent and the increase from the last report includes reduced contract spending in ICT (£89k) and Exchequer Services (£75k), commitments in training budgets crossing into the next financial year (£68k), management of maintenance spending in Bereavement Services (£38k) and other minor adverse variances £16k; • Further increase in income - £63k. Income is £334k above budget overall and the movement since the last report is due to one-off income from proceeds of crime (Revenues and Benefits) received before the financial year-end.
Council-wide budgets	(3,716)	<p>The major reasons for the year end underspend position are as previously reported:</p> <ul style="list-style-type: none"> • increased level of shareholder income received from Manchester Airport during the year; • a significant recovery of housing and council tax benefit overpayments; • the release of contingency budgets due to the majority of the savings programme being achieved. <p>The variance since the period 10 report of £323k includes:-</p> <ul style="list-style-type: none"> • Treasury Management savings in external interest costs and higher than anticipated income caused by higher cash volumes; • final release of contingency budgets.
Dedicated Schools Grant	85	<p>Overspend has reduced by £198k since the last report as a result of cost control measures within the High Needs Block. The level of DSG reserve is now projected to be £702k at year end.</p>

Progress against Locality Plan

9. A key element of the Health and Social Care devolution agenda is the submission of a Locality Plan setting out the Council and CCG vision for the greatest and fastest possible improvement in the health and wellbeing of our residents by 2020. This improvement will be achieved by supporting people to be more in control of their lives by having a health and social care system that is geared towards wellbeing and the prevention of ill health; access to health services at home and in the community; and social care that works with health and voluntary services to support people to look after themselves and each other
10. Financial performance against the locality plan is highlighted below in Table 3.

Table 3: Locality Plan Update	2016/17 Budget (£000's)	Outturn (£000's)	Variance (£000's)	Percentage
Public Health	13,334	13,329	(5)	(0.04)%
Adult Social Care	52,874	52,475	(399)	(0.75)%
Children and Families	29,911	31,670	1,759	5.88%
Total	96,119	97,474	1,355	1.41%

MTFP Savings and increased income

11. The 2016/17 budget was based on the achievement of permanent base budget savings and increased income of £16.38m. At Executive in March 2016 there was a decision to amend the policy on social care transport impacting on the overall savings programme. The savings target was subsequently reduced to £16.10m, with the adverse impact of this change being included in the overall CFW monitoring position. Full details are included in the May 2017 Transformation Programme Board Report.
12. The outturn position indicates that total savings of £15.50m have been achieved in the year. This represents a slight deterioration with an overall under achievement against target of £596k. This is represented by delays in the Continuing Health Care (CHC) project into 2017/18, £403k and a reduction in the actual level of council-wide savings achieved of £193k.

RESERVES

13. The General Reserve balance brought forward is £7.89m, against which there are planned commitments up to the end of 2016/17 of £1.89m leaving the balance at £6m which is the approved minimum level.

Table 4 : General Reserve Movements	(£000's)
Balance 31 March 2016	(7,894)
Commitments in 2016/17:	
- Planned use for 2016/17 Budget	1,850
- Planned use for one-off projects 2016/17 no longer required and moved to Budget Support Reserve	44
Balance 31 March 2017	(6,000)

14. Service balances brought forward from 2015/16 were a net £5.95m and were largely allocated to support transformation projects in 2016/17 and later years.

Table 5: Service balances	b/f April 2016 (£000's)	Net Use in Year (£000's)	c/f to 2017/18 (£000's)
Children, Families & Wellbeing	(1,837)	1,044	(793)
Economic Growth, Environment & Infrastructure	(1,740)	535	(1,205)
Transformation & Resources	(2,372)	259	(2,113)
Total (Surplus)/Deficit	(5,949)	1,838	(4,111)

COLLECTION FUND

Council Tax

15. The 2016/17 surplus on the Council Tax element of the Collection Fund is shared between the Council (84%), the Police & Crime Commissioner for GM (12%) and GM Fire & Rescue Authority (4%).
16. As at 31 March 2017 the end of year surplus balance is £2.54m. The Council's share of this is £2.13m, and is planned to support future budgets in the MTFP. This is a favourable movement of £0.4m on that previously reported and is mainly as a result of improved collection of historic debt identified during year end closedown.
17. Council Tax collection rate as at 31 March 2017 was 98.2%, which is above the targeted collection rate of 98.1%.

Business Rates

18. The 2016/17 budget included anticipated growth in retained business rates and related S31 grants of £4.51m. Latest forecasts of business rate income indicate a potential one-off shortfall on this amount of £4.30m due largely to a continued increase in the level and cost of appeals. This is an increase from previous monitoring reports and will be financed in full from:
- £1.41m from the MAG earmarked reserve and a contribution to reserves from the Council-wide budget of £821k (both previously planned and reported);
 - the balance of £2.07m will be met from additional savings in service budgets included in this report. This will leave a small balance of £21k to be transferred to the budget support reserve.
19. Business Rates collection rate as at 31 March 2017 was 97.79% compared to a targeted collection rate of 97.5%.

CAPITAL PROGRAMME 2016/17

20. Capital investment expenditure for 2016/17 amounted to £28.21m, equivalent to 66% of revised budget of £42.44m with some of the main highlights being:

School Improvements - £6.48m:-

- Expansion & Basic Need Works - £3.38m
- Capital Maintenance & Access works - £2.53m
- Improvements via Devolved Formula Capital - £0.57m

Adult Social Services - £2.80m:-

- Disabled Facilities Grants - £1.99m
- Assistive Technology / Aids & adaptations - £0.58m
- Liquid Logic – ICT Social Care System - £0.23m

Major works on Public & Operational Buildings - £1.32m

- Public Building Repairs & DDA Improvements - £1.05
- ICT systems - £0.27m

Regeneration Projects - £3.80m

- Lancashire CCC - New hotel development - £2.48m
- Altrincham Town Centre - £0.86m
- Stretford Town Centre Public Realm Works - £0.41m
- Town centres business grants - £0.05m

Highway Related Improvements - £12.10m

- Integrated Transport Improvements - £0.78m
- Highway Structural Maintenance (inc. Bridges) - £3.39m
- LED Replacement Programme - £7.83m
- Car Parking Improvements - £0.10m

Sport, Recreation & Culture - £0.45m

- Improvements to parks and open spaces across the borough - £0.18m
- Play Area Refurbishments - £0.27m

ICT Investment £ 1.26m

- New Human Resources Shared Services system - £0.85m
- Libraries – Self Serve kiosks programme - £0.18m
- ICT and other projects, minor variances - £0.23m

Financing of Capital Investment Expenditure

21. The expenditure was financed predominantly from grants and external contributions, supplemented by receipts derived from the sale of surplus assets and a small level of specific reserves and borrowing. The actual levels applied are shown below:

Table 6: Financing of Capital Investment Expenditure 2016/17	Budget £m	Actual £m
Internal Resources		
Capital Receipts	6.16	2.54
LSVT VAT Receipts	1.46	1.29
Specific Reserves & Revenue	0.48	0.15
Borrowing	11.01	10.32
Sub-Total	19.11	14.30
External Resources		
Grants & Contributions	23.33	13.91
Total	42.44	28.21

22. Sufficient capital resources will be available to cover all the expenditure re-profiled from 2016/17 to future years. No grants and contributions are at risk of clawback and will therefore be available in later years.

Performance against budget and explanation of major variances

23. The original budget for 2016/17 was approved at £43.7m in February 2016 but this has subsequently been revised during the year for new grant approvals and other changes approved by the Executive and the expected budget for 2016/17 was £42.44m as at Period 10.
24. Final expenditure of £28.21m represents an overall variance of £14.23m. Capital expenditure by its nature can be “lumpy” and difficult to project and in a good number of situations the Council does not have total control on when the expenditure will be incurred. A explanation of the variations by service area are shown in the following table:

Table 7: Actual Capital Investment Expenditure compared to Revised Budget 2016/17					
Service Area	Budget	Actual	Variance	Actual	Note
	£m	£m	£m	%	
Children Families & Wellbeing					
Schools	9.87	6.48	(3.39)	66%	1
Children's Services	0.05	0.00	(0.05)		
Services for Adults	2.92	2.80	(0.12)	96%	2
Total	12.84	9.28	(3.56)	72%	
Economic Growth, Environment & Infrastructure					
Corporate Landlord	5.93	1.29	(4.64)	22%	3
Town Centre Regeneration & Strategic Planning	4.05	3.80	(0.25)	94%	4
Highways	15.17	12.00	(3.17)	79%	5
Bereavement Services	0.09	0.03	(0.06)	33%	
Sustainability & Greenspace	0.93	0.45	(0.48)	48%	6
Public Protection	0.25	0.10	(0.15)	40%	
Total	26.42	17.67	(8.75)	67%	
Transformation & Resources					
Performance & Improvement	1.55	1.12	(0.43)	72%	
Information Technology	1.63	0.14	(1.49)	9%	7
Total	3.18	1.26	(1.92)	40%	
Capital Programme Total	42.44	28.21	(14.23)	66%	

➤ **Note 1 - Schools**

The majority of the larger projects were successfully completed in year with the variance primarily relating to planned rephasing on a number of projects scheduled for 2017/18 and savings on completed schemes to be re-phased to support the new 2017/18 programme of works.

➤ **Note 2 – Services for Adults**

Whilst there has been some rephasing required to 2017/18 on the Social Care and Agile Working ICT projects expenditure on Disabled Facilities Grants has been higher than expected and budget phased to 2017/18 has been accelerated accordingly.

➤ **Note 3 – Corporate Landlord**

Following a review of Leisure Strategy assets a number of the proposed schemes were placed on hold and the delay in the purchase of the depot facilities has resulted in delivery being later than expected. The new depot facility has subsequently been purchased early in 2017/18.

➤ **Note 4 – Town Centre Regeneration & Strategic Planning**

The drawdown of the loan advance in respect of Lancashire County Cricket Club has been quicker than anticipated, resulting in acceleration of the agreed level of advance. Whilst the major public realm works in Altrincham and Stretford town centres are slightly behind the 2016/17

budgets, work is now progressing and are expected to complete as originally programmed in 2017/18 and budget re-phased accordingly.

➤ **Note 5 – Highways**

The majority of the highway maintenance programme was delivered as planned during 2016/17, particularly the LED replacement programme for which delivery is ahead of original plans. This is offset by the rephasing to 2017/18 of £5.00m of the contribution to the metrolink extension into Trafford Park. This sum has subsequently been paid in 2017/18.

➤ **Note 6 – Sustainability & Greenspace**

Rephasing of £0.48m was required on a number of schemes where consultation with stakeholders and Friends of Groups was undertaken. Delivery of the play area refurbishment programme has progressed well.

➤ **Note 7 – Information Technology**

The introduction of the new Greater Manchester Shared Service was completed, whilst rephasing of £1.49m was required on a number of other schemes including £1.10m for the Customer Relationship Management (CRM) Upgrade Programme, which will now be completed during 2017/18.

25. The level of capital investment expenditure equates to 66% of the revised budget and a summary of the major variances is shown below. Appendix A provides an analysis of the variance at a service level.

Table 8: Actual Capital Expenditure compared to Expected Outturn 2016/17	£m
Outturn 2016/17 Budget	42.44
Actual	28.21
Variance	14.23
Explained By:-	
Re-profiling to future years	21.04
Acceleration	(6.44)
Additional Expenditure (see Appendix A)	(0.66)
Savings (see Appendix A)	0.29
Total	14.23

26. During 2016/17 additional expenditure of £661k has been incurred on a number of projects of which £596k was financed from specific resources. This includes £203k of highway works done under S278 of the Highways Act and £150k of works at Hale Barns shopping centre funded by the developer.
27. Appendix B provides details of the overspends and savings shown above. As can be seen the total value of savings identified funded from internal resources exceeds additional cost requirements by £226k. These can be carried forward to 2017/18 and earmarked to support additional expenditure on highways related projects including specific bridge works on the Altair site in Altrincham.

Prudential Indicators

28. The Council is required to maintain these indicators which are designed to show that its capital expenditure plans are prudent, affordable and sustainable. Detailed in Appendix C are the actual capital programme related indicators agreed in February 2016, and updated in February 2017. No indicators were breached in 2016/17.

Conclusions & Recommendation

29. That the outturn position on the Capital Programme and Prudential Indicators be noted.

APPENDIX A

CAPITAL OUTTURN 2016/17

The Council spent £28.21m on capital schemes last year. A summary analysis of this by service area is shown below, together with further detail on re-profiling, acceleration, overspending and savings.

				← Variance Explained By →			
	Budget 2016/17	Outturn 2016/17	Variance	Re- Profiling	Acceleration	Add'n Expend	Saving
Service Area	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Children, Families & Wellbeing	12,835	9,282	(3,553)	4,410	(767)	(111)	21
Economic Growth, Environment & Infrastructure	26,421	17,671	(8,750)	14,565	(5,517)	(545)	247
Transformation and Resources	3,184	1,261	(1,923)	2,063	(158)	(5)	23
Total	42,440	28,214	(14,226)	21,038	(6,442)	(661)	291

CAPITAL PROGRAMME 2016/17- Overspends and savings

The total value of savings identified funded from internal resources exceeds additional cost requirements by £226k.

Scheme	Overspend	Funded	Balance to be funded	Notes
	£000's	£000's	£000's	
Liquid Logic Programme Support	46	46		External contribution
Aids & Adaptations	58	58		External contribution
Adult Social Care	8		8	
Hale Barns Shopping Centre - CPO	150	150		Developer contribution
Sale Waterside - Lifecycle costs	126	126		Developer contribution
Cornbrook - CPO	12		12	
Partington District Centre	7		7	
Briarfield Road, Timperley - Layby	33		33	
Highways - S278 works	203	203		S278 contributions
Longford Park, Stretford - Disc Golf Course	13	13		S106 contributions
ICT Projects	5		5	
Total	661	596	65	
Identified savings on internally funded schemes			291	
Balance available			226	

APPENDIX C

Prudential Indicators – Actual 2016/17

The figures below show the Council's actual prudential indicators for 2016/17 compared to estimate.

Indicator 1: CAPITAL EXPENDITURE	2016/17 Original Estimate £000's	2016/17 Revised Estimate £000's	2016/17 Actual £000's
Total Expenditure	43,703	42,440	28,214

Explanation of variances are given in the Appendices A & B

Indicator 2: CAPITAL FINANCING REQUIREMENT	31/3/17 Original Estimate £000's	31/3/17 Revised Estimate £000's	31/3/17 Actual £000's
General Fund	144,007	144,664	143,977

This is the Council's underlying need to borrow for a capital purpose. The table above reflects the estimated need to borrow for capital investment i.e. the anticipated level of capital expenditure not financed from capital grants and contributions, revenue or capital receipts.

Indicator 3: FINANCING COSTS TO NET REVENUE STREAM	2016/17 Original Estimate %	2016/17 Revised Estimate %	2016/17 Actual %
General Fund	6.2	4.5	4.5

This indicator shows the net borrowing costs and minimum revenue provision as a percentage of the Council's net revenue budget.

Indicator 4: Incremental impact on Band D council tax and housing rents	2016/17 Original Estimate £	2016/17 Revised Estimate £	2016/17 Actual £
Council Tax – Band D	0.00	0.00	0.00

The in-year borrowing requirement was less than the amount set aside to repay debt therefore there is no change to this indicator in year.

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TRAFFORD BOROUGH COUNCIL

Report to: Executive 26 June 2017
Accounts & Audit Committee 28 June 2017
Council Meeting 26 July 2017

Report for: Information

Report of: The Executive Member for Corporate Resources and
the Chief Finance Officer

Treasury Management Annual Performance 2016/17 Report

Summary

This report outlines the treasury management activities undertaken during 2016/17, key issues are as follows:

- There has been full compliance with all legislative and regulatory requirements, including all treasury management prudential indicators;
- The average level of external debt and interest rate payable for 2016/17 was £105.2m and 5.67% compared to 2015/16 when the respective figures were £95.3m & 6.02%;
- The average level of all investments for 2016/17 was £105.6m with a rate of return of 0.87%, for 2015/16 this was £106.6m and 0.84% respectively;
- Budget savings of £(0.1)m in net interest payable (loan interest less investment interest) were achieved.

Recommendations

That the Accounts & Audit Committee and Executive advise the Council:

1. of the Treasury Management activities undertaken in 2016/17;
2. that no prudential limits were breached during 2016/17;
3. that there was full compliance with both the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance.

Contact person for background papers:

Graham Perkins – Technical Accountant - Extension: 4017

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	In 2016/17 the Council paid loan interest of £6.0m and received investment interest of £(0.9)m from money market investments and the net effect of this was a net saving of £(0.1)m against budget.
Legal Implications:	All actions undertaken during the year were in accordance with legislation, CLG Guidance, CIPFA Prudential Code and CIPFA Treasury Management Code of Practice.
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities. The Council's in-house treasury management team continually monitor to ensure that the main risks associated with this function of adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times.
Health and Safety Implications	Not applicable

1. INTRODUCTION AND BACKGROUND

- 1.1 In accordance with regulations issued under the Local Government Act 2003 local authorities are required by regulation to have regard to both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance (the Prudential Code) when undertaking this function. This report which reviews the activities and actual prudential and treasury indicators for 2016/17 meets the requirements of these Codes.
- 1.2 During 2016/17, the Accounts & Audit Committee together with the Executive and Full Council received the following three reports:
- annual treasury strategy for the year ahead (issued February 2016);
 - mid-year update report (issued November 2016);
 - annual outturn report describing the activity undertaken (June 2017 i.e. this report).
- 1.3 The current regulatory environment places responsibility on Members to review and scrutinise the treasury management policies and activities of the Council. This report is therefore important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by Members. Training was provided to Members during the year to support their understanding of this topic.
- 1.4 The figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.
- 1.5 The report comprises of the following sections:
- Major Economic Headlines 2016/17 (Section 2);
 - Treasury Position (Section 3);
 - Borrowing Position (Section 4);
 - Investment Position (Section 5);
 - Related Treasury Issues (Section 6);
 - Prudential and Performance indicators (Section 7);
 - Appendices.

2. MAJOR ECONOMIC HEADLINES 2016/17

- 2.1 A brief summary of the main events which occurred during the year are highlighted below for reference;

USA

- Election of President Trump on 9 November 2016;
- Overall growth in 2016 was 1.6%;
- Volatile quarterly growth during 2016 together with strongly rising inflation, prompted the Federal Reserve into raising rates in December 2016 and March 2017;
- First major western country to start on a progressive upswing in rates.

EU

- Still remains to be some distance away from any upswing in rates;
- European Central Bank (ECB) cut rates into negative territory, provided huge tranches of cheap financing and carried out major quantitative easing purchases of debt in order to boost growth from consistently weak levels, and to get inflation up from near zero towards its target of 2%;
- The action taken by the ECB resulted in an improvement in economic growth to an overall figure of 1.7%, with Germany achieving a rate of 1.9% as the fastest growing G7 country;

- Rising political concerns around the positive prospects for populist parties and impending general elections in 2017 in the Netherlands, France and Germany, give some cause for concern.

Japan

- Continues to struggle to generate consistent significant growth with GDP averaging only 1.0%;
- Inflation remains below target of 2%, only achieving an average of -0.1% in 2016, despite huge monetary and fiscal stimulus;
- It is also making little progress on fundamental reform of the economy.

China

- Fears that China's economic growth would head towards a hard landing, thereby destabilising countries exposed to its economy subsided.

UK

- As a consequence of the outcome of the Brexit referendum in June 2016 the money markets revised its expectations of when the first increase in Bank Rate would happen, to quarter 4 2019 from quarter 3 2018;
- In August the Monetary Policy Committee (MPC), cut the Bank Rate from 0.5% to 0.25%, the first move since March 2009 and warned that it would consider cutting it again in order to support growth.
- Additional Quantitative Easing with gilt and corporate bond purchases of £60bn and £10bn respectively being undertaken by the Bank of England together with the introduction of a £100bn Term Funding Scheme providing cheap financing to banks.
- The economy grew by 1.8% when compared to 2015 and remains one of the strongest of any G7 country;
- By the end of March 2017, sterling was 17% down against the dollar but had not fallen as far against the euro;
- CPI started the year in April at 0.7% rising to 2.3% in February 2017, 0.3% above the MPC's inflation target of 2% and this was driven primarily by inflation, caused by sterling's devaluation.
- Unemployment rate continued to fall from the April 2016 opening position of 5.1% to 4.8% in March 2017 with the position for Trafford moving from 3.7% in April 2016 to 3.6% in March 2017;

2.2 Within the treasury management strategy for 2016/17 the expectation was for interest rates to remain low with Bank Rate starting to rise in quarter 1 of 2017 with gradual rises in medium and longer term fixed borrowing rates. As a result of the economic situation highlighted at paragraph 2.1 this had the opposite effect to that originally anticipated with rates easing during the year as highlighted in the table below; and a more detailed analysis detailing how investment rates moved during the course of the year is provided at Appendix A;

	2016/17	1 April 2016	31 March 2017	2016/17
	Forecast Average	Actual	Actual	Actual Average
	%	%	%	%
UK Bank Rate	0.63	0.50	0.25	0.34
Investment Rates				
3 month	0.70	0.46	0.21	0.32
1 Year	1.15	0.88	0.59	0.70
Loan Rates				
5 Year	2.25	1.61	1.24	1.56
25 Year	3.55	3.13	2.60	2.92

3. TREASURY POSITION

- 3.1 The Council's in-house Treasury Management team controls the debt and investment positions to ensure that security of funds, adequate liquidity for revenue and capital activities are maintained at all times and risks connected with these activities are managed effectively.
- 3.2 Procedures and controls to achieve these objectives are well established both through Member reporting and officer activity and this was further highlighted when the Council's Audit & Assurance Service issued a report which for the 10th year in succession, stated that the treasury management service offered a High Level of Assurance.
- 3.3 The table below shows the loan and investment positions at the beginning and end of 2016/17 for reference:

	31 March 2017			31 March 2016		
	Principal (£m)	Total (£m)	Interest Rate %	Principal (£m)	Total (£m)	Interest Rate %
DEBT						
Fixed rate:						
-PWLB	43.4			47.2		
-Market	10.8	54.2	5.18	6.0	53.2	5.84
Variable rate:						
-PWLB	0.0			0.0		
-Market	51.0	51.0	5.77	51.0	51.0	5.73
Total debt		105.2	5.47		104.2	5.79
Capital Financing Requirement (to finance past capital expenditure)		144.0			134.8	
Over/ (under) borrowing		(38.8)			(30.6)	
INVESTMENTS						
- Fixed rate	58.4		0.62	39.3		0.97
- Variable rate	24.0		1.13	42.5		1.00
Total investments		82.4	0.77		81.8	0.98

Note - The above interest rates reflect the actual position as at 31 March.

- 3.4 Whilst the above table details the position as at the beginning and end of 2016/17, the average position for 2016/17 & 2015/16 was as follows:

	2016/17		2015/16	
	Principal	Interest Rate	Principal	Interest Rate
Average Debt	£105.2m	5.67%	£95.3m	6.02%
Average Investment	£105.6m	0.87%	£106.6m	0.84%

4. **BORROWING POSITION**

- 4.1 The Council's underlying need to borrow for capital expenditure is termed the Capital Financing Requirement (CFR) and is a gauge of the Council's indebtedness. The CFR results from the capital activity of the Council and resources used to pay for the capital spend. It represents the 2016/17 and prior years' net or unfinanced capital expenditure which has not yet been paid for by revenue or other resources.
- 4.2 The Council's CFR is not allowed to rise indefinitely and statutory controls are in place to ensure that any borrowing on capital assets is charged to revenue over their useful life. This charge is in the form of an annual revenue charge, called the Minimum Revenue Provision (MRP), which reduces the CFR and effectively is a repayment of borrowing need.
- 4.3 The Council's 2016/17 MRP Policy, (as required by CLG Guidance), was approved by Members as part of the Treasury Management Strategy Report for 2016/17 on 17 February 2016.
- 4.4 In response to the continuing interest rate differential between the cost of long term debt (2.6% PWLB 25yrs) compared to the levels of return available from investments (under 0.59%), the Council continued with its the strategy adopted since the 2008 financial crisis, of borrowing internally (using cash backed reserves) to fund its long term borrowing requirement and maturing debt. This course of action continues to be widely followed by Councils nationally and was undertaken in conjunction with advice obtained from the Council's external advisers Capita.
- 4.7 As a consequence of this action, the Council is in an under-borrowed position by £38.8m as highlighted at paragraph 3.3 and had this level of debt been taken for 25 years at 31 March 2017, the Council would be incurring an additional £780k per year in net interest payable (£1,009k loan interest less £(229)k investment interest).
- 4.8 Interest payable for the year totalled £6.0m and this exceeded budget by £0.1m due to higher than forecasted interest costs arising from the Council's variable rate loan.
- 4.9 From the table at paragraph 3.3 it can be seen that the level of external debt increased during 2016/17 from the opening position of £104.2m to close at £105.2m as a result of the following transactions;

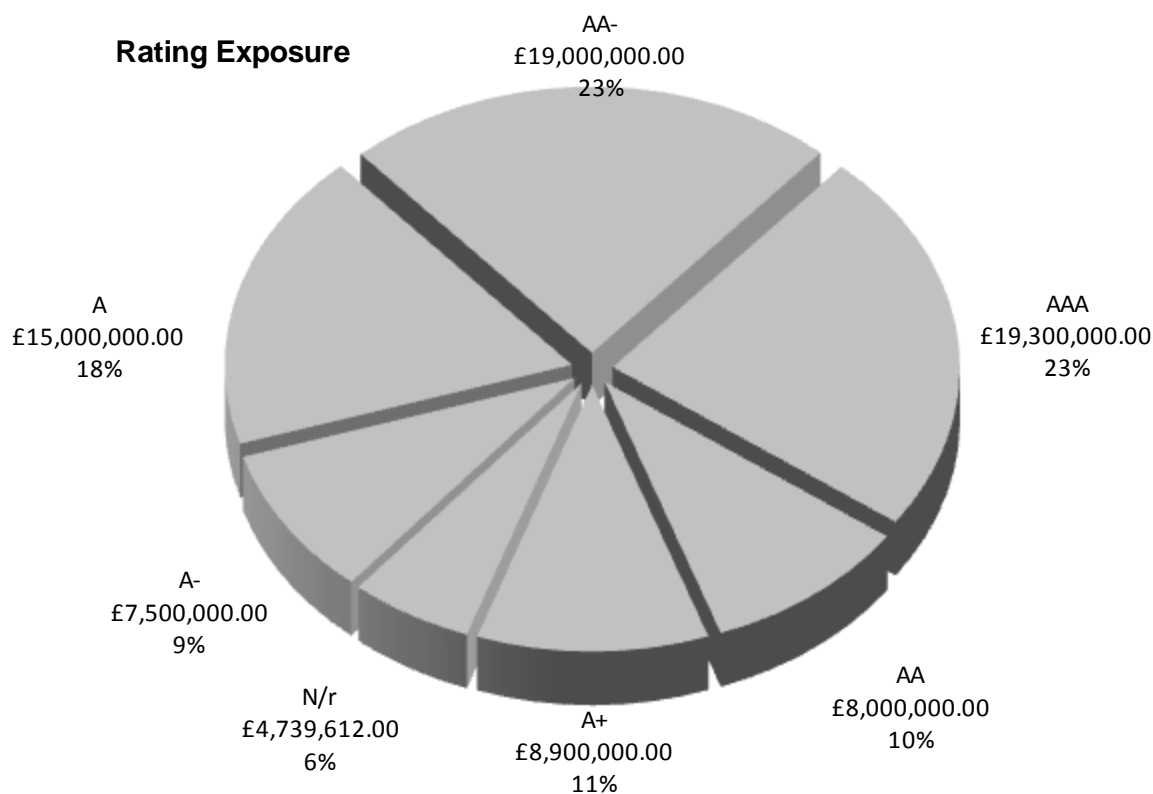
Lender	Principal – (Repayment) / New	Average Interest rate	Reason
PWLB	£(3,749,486)	7.997%	Natural maturity
SALIX Finance	£4,760,731	0%	Additional tranches of the £6.3m loan agreement to be used on the Council's Street Lighting Replacement Programme

- 4.10 Of the debt outstanding of £105.2m, £0.9m is administered on behalf of Greater Manchester Probation Service which leaves £104.3m in respect of the Council's own long term requirement.
- 4.11 A maturity profile of the Council's debt can be found at Appendix B & C for reference.
- 4.12 No rescheduling of the Council's existing debt was undertaken during the year as the average 1% differential between PWLB new borrowing rates and premature

repayment rates made this unviable due to the high breakage costs (premium) payable.

5. INVESTMENT POSITION

- 5.1 The Council's investment policy is governed by DCLG guidance issued in March 2010 and this has been implemented within the annual investment strategy approved by Council on 17 February 2016. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).
- 5.2 Using this information the Council's in-house treasury management team produces an approved lending list in order to ensure investments are only placed with low risk institutions with funds being invested for a range of periods from overnight to 3 years dependant on cash flow requirements, and counterparty limits set out in the approved investment strategy. Investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.
- 5.3 The in-house treasury management team together with the Council's advisors Capita continually monitors the credit ratings assigned to the institutions it uses when placing investments and during the year there was very little movement in these highlighting the continuing drive by financial institutions to realign their balance sheets following the economic downturn.
- 5.4 The graph below provides a breakdown of the Council's investments placed as at 31 March 2017 by long term credit rating and further information detailing the make-up of this can be found at Appendix C & D;



- 5.5 Following the outcome of the June 2016 Brexit referendum, the UK's Bank Rate was cut from 0.5% to 0.25% on 4 August where it currently remains with Market expectations currently forecasting that the timing of the start of monetary tightening will now commence around quarter 4 2019. Deposit rates started 2016/17 at their

depressed levels but then continued to fall even further after the 4 August MPC meeting and whilst rates made a weak recovery towards the end of 2016 they once again fell to fresh lows in March 2017.

- 5.6 The Council's main bank account with Barclays, is non-interest bearing and consequently if no investments were undertaken by the in-house team, the Council would lose the opportunity to generate a substantial amount of income.
- 5.7 Investments placed by the Council consist of funds placed for both short and long term gain and the level of return achieved in 2016/17 on short term investments was 0.67%. Whilst this was below that originally budgeted for of 0.90%, it was 0.46% or £(0.5m) above the comparable performance indicator of the average 7-day London Interbank BID (LIBID) rate, of 0.21% and £(0.2)m above budget.
- 5.8 The higher than forecasted level of investment interest achieved in 2016/17 was as a result of the;
- in-house team placing a proportion of investments with institutions early in the year prior to the MPC reducing the bank rate and
 - level of balances being available for investment being higher than originally forecasted due to external grants & contributions being received ahead of spend requirement and re-phasing of projects within the capital programme.
- 5.9 A maturity profile of the Council's temporary investments can be found at Appendix C together with a further breakdown at Appendix D which details the historic risk of default.
- 5.10 With regards to the Council's long term investments, in 2015, £5m was placed into the Church Commissioners Local Authority Property Fund for a minimum period of 5 years which after entry costs had been deducted of £0.3m, enabled 1,643,872 units to be purchased in the fund. At 31 March 2017 the value of these units, were worth £4.7m and this compares to the valuation at 31 March 2016 of £4.8m.
- 5.11 The reduction in valuation of £0.1m is in response to the Brexit referendum outcome in June 2016 when the demand in commercial property transactions slowed. Since then however as a result of growing confidence from overseas buyers, a gradual recovery is currently being encountered in this sector but valuations still remain below the levels achieved earlier in 2016.
- 5.12 Annualised returns generated from the property fund in 2016/17 (net of fees) was 4.61% and this compares with that achieved in 2015/16 of 4.83%.
- 5.13 When the rates of return for both short and long term investments are combined, this generates an average level invested of £105.6m, producing a rate of return of 0.87%.
- 5.14 The ability to generate a satisfactory level of return without exposing the Council to high levels of risk during the continuing climate of low interest rates remains challenging and new ways of being able to do this are constantly being sought.

6. RELATED TREASURY ISSUES

- 6.1 Member training – In accordance with the Code, Members are responsible for ensuring effective scrutiny of the treasury management strategy and policies takes place and in order to be able to do so effectively a Member training session was undertaken in January 2017.
- 6.2 Local Authority Mortgage Scheme – the Council participated in the national Local Authority Mortgage Scheme using the cash backed option with Lloyds bank by advancing £2m in 2012/13 at an interest rate of 4.41% which is due to be repaid

back to the Council in 2017/18. Due to the success of this scheme, a further £1m was also advanced in 2013/14 at an interest rate of 2.7%, which is set to mature in 2018/19. These are classified as being service investments, rather than a treasury management investment, and are therefore outside of the specified / non specified investment categories.

7. PRUDENTIAL AND PERFORMANCE INDICATORS

- 7.1 Within the Treasury Management Strategy for 2016/17, approval was given to the treasury management prudential & performance indicators for the period 2016/17 – 2019/20. All indicators and benchmarks set for 2016/17 were complied with and details of these are shown in Appendix E.

Other Options

This report has been produced in order to comply with Finance Procedure Rules and relevant legislation and provides an overview of the treasury management transactions undertaken during 2016/17.

Consultation

Advice has been obtained from Capita, the Council's external advisors.

Reasons for Recommendation

The report has been produced in order to meet the requirements of the Council's Financial Procedure Rules which incorporate the requirements of both the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management.

Finance Officer Clearance ...GB ...

Legal Officer Clearance JLF...

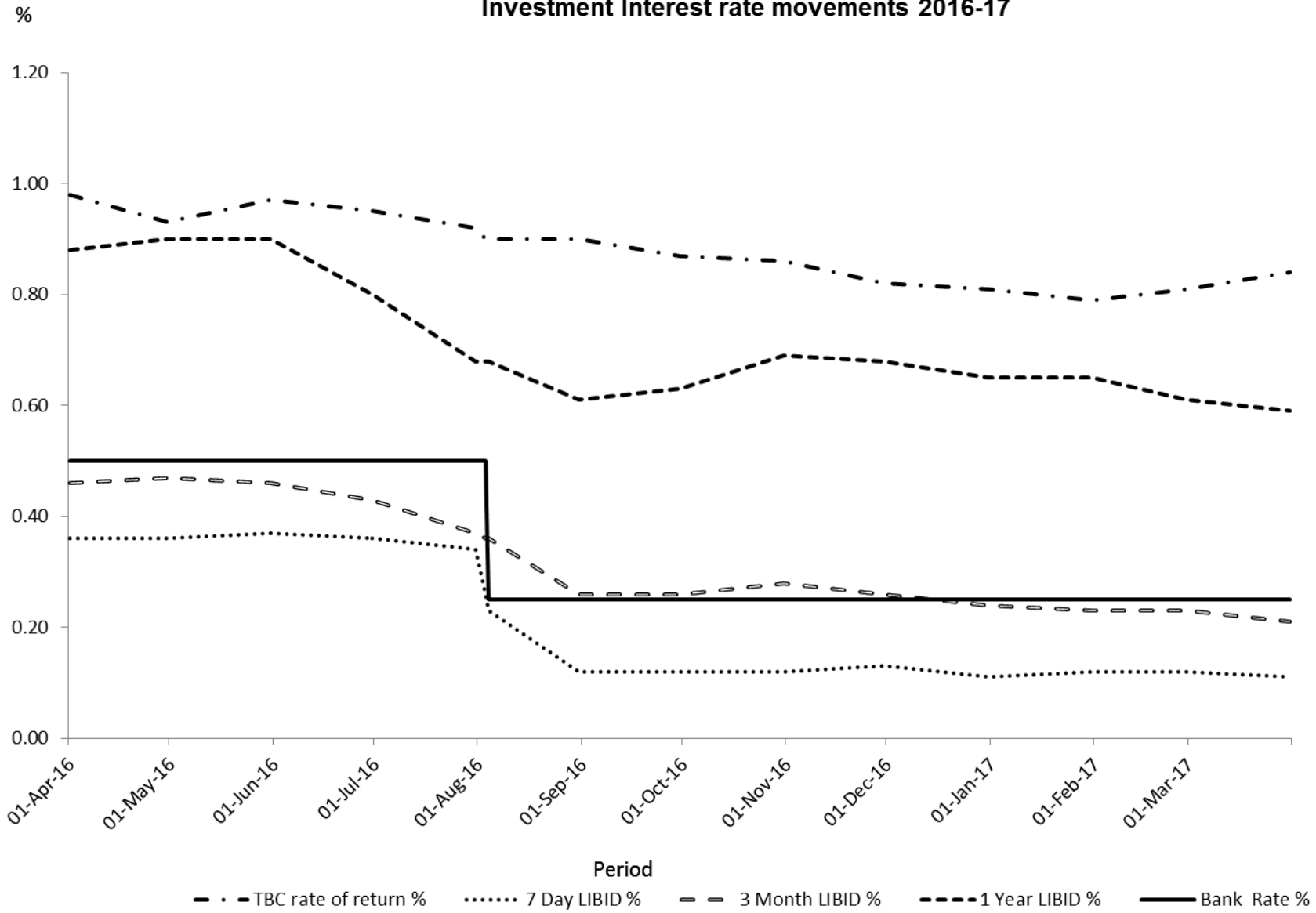


CORPORATE DIRECTOR'S SIGNATURE

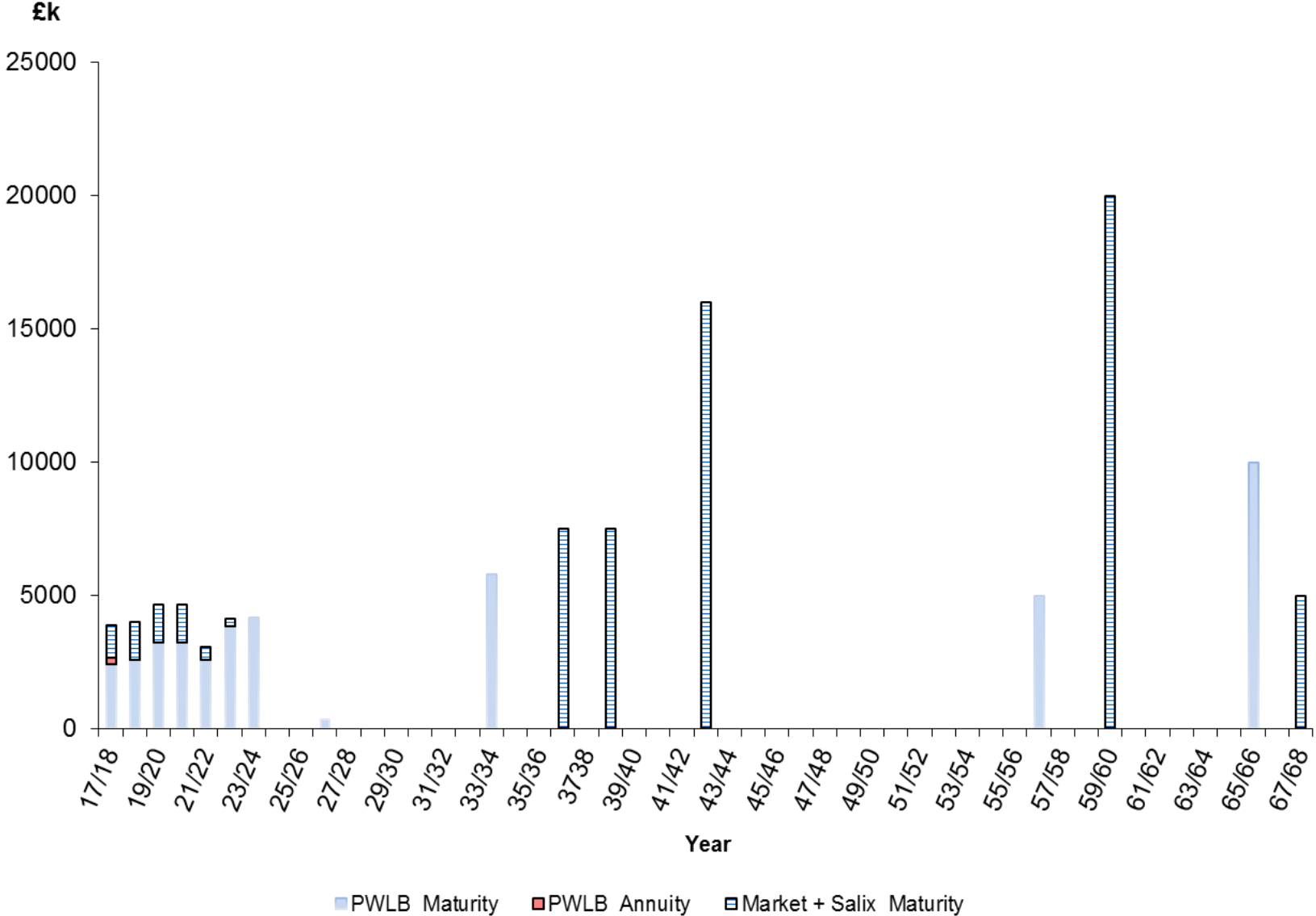
Joanne Hyde, Corporate Director, Transformation and Resources

Investment Interest rate movements 2016-17

Page 36



Profile of debt outstanding as at 31.03.2017



Maturity Profile

Debt portfolio:

	31 March 2017 (£m)	31 March 2016 (£m)
Under 12 months	3.9	3.7
12 months and within 24 months	4.0	2.9
24 months and within 5 years	12.1	9.8
5 years and within 10 years	8.4	10.6
10 years and above	76.8	77.2
Total	105.2	104.2

Investment portfolio:

	31 March 2017 (£m)	31 March 2016 (£m)
Instant Access	19.3	37.7
Up to 3 Months	22.0	5.5
3 to 6 Months	24.1	16.7
6 to 9 Months	7.8	9.5
9 to 12 months	4.5	7.6
Over 1 year	£4.7	4.8
Total	82.4	81.8

Breakdown of Investments as at 31 March 2017

Counterparty	Amount £	Interest rate	Long Term Credit Rating
Barclays Bank	2,000,000	0.78%	A
Church Commissioners Local Authority	4,739,612	4.47%	Not rated
Close Brothers Bank	2,500,000	0.80%	A
Federated Investors – Money Market Fund	960,000	0.27%	AAA
Goldman Sachs Bank	2,500,000	0.75%	A
Invesco Aim – Money Market Fund	15,690,000	0.31%	AAA
Leeds Building Society	2,500,000	0.83%	A-
Leeds City Council	3,000,000	0.30%	AA
Leeds City Council	2,000,000	0.30%	AA
Lloyds Bank	1,500,000	1.00%	A+
Lloyds Bank	2,000,000	0.80%	A+
Lloyds Bank	400,000	1.05%	A+
Nationwide BS	2,200,000	0.61%	A+
Nationwide BS	2,800,000	0.63%	A+
Salford City Council	3,000,000	0.30%	AA
Santander UK Bank	3,000,000	0.48%	A
Santander UK Bank	2,000,000	0.67%	A
Standard Life – Money Market fund	2,650,000	0.29%	AAA
Sumitomo Mitsui Bank	5,000,000	0.46%	A-
Total UK	60,439,612	0.81%	
National Bank of Abu Dhabi	1,500,000	0.41%	AA-
National Bank of Abu Dhabi	2,000,000	0.52%	AA-
National Bank of Abu Dhabi	3,000,000	0.73%	AA-
National Bank of Abu Dhabi	2,500,000	0.56%	AA-
Qatar National Bank	2,000,000	0.78%	AA-
Qatar National Bank	2,000,000	0.81%	AA-
Qatar National Bank	2,000,000	0.78%	AA-
Qatar National Bank	2,000,000	0.77%	AA-
Qatar National Bank	2,000,000	0.69%	AA-
United Overseas Bank	3,000,000	0.60%	A
Total Non UK	22,000,000	0.67%	
Grand Total	82,439,612	0.77%	

Prudential Indicators for 2016/17

Indicator	Original	Actual
<p align="center">Authorised Borrowing Limit</p> <p>Maximum level of external debt, including other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing - this is a statutory limit under Section 3(1) of the Local Government Act 2003.</p>	£151.8m	£110.8m
<p align="center">Operational Boundary</p> <p>Calculated on a similar basis as the authorised limit but represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing – this is not a limit.</p>	£135.8m	£110.8m
<p align="center">Upper limits on fixed interest rates</p> <p>Maximum limit of net fixed interest rate exposure - debt less investment</p>	£3.1m	£3.0m
<p align="center">Upper limits on variable interest rates</p> <p>Maximum limit of net variable interest rate exposure – debt less investment</p>	£3.3m	£2.8m
<p align="center">Gross debt and Capital Financing Requirement</p> <p>This highlights that all gross external borrowing, including PFI & leases will only be for capital purposes and that this does not exceed the capital financing requirement. Figures reflect amount capital financing requirement which exceeds gross external borrowing.</p>	£8.2m	£33.2m
<p align="center">Maturity structure of fixed rate borrowing</p> <p>These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.</p>		
Under 1 year (this includes the next call date for Market loans)	70%	42%
1 year to 2 years	30%	4%
2 years to 5 years	30%	11%
5 years to 10 years	30%	8%
10 years to 20 years	30%	5%
20 years to 30 years	30%	15%
30 years to 40 years	30%	5%
40 years and above	35%	10%
Maximum principal funds invested exceeding 364 days (including Manchester International Airport shares) - (These limits are set to reduce the need for early sale of an investment)	£100m	£48.4m

Performance Indicators for 2016/17

Indicator	Target	Actual
Security – potential default rate of the Council’s investment portfolio based on default rates from the 3 main credit rating agencies – inclusion is recommended by CIPFA.	Max 0.077%	Max 0.012% (31 March 2016)
Liquidity – investments available within 1 week notice	£15m min.	Achieved
Liquidity – Weighted Average Life of investments	6 months	2.7 months at 31 March 2016
Yield – Investment interest return to exceed 7 day London Interbank BID rate	0.20% (Avg. 7 day LIBID)	0.87%
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Min 62% Max 38%

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 28 June 2017
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Annual Report of the Head of Internal Audit 2016/17

Summary

The purpose of the report is:

- To provide an opinion on the standard of internal controls during 2016/17
- To provide a summary of the work of the Audit and Assurance Service during 2016/17.

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:

None



TRAFFORD
COUNCIL

Audit & Assurance Service

Annual Report of the Head of Internal Audit 2016/17

June 2017

CONTENTS

Part One – Overview of Work Completed and Main Conclusions

Summary and Overall Opinion

1. Introduction and Background
2. Internal Audit Opinion for 2016/17
3. Work Planned and Completed

Part Two – Detailed Findings

4. Detailed Analysis of Work Completed
5. Management Response to Internal Audit Work
6. Performance against Audit Plan
7. Conformance with the Public Sector Internal Audit Standards

Appendices

- A : Quarter 4 2016/17 – Internal Audit Reports Issued
- B : 2016/17 Internal Audit Plan (Planned Work and Actual Days Spent)
- C : Audit Opinion Reports 2016/17 – Reports Issued / Planned
- D : Client Survey Responses 2016/17

Part One - Overview of Work Completed and Main Conclusions

SUMMARY AND OVERALL OPINION

The Annual Report of the Head of Internal Audit sets out details of the work of the Audit and Assurance Service during 2016/17. The most important aspect of the Annual Audit Report is to give an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2016/17, which encompasses internal control, risk management and governance.

Internal Audit is a statutory function and the Audit and Assurance Service carried out its work in 2016/17 in general conformance with the Public Sector Internal Audit Standards.

Through its work, the Audit and Assurance Service aims to provide support to the organisation in its aim to maintain effective governance arrangements and a sound control environment. There continues to be ongoing financial pressures for local authorities to achieve savings and transform service delivery arrangements and, as part of this, councils need to ensure effective governance arrangements, systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised.

Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service ensures that its coverage remains broad to maximise impact and also follows up the implementation of recommendations to ensure that improvements are actually occurring.

The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2016/17. It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2017. Any further issues relating to work undertaken after that time are covered in future updates including quarterly reports to the Corporate Leadership Team and the Accounts and Audit Committee.

Based on internal audit review work undertaken and other sources of assurance for 2016/17, the Internal Audit Opinion is that overall, the control environment is operating to a satisfactory standard.

Follow up work in areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified. Where areas for improvement have been identified during 2016/17, actions have been agreed with management which will be followed up in 2017/18.

1. INTRODUCTION AND BACKGROUND

- 1.1 The purpose of the Annual Report of the Head of Internal Audit is to detail the work of the Audit and Assurance Service during 2016/17. The report provides an opinion as to the overall adequacy and effectiveness of the Council's control environment during 2016/17.
- 1.2 Internal Audit is a statutory function and must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013. It is a requirement of PSIAS that an annual internal audit report is written and presented to the organisation.
- 1.3 The Audit and Assurance Service is within Financial Services in the Transformation and Resources Directorate. The Audit and Assurance Manager reports to the Chief Finance Officer (Section 151 Officer).
- 1.4 The establishment of the Audit and Assurance Service comprises 6.83 full time equivalent (FTE) staff. Vacancies arising were filled during the year with two appointments made (with staff commencing in April and October 2016 respectively). One vacant post was deleted from the establishment. In addition to the Audit and Assurance Manager, the Service staffing structure consists of the following:
- 2 Principal Audit and Assurance Team Leaders (2FTE)
 - 1 Principal Audit and Assurance Officer (currently 0.83FTE)
 - 2 Senior Audit and Assurance Officers
 - 1 Audit and Assurance Officer.
- 1.5 In addition to in-house resources, as in previous years, Salford Internal Audit Services provided support in respect of elements of the ICT Internal Audit Plan. The Audit and Assurance Service also works with other Internal Audit providers where appropriate such as Stockport and Rochdale Councils in respect of the STAR Shared Procurement Service.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Charter and Strategy which were updated in March 2017 and approved by the Corporate Leadership Team (CLT) and the Accounts and Audit Committee. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service. The Internal Audit Strategy describes the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Service are met, thereby enabling Internal Audit to provide an opinion on the operation of the control environment. The Strategy covers audit resources, planning, service delivery and reporting.
- 1.7 The Head of Internal Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2016/17.

2. INTERNAL AUDIT OPINION FOR 2016/17

2.1 The Head of Internal Audit is required to give an annual Opinion on the adequacy and effectiveness of the Council's internal control environment which encompasses internal control, risk management and governance. The opinion supports the Annual Governance Statement. The Opinion for 2016/17 is as follows.

Based on internal audit review work undertaken and other sources of assurance for 2016/17, the Internal Audit Opinion is that overall, the control environment is operating to a satisfactory standard.

Follow up work in areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified. Where areas for improvement have been identified during 2016/17, actions have been agreed with management which will be followed up in 2017/18.

2.2 Factors determining the opinion are as follows

- Audit Opinion reports were issued through the year covering a range of services, functions, systems and processes including financial system audits, ICT Audits, schools and establishment reviews, service reviews and procurement/contracts related reviews. (See Section 4 and Appendices A to C). Of the 38 final audit reports issued during the year (which included 12 schools), 95 % of opinions stated that at least an adequate level of control was in place. Excluding schools, 92% of opinions in reports were at least adequate (See 3.4). Where less than adequate opinions have been given, an agreed action plan is in place and recommendations will be further followed up (See 3.6). In forming the opinion, account was also taken of ongoing audit work in progress at the year-end which is referred to through Section 4 of the report.
- For all final reports issued, action plans were agreed to implement recommendations made with the aim of improving arrangements for governance, risk management and internal control. Most recommendations made (99%) have been agreed by management (See 5.3 to 5.5).
- A number of areas identified in the previous year as requiring improved standards of control were followed up by Audit in 2016/17 and significant progress had been made in implementing recommendations. Follow up review work undertaken during the year has identified that, overall, of the areas reviewed 95% of recommendations previously made had been either fully or partially implemented (see 5.6 to 5.10 for an analysis of follow up audit reviews both for Council and schools related reviews). It should be noted there remain some areas to follow up that were raised previously in 2015/16 where Audit has liaised with relevant services during 2016/17 to discuss progress and agreed to follow up further in 2017/18 taking into account developments being made (See 3.7 and 4.3.5).
- Key strategic risks have continued to be monitored through the year. Audit and Assurance has contributed to the review and update of the Strategic Risk Register

which has been reported to the Corporate Leadership Team and the Accounts and Audit Committee (See 4.2).

- The Audit and Assurance Service continued to co-ordinate the production of the Council's Annual Governance Statement and has liaised with managers to gain assurance in respect of progress made in respect of significant governance issues, which will be reflected in the production of the 2016/17 Annual Governance Statement (See 4.1).
- The Audit and Assurance Service has continued to contribute to developments in anti-fraud and corruption arrangements. Working with the Counter Fraud and Enforcement team, fraud reporting arrangements have been updated and publicised. The Service has also investigated suspected cases of fraud and theft and, where applicable, associated review work has included reporting on recommended control improvements. The Service has also, in liaison with other services, co-ordinated work in relation to the National Fraud Initiative (See 4.5).
- The Service contributed, as part of the Information Security Governance Board (ISGB), to the process for preparing for the Information Commissioners' Office (ICO) Audit review which took place in January 2017. The ICO Audit reported that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. Findings from the ICO Audit are being taken into account in considering future internal audit plans in relation to information governance (See 4.10.2).

2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2016/17 is provided in this report.

3. WORK PLANNED AND COMPLETED

3.1 Total time allocated to carry out the Operational Plan was originally set at 1080 days for 2016/17 (1020 allocated days and 60 days contingency). This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix B for a summary of work planned against completed with a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2016/17 Annual Audit Plan was 1017. Details of planned work against actual are discussed further in Section 6. (It should be noted that in addition to the 1017 actual days, additional time was taken for other activities that are not attributable to one particular category of work but support the audit process. Activities undertaken through 2016/17 included continued support to the Accounts and Audit Committee, liaison with the External Auditor (Grant Thornton), networking with other North West Internal Audit groups to share good practice, and liaison with services to gather information in support of the production of the audit plan).

3.2 Details of the internal audit reports issued are shown in Appendix C. Further detail in relation to audit reports issued between April and December 2016 are detailed in the respective quarterly reports presented to CLT and the Accounts and Audit Committee

during 2016/17. Appendix A provides detail in relation to reports issued during the final quarter of 2016/17.

Analysis of Audit Opinions

3.3 For each audit report issued, one of five possible opinions is given. The five opinions are also denoted as Red/Amber/Green. The table below shows the number of final reports issued during 2016/17 for each opinion level.

LEVEL OF ASSURANCE	R/A/G STATUS	DESCRIPTION	NUMBER OF REPORTS ISSUED 2016/17
High Level of Assurance (Very Good)	Green	Controls operating effectively to address all the major business risks identified at the time of the audit.	6
Medium / High (Good)	Green	Most business risks controlled effectively. However, there is need to improve controls in respect of a small number of high risk areas as well as for other risk areas.	16
Medium (Adequate)	Green	Most risk areas controlled effectively but control improvements required for some high risk areas as well as for other areas.	14
Low / Medium (Marginal)	Amber	Some business risks are controlled effectively. However, improvements are necessary to control a significant number of high risk areas.	2
Low (Unsatisfactory)	Red	Very high risk of fraud and error because a significant number of major business risks are not adequately controlled.	-
		TOTAL	38

3.4 As shown above, in respect of the 38 final audit reports issued during the year, an adequate or above (Green) level of assurance was given for 95% of the reviews (This compares to

88% in 2015/16). Excluding schools from the analysis, 24 of the 26 opinion reports issued were "Green" i.e. 92%.

- 3.5 It should be noted that whilst shown as "Green", where opinions of Medium or Medium/High have been given, a number of control improvements to manage risks have been identified and it is important that associated recommendations are addressed.
- 3.6 There were two reviews completed where less than adequate "Low/Medium" opinions were given (See 4.8.3 re reports issued for an audit of financial administration processes in relation to Out of Borough Education Placements and an establishment audit of Coppice Avenue Library). There will be follow up audits of both reviews to assess progress in implementing previous recommendations as part of the 2017/18 Internal Audit Plan.
- 3.7 There are other issues previously highlighted as requiring further improvement where progress has been monitored and further follow up work has been planned in for 2017/18. This includes the following:
- Developments in relation to business continuity and IT disaster recovery continue to be progressed by the Council with further action planned. This has been reflected both in strategic risk register updates and will also be reflected in the Council's 2016/17 Annual Governance Statement. Audit will continue to liaise with ICT and other relevant services in 2017/18 to review progress (See 4.7.2 and 4.8.7).
 - The External Auditors, Grant Thornton, previously completed a review of IT controls within the Council's SAP Financial system in 2015/16. A number of findings highlighted the need for the Council to review IT access controls within the system, particularly in respect of considering the segregation of duties. These findings were followed up by Audit and Assurance in 2016/17 which found that a number of controls have either been introduced or enhanced by the Council to reduce the key business risks relating to the applications under review, with further work in progress.

Other Assurance Provided Across the Council

- 3.8 A significant proportion of time spent does not result in the issue of formal internal audit reports. This is because the Audit and Assurance Service has a role in a number of activities such as:
- Risk management (including facilitating the update of the Council's strategic risk register and contributing to the update of the Council's Risk Management Policy Statement and Strategy).
 - Anti-fraud and corruption (including co-ordinating the Council's work in supporting the National Fraud Initiative and contributing to the update of the Council's Anti-Fraud and Corruption Strategy and Policy).
 - Facilitating the compilation of the Council's Annual Governance Statement.
 - Reviewing a number of grant claims through the year as required.
 - Contributing to project/working groups across the Council.

- Providing guidance (which included updating of the dedicated site on the intranet for the Audit and Assurance Service which provides information and guidance).

<http://intranet.trafford.gov.uk/yourtrafford/Audit/default.asp>

Breadth of Stakeholders

- 3.9 The Audit and Assurance Service liaises and shares internal audit reports with a wide group of stakeholders within the organisation including the Accounts and Audit Committee, Corporate Leadership Team, managers across the Authority and External Audit.

Part Two – Detailed Findings

4. DETAILED ANALYSIS OF WORK COMPLETED

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2016/17, and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis.

4.1 Governance

- 4.1.1 The Audit and Assurance Service has a key role in promoting good governance and providing assurance on the standards of governance and internal control in the Authority.
- 4.1.2 The requirement to produce an Annual Governance Statement is set out in the Accounts and Audit Regulations (2015). The Service co-ordinated the production of the 2015/16 Annual Governance Statement in liaison with officers and members as set out in the approach / timetable agreed by the Accounts and Audit Committee. In order to complete this, the Service considered corporate governance arrangements with reference to the CIPFA/SOLACE Framework for Corporate Governance in Local Government. This included identifying sources of assurance to provide evidence that the Council's governance arrangements comply with the CIPFA/SOLACE framework. The framework consists of a set of principles relating to the Council's purpose/vision, the defining of functions and responsibilities, standards of conduct, management of risk, capacity and capability of members and officers, and engagement with the community and other stakeholders.
- 4.1.3 The 2015/16 Annual Governance Statement was approved in September 2016. In addition, the Service co-ordinated the update of the Council's Corporate Governance Code in accordance with the CIPFA / SOLACE guidance. The Code was approved by the Accounts and Audit Committee in June 2016.
- 4.1.4 The Service agreed an approach, approved by the Accounts and Audit Committee in February 2017, for the production of the 2016/17 AGS. This took into account the updated framework and guidance issued by CIPFA/SOLACE in April 2016. Audit has led on gathering assurance to contribute to the issue of the 2016/17 in accordance with agreed timescales (with the final version to be approved by September 2017).
- 4.1.5 As referred to in the 2017/18 Internal Audit Plan, It is planned that Legal and Democratic Services will provide a lead in gathering assurance to produce the 2017/18 AGS. Audit is working with Legal and Democratic Services to support this change and agree responsibilities going forward.
- 4.1.6 Audit and Assurance has continued to work with Accounts and Audit Committee to support its role in relation to monitoring issues raised in the AGS, including liaising with officers to provide updates to the Committee.

4.1.7 A key focus for Audit in relation to governance-related issues in 2016/17 has been in supporting corporate developments in relation to information governance (See 4.7 and 4.10).

4.2 **Risk Management**

4.2.1 The Audit and Assurance Service continued to facilitate the review and update of the Council's strategic risk register through liaison with CLT. This ensures that the Council formally identifies and monitors the key risks to the achievement of Council objectives.

4.2.2 Reports detailing the risk register and key developments in the management of risks have been submitted to CLT through the year. The Accounts and Audit Committee were provided with updates in November 2016 and March 2017.

4.2.3 Supporting risk management guidance was further updated by the Audit and Assurance Service and is available on the intranet under <http://intranet.trafford.gov.uk/aboutus/guidelines/RiskManagement/default.asp>

4.3 **Fundamental Financial Systems**

4.3.1 This is a key area of internal audit work providing assurance regarding the controls in place for the Authority's key financial systems.

4.3.2 As listed in Appendix C, 13 final audit reports were issued during the year. All opinions issued were stated as Medium (Adequate) or above. In respect of audit opinions, these consisted of:

- 5 reviews with a High level of assurance (Treasury Management, Council Tax, Business Rates, Benefits/Council Tax Reduction and Budgetary Control)
- 3 reviews with a Medium/High level of assurance (Payroll, Income Control and Insurance)
- 5 reviews with a Medium level of assurance (Cash expenditure control, Cash income control, Accounts Payable, Liquid Logic/ContrOCC system (Adult Services) and Direct Payments (Adult Services)).

4.3.3 The Budgetary Control audit referred to above included further follow up of improvements listed in the corporate budget monitoring action plan which was initially produced in 2014/15. The report concluded that all actions had been implemented.

4.3.4 Details of findings for 9 of the above reviews were reported in quarterly updates between April and December 2016 and findings from 4 reports issued between January and March 2017 are shown in Appendix C. As detailed in the 2017/18 Internal Audit Plan, work undertaken in 2017/18 will include consideration of the above reviews including follow up of recommendations made.

4.3.5 There were two planned reviews not completed during the year. Firstly, an audit of the Accounts Receivable/debt recovery system was delayed at the request of the relevant service and will be undertaken in the first half of 2017/18. Secondly, a follow up audit of procedures for administering the Council's let estates, now managed as part of the One Trafford Partnership with Amey, was delayed given ongoing developments in systems and procedures taking place. It was also agreed that an audit of this area will also commence in the first half of 2017/18.

4.4 Schools

- 4.4.1 As part of the Schools Financial Value Standard (SFVS) designed by the Department for Education, schools are required to submit evidence to support adherence to the Standard on an annual basis. It is noted at the time of reporting that in accordance with SFVS, most schools have submitted a self- assessment for the year as required with one outstanding response currently being followed up. Information submitted is utilised by Audit and Assurance to assist in planning and undertaking future school audits.
- 4.4.2 Areas covered in internal audit reviews reflect the requirements of the SFVS and include governance arrangements such as the role of the Governing Body and senior staff; budgetary control; purchasing; payroll processes; income collection, security of cash and other assets; and ICT security.
- 4.4.3 Within the Internal Audit Plan it was planned that at least 15 school audits would be undertaken in 2016/17. During the year, 12 final audit reports and 1 draft report were issued. In addition, 3 further school audit visits had been completed with draft reports in progress and 2 further reviews in progress with visits arranged for quarter one of 2017/18.
- 4.4.4 In respect of the 12 audit reports issued, all provided at least adequate opinions (5 Medium and 7 Medium/High opinions – see Appendix C).
- 4.4.5 During the year there was follow up by Audit in relation to 6 schools to confirm progress in implementing previous recommendations. Good progress in implementing recommendations is highlighted by the analysis regarding follow up audits (See 5.6 to 5.10).
- 4.4.6 Audit and Assurance continued to liaise with the Schools Finance team and the Children, Families and Wellbeing Directorate (CFW) to assist in following up issues raised at particular schools, ongoing audit planning and, where applicable, to provide advice to schools. In agreement with the CFW Directorate, 2 school audits were added to the audit plan towards the end of the year (Barton Clough Primary School and Bollin Primary School) and details will be reported as part of the 2017/18 quarter one Audit and Assurance update.

4.5 **Anti-Fraud and Corruption**

4.5.1 Audit work in this area relates to undertaking investigative work; reviewing measures in place to reduce the risk of fraud and corruption and raising awareness across the Council. This work forms an important part of the Council's approach to ensuring high standards of conduct are in place.

Awareness-raising - Fraud Reporting

4.5.2 Audit and Assurance worked with the Council's Counter Fraud and Enforcement Team to update fraud reporting details on the Council's website. Following the transfer of the Benefit Fraud investigation team to the DWP in March 2016 and the establishment of a new Counter Fraud and Enforcement team in the Council, the Council's website was updated to ensure the revised arrangements are reflected and ensuring there is a clear route for the public to report instances of suspected fraud. In addition to contact details for reporting fraud, the website now includes online fraud reporting forms. Details of the changes were publicised via a press release in December 2016 and details were also shared with staff via the intranet.

4.5.3 In December 2016, the Audit and Assurance Service published a reminder on the intranet of guidance on the Council's policies on registering offers of gifts and hospitality.

National Fraud Initiative

4.5.4 The Audit and Assurance Service continued to co-ordinate the Council's participation in the National Fraud Initiative (NFI), a nationwide data matching exercise designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse. The Service co-ordinated the submission of Council data to the NFI team (Cabinet Office) in October 2016 and the subsequent matches were received in January 2017. The Service has liaised with other services including the Council's Fraud and Enforcement team to ensure key data matches are being followed up. Progress in following up the data matches will be reported in Audit updates in 2017/18.

Investigations

4.5.5 During 2016/17, Audit and Assurance staff have contributed to work in relation to internal investigations.

4.5.6 One investigation carried out highlighted the need to improve controls in relation to cash handling and banking and also the misuse of a purchasing card. An officer resigned while under investigation and recommendations for improvements to controls have been shared with the service. A follow up audit is planned for later in the year.

- 4.5.7 An investigation relating to another service area in respect of a loss of cash commenced in February 2017. Internal Audit carried out fact finding interviews with the members of staff with access to the cash and reported to management and Human Resources with its findings. Good controls were in place which highlighted the loss promptly, and Internal Audit has provided advice to the service manager on how controls might be further improved to reduce risks. As above, there will be further follow up as part of the 2017/18 Internal Audit Plan.
- 4.5.8 Towards the end of the year, in liaison with the Children, Families and Wellbeing Directorate (CFW), Audit contributed to the investigation of complaints in relation to a school which included finance related issues. As part of this, it was further agreed that a further audit visit would be completed and this was arranged for May 2017. Outcomes will be reported in the Quarter One Audit and Assurance update.
- 4.5.9 As done in previous years, it is planned that Audit will co-ordinate the Council's response to the annual fraud and corruption survey by CIPFA. (Details of fraud investigation during 2016/17 by the Counter Fraud and Enforcement team will be within a separate annual report to be shared with the Accounts and Audit Committee later in 2017).

Other work undertaken and planned

- 4.5.10 Further to the work completed in relation to updating fraud reporting guidance, as planned, Audit and Assurance liaised with the Counter Fraud and Enforcement team to review and update the Council's Anti-Fraud and Corruption Policy, Strategy and fraud response guidance. These were approved by the Accounts and Audit Committee in March 2017. Associated guidance on the intranet is to be updated to reflect this.

4.6 Procurement / Contracts

- 4.6.1 Audit and Assurance undertakes reviews of procurement arrangements and processes to ensure the Council strives to achieve value for money and undertakes procurement in accordance with relevant legislation and the Contract Procedure Rules.
- 4.6.2 As part of internal audit planning, the Service has liaised with the STAR Shared Procurement Service and Internal Audit sections of the partner authorities (Stockport and Rochdale Councils). Audit plans were co-ordinated and relevant findings from work shared to ensure an efficient audit process.
- 4.6.3 An audit review was originally undertaken in 2015/16 of the contracts register maintained by the STAR Shared Procurement Service. In April 2016, a follow up audit was completed by Stockport Council Internal Audit on behalf of Stockport, Trafford and Rochdale Councils. Previous findings were that whilst overall adequate

arrangements were in place for maintaining the register, it was acknowledged that work was ongoing to continue to improve processes. The follow up audit reported that of the six recommendations previously made, four had been fully implemented and two are being progressed on an ongoing basis.

- 4.6.4 An audit covering arrangements in place by STAR and the three respective authorities within STAR for meeting requirements in respect of Social Value as part of procurement activity (in accordance with the Public Service (Social Value) Act 2012), was completed by Trafford Council Audit and Assurance on behalf of all three local authorities. The audit identified satisfactory systems and controls in place in connection with the majority of areas reviewed. Ongoing progress is being made to develop arrangements for monitoring performance indicators in respect of Social Value. It was also agreed that a further audit review will be undertaken in 2017/18 to follow up the review findings and also to focus on contract monitoring arrangements in respect of Social Value.
- 4.6.5 Audit planning, in relation to STAR, undertaken towards the end of 2016/17 resulted in a number of further audit reviews agreed to be undertaken by respective authorities (as reported in the 2017/18 Internal Audit Plan reported in March 2017).
- 4.6.6 An audit review was completed of monitoring arrangements in respect of Trafford Council's Parking Enforcement Contract. Systems and controls were found to be adequate across most areas covered. Improvements in controls were recommended in respect of record keeping for monitoring purposes in respect of complaints and cancellation of penalty charge notices and also in evidencing the authorisation of any variations to the parking enforcement contract.
- 4.6.7 An audit review of governance and monitoring arrangements of the One Trafford Partnership between the Council and Amey was agreed with the EGEI Directorate to commence further to work completed by Scrutiny which was reported in March 2017. An audit is to commence in the first half of 2017/18.
- 4.6.8 During the year, Audit continued to liaise with the EGEI Directorate in respect of discussing ongoing monitoring arrangements for verifying income due in respect of the lease agreement for Altrincham Market. It was agreed that in 2017/18, Audit will provide support to EGEI in further monitoring.
- 4.6.9 Consideration of procurement / contracts aspects is included in other categories of audit work including schools (per 4.4) and Other Business Risks (4.8).

4.7 ICT Audit / Information Governance

- 4.7.1 Audit work was undertaken to cover a range of issues in relation to IT procedures, processes and controls. A significant part of this work is completed by Salford Internal Audit Services who provide specialist IT Audit Services for a number of

authorities. Work was also undertaken in respect of wider information governance issues.

- 4.7.2 An audit review of cyber security risks was completed in the previous year. This highlighted a number of areas for development including the need to progress IT disaster recovery processes. A number of actions were also required in relation to IT security in order to ensure compliance with the Cabinet office's Public Services Network (PSN) requirements. Audit has liaised with the ICT Service through the year to discuss progress and it was confirmed that PSN accreditation was received in October 2016. A follow up cyber security audit review to report on each of the areas previously reported, including disaster recovery issues, will be completed later in 2017.
- 4.7.3 A final report was issued in May 2016 regarding a follow up audit relating to IT Governance and Security in Schools which included visits to a number of schools. The final report confirmed good progress had been made in improving procedures such as in relation to the secure transmission of data. The Council had provided further IT security guidance to schools during the year.
- 4.7.4 The External Auditors, Grant Thornton, completed a review of IT controls within the Council's SAP Financial system in 2015/16. A number of findings highlighted the need for the Council to review IT access controls within the system, particularly in respect of considering the segregation of duties. These findings were followed up by Salford Internal Audit Services. The follow up audit report issued in October 2016 found that a number of controls have either been introduced or enhanced by the Council to reduce the key business risks relating to the applications under review, with further work in progress. There will be further follow up of this area in 2017/18.
- 4.7.5 An IT application audit review was also completed as part of the financial system audit of the Liquid Logic/ContrOCC system (per 4.3.2) and recommendations in relation to IT access controls are included within that report.
- 4.7.6 An audit review of the Council's ICT Change Management arrangements was completed in the final quarter of 2016/17. It is acknowledged that the Council has been developing its processes in the last year and a number of agreed actions were confirmed following recommendations made.
- 4.7.7 Audit has continued to contribute to ongoing developments in relation to the Council's approach to Information Governance. This has included input to the Information Security Governance Board (ISGB). It is noted that the Council is continuing to review its Information Governance arrangements as part of the ISGB Work Plan including taking into account findings from the audit by the Information Commissioner's Office (ICO). (See 4.10.2 regarding work in relation to the ISGB and the ICO audit).
- 4.7.8 Audit completed an independent check of the Council's Information Governance Toolkit submission to the Department of Health in March 2017. The Toolkit is an online system

which enables organisations to assess themselves or be assessed against Information Governance policies and standards. Any feedback on the submission is expected later in 2017.

4.8 **Other Business Risks**

4.8.1 This comprises work that does not fall into one of the categories referred to above but represents areas of business risk. This includes authority-wide review work and reviews of specific services and establishments within individual Directorates. Risks reviewed encompassed a number of areas of control such as procedures and responsibilities, adherence to legislation and internal procedures, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing, income collection and recording and other areas of risk specific to the service under review.

4.8.2 There were 8 final audit reports issued in this category. Listed below are the audits completed with the respective Directorate and Executive portfolio shown in brackets and also opinion level given. Details of overall findings were included in the respective quarterly update reports for CLT and the Accounts and Audit Committee, and for reports issued in the final quarter, a summary of findings is shown in Appendix A.

Final Reports issued:

Reported in Quarter 2 Audit and Assurance update:

- Coppice Avenue Library (T&R) / (Transformation and Resources): Low/Medium

Reported in Quarter 3 Audit and Assurance update:

- Stretford Library (T&R) / (Transformation and Resources): Medium/High
- Stretford Children's Centre (CFW) / (Children's Services) : Medium
- Home to School Transport (CFW) / (Children's Services) : Medium/High
- Client finances follow up audit (T&R; CFW) / (Transformation and Resources; Adult Social Services and Community Wellbeing): Medium

Issued in Quarter 4 (See appendix A for overall findings):

- Out of Borough Education Placements (CFW) / (Children's Services): Low/Medium
- Section 106 Planning Agreements and the Community Infrastructure Levy (EGEI) / (Economic Growth, Environment and Infrastructure) : Medium/High
- Sale Waterside Arts Centre – Bar stock follow up review (T&R) / (Transformation and Resources): Medium/High.

4.8.3 In respect of the two reviews reported above where a less than adequate opinion was given (Low/Medium), these reviews have been included for follow up in the 2017/18 Internal Audit Plan.

- In respect of an audit of financial administration processes in relation to Out of Borough Education Placements, this highlighted the need to improve procedures for maintaining

records to support financial monitoring and assist in processes for the forecasting of future spending.

- In respect of the review of Coppice Avenue Library, Audit shared guidance and made recommendations to the Library Service with the aim of further developing details within the partnership agreement with BlueSci, a Trafford Wellbeing Community Interest Company, who jointly operate the library with the Council. This was to ensure roles and responsibilities in respect of various aspects of governance and performance management are more clearly defined within the partnership arrangement.

4.8.4 In addition to the final reports issued, a draft report was shared for discussion with management in respect of a review undertaken of the administration of the Housing Waiting List administered by Housing Options Service Trafford (EGEI)/(Environment, Growth and Infrastructure). It is expected that a final report will be issued in quarter one 2017/18.

4.8.5 A planned follow up audit review of Taxi Licensing (EGEI)/(Environment, Growth and Infrastructure) was in progress at the year-end and a draft report was issued in quarter one 2017/18.

4.8.6 Initial planning commenced for the following reviews and it was agreed that audit fieldwork will commence in quarter one 2017/18.

- Follow audit review of Schools Catering (T&R) / (Transformation and Resources)
- Review of Aids and Adaptations (CFW) / (Adult Social Services and Community Wellbeing).
- Corporate Health and Safety (T&R) / (Transformation and Resources)

4.8.7 Further to a previous audit review, time was also set aside to follow up progress in relation to corporate developments in business continuity to ensure adequate arrangements are in place (also see 4.7.2 re disaster recovery). An update on progress is to be reported as part of the Council's 2016/17 Annual Governance Statement as well as through future strategic risk register updates. Audit will monitor progress further in 2017/18.

4.8.8 As stated in the 2017/18 Annual Internal Audit Plan report issued in March 2017, in agreement with the EGEI Directorate, an audit review of Planning Enforcement has been rescheduled from 2016/17 to be included in the 2017/18 Plan.

4.9 Grant Claims

4.9.1 Audit has been required to carry out checks to support information contained in a number of grant claims made during the year in line with national requirements in relation to funding received. In each case, based on the checks undertaken, adequate assurance was obtained to support the claims made.

4.9.2 During 2016/17, work included internal audit checks of the following: Integrated Transport and Highways Maintenance Grant 2015/16; Local Growth Fund 2015/16; Cycling Ambition Grant (2 grant claims during 2016/17); Public Health Grant 2015/16;

4.9.3 In addition, Audit has completed sample checks through the year to support claims made relating to the Council's Stronger Families Programme. Audit checks were also completed in support of a 2015/16 pension data return submitted by the Council to the Greater Manchester Pension Fund.

4.10 Service advice/ Projects/ Boards

4.10.1 Advice was provided through the year across the Council on governance and control issues. As referred in other sections of this report, Audit has contributed to updating guidance in respect of Anti-Fraud and Corruption and risk management. Audit has also responded to requests through the year to provide guidance on various aspects of internal control. During the year, this has included guidance to services across the Council as well as Trafford Youth Trust and Trafford Leisure. Guidance has included issues relating to financial procedural documentation, cash handling procedures etc. The Audit and Assurance intranet site includes information on the role of Audit and associated guidance for services in respect of risk management, governance and anti-fraud and corruption which has been updated during the year.

4.10.2 Internal Audit has contributed through the year to the work of the Information Security and Governance Board. This has included input to its Action Plan which has included providing advice in the development of the corporate information governance risk register and updating guidance on the intranet in relation to information governance risks. The Service has contributed to the process for preparing for the Information Commissioners' Office (ICO) Audit review which took place in January 2017. The ICO Audit reported that there is a reasonable level of assurance that processes and procedures are in place and delivering data protection compliance. Findings from the ICO Audit are being taken into account in considering future internal audit plans in relation to information governance.

4.10.3 In the latter part of the year, Audit has been part of the project team contributing to developing the Council's digital strategy and digital transformation brief as part of the Trafford 2031 Vision which will progress through 2017/18.

5. MANAGEMENT RESPONSE TO INTERNAL AUDIT WORK

5.1 This section sets out the response to, and impact of, internal audit work during the year. Key indicators of Audit and Assurance's impact are :

- Acceptance of recommendations
- Implementation of them.

5.2 Recommendations issued by the Audit and Assurance Service had one of three priority levels as follows:

Priority 1 These are recommendations considered by Internal Audit to be essential to address a high risk in order to maintain a minimum acceptable level of assurance. Priority should be given to addressing these recommendations as soon as possible.

Priority 2 These are recommendations considered necessary to address a moderate risk in order to improve internal control. Action to implement these should be agreed with planned dates shown in the action plan but it is taken into account that Priority 1 recommendations would take priority.

Priority 3 These are recommendations to either address a low risk or provide guidance or advice to further enhance existing practice.

Acceptance of Recommendations

5.3 Most audit recommendations made during the year were accepted by management. Of the 133 Priority 1 recommendations made, all were accepted i.e. 100%. (Of these 65 recommendations related to school audits with 68 relating to all other reviews).

5.4 The acceptance rate for priority 2 and 3 recommendations was 98%, i.e. 183 of the 186 recommendations made. (Of these 107 recommendations related to school audits with only 1 recommendation not agreed with 79 recommendations relating to other audits with only 2 recommendations not agreed).

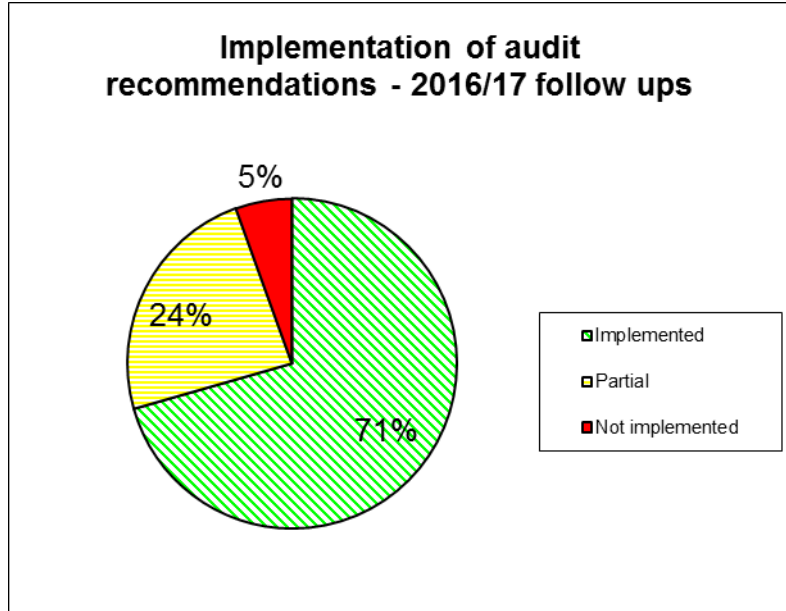
5.5 Overall, 99% of all recommendations were accepted (compared to 93% in 2015/16). The service target is currently set at 95%.

Implementation of audit recommendations

5.6 A number of internal audit reviews are followed up approximately 12 months after the issue of the final report to ascertain what progress has been made in implementing recommendations. This may be either through a further audit review or through manager self- assessment.

5.7 Details of individual follow up reviews for the first three quarters of the year are set out in the quarterly Audit and Assurance update reports. Details for the final quarter of 2016/17 are included in Appendix A together with details of the acceptance rate for recommendations in that quarter.

5.8 For all follow up work undertaken, an analysis of the percentage of recommendations implemented at the time of the respective follow up reviews is shown in the following chart.



5.9 From the reviews undertaken, of a total of 163 recommendations followed-up during 2016/17, it was reported that 115 (71%) had been implemented at the time of the follow up audit reviews (this compares to 64% reported in the previous year). A further 39 (24%) have been partially implemented or are in progress (22% reported in the previous year). 9 recommendations (5%) have not been implemented (compared to 14% in the previous year).

5.10 It should be noted that of the above 163 recommendations analysed above, these relate to the following in terms of recommendations excluding schools and recommendations specific to school audits.

Recommendations Followed Up Excluding Schools		Recommendations followed up- School Audits	
Total Number	80	Total Number	83
Recommendations Implemented or no longer applicable	73%	Recommendations Implemented or no longer applicable	69%
Recommendations Implemented in part/in progress	25%	Recommendations Implemented in part/in progress	23%
Recommendations not implemented	2%	Recommendations not implemented	8%

In Appendices A and C, * denotes against the Audit opinion that the review is specifically a follow up audit. Where appropriate, revised opinions were given after each follow-up review had been completed.

Client feedback

- 5.11 A client questionnaire is sent out with each audit report canvassing managers' views on the audit review. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management.
- 5.12 The overall rating was good or very good for 87% of the responses (97% in 2015/16) against a service target of 85%. In terms of impact, 70% of respondents stated that following the audit review, it was expected that there would be a moderate improvement (62%) or significant improvement (8%) in the standard of control. An analysis of the responses is shown in Appendix D.
- 5.13 The analyses of recommendations, follow-ups and client responses demonstrates an overall positive response to internal audit work which contributes to continued improvements in governance and control arrangements across the Council.

6. PERFORMANCE AGAINST AUDIT PLAN

- 6.1 Actual time spent delivering the Plan was 1017 days (99% of the chargeable planned target of 1020 allocated days). In addition to the planned allocated days, there was a further 60 planned days for contingency which by year-end was utilised to account for a vacant post which has now been deleted. An analysis of planned time against actual days spent in 2016/17 is shown in Appendix B.
- 6.2 Within each category, there are some variations between planned and actual days. It is noted that more time had been spent on schools than planned which partly relates to increased time being spent in the final quarter of the year following the addition of further schools to the audit plan.
- 6.3 In the 2016/17 Internal Audit Plan, a target was set of 35 audit opinion reports to be issued. There were 38 final audit opinion reports and 1 draft report issued during the year. In addition, there were 2 initial draft reports shared for discussion with respective services.
- 6.4 Appendix C shows an analysis of audit opinion reports issued during the year. It also highlights any work in progress or rescheduled to 2017/18. The 2017/18 Internal Audit Plan reported to CLT and the Accounts and Audit Committee in March 2017 took account of reviews to be carried forward from 2016/17.

7. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 7.1 It is a requirement that the Annual Head of Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS). The Service undertakes its work, generally in conformance with the Standards.
- 7.2. The Standards incorporate a number of aspects including:

- Ethics (incorporating integrity, independence, objectivity, confidentiality and competency).
- Purpose, authority and responsibility of Internal Audit.
- Standards (including planning, undertaking and managing audit assignments, monitoring, communication, due professional care, quality assurance and improvement).

- 7.3. Key actions planned which were highlighted in the 2015/16 Annual Head of Internal Audit Report were actioned in 2016/17 to support conformance included the following:
- Further review and update of the Internal Audit Charter and Strategy, which includes the Service's Quality Assurance and Improvement Programme. These documents were approved by the Accounts and Audit Committee in March 2017.
 - As previously planned, a number of other documented procedures within the Audit Manual were reviewed and updated including the planning and management of audit assignments and audit reporting.
 - Progress was made in ensuring an external assessment takes place prior to March 2018. In agreement with the 2016/17 Chair of the Accounts and Audit Committee and the Chief Finance Officer, the Audit and Assurance Manager has arranged for a planned external assessment to be completed by CIPFA (provisionally arranged for November 2017).
 - As referred to in 4.5.10, the Anti-Fraud and Corruption Policy, Strategy and guidance were reviewed and updated in liaison with other services.
 - Recruitment during the year and training undertaken resulted by the year-end in the Service having two staff with counter fraud qualifications, the CIPFA Accredited Counter Fraud Specialist and CIPFA Accredited Counter Fraud Technician.
- 7.4 In accordance with its Quality Assurance and Improvement Programme, the Service continued to report on its work through the year to both CLT and the Accounts and Audit Committee which included both updates on progress against the 2016/17 Plan; the impact of audit work; client feedback and approval of the Internal Audit Plan for 2017/18.
- 7.5 All staff are required to complete a declaration to sign up each year to the Service Code of Conduct, Ethics and Values which includes the requirement to conform with requirements of PSIAS.
- 7.6 At the year-end, the Service completed a self- assessment exercise to review processes in place against details set out in PSIAS for 2016/17. Based on the self-assessment undertaken by Audit and Assurance, a number of actions are planned with the relevant PSIAS reference shown in brackets. These include:
- Ensuring an external assessment has been completed by the end of 2017/18 in accordance with requirements in the PSIAS. (PSIAS 1312 - External Assessments).
 - Further review and update the Internal Audit Charter in 2017/18 to take account of updates to the PSIAS, effective from April 2017. (PSIAS 1000 - Purpose, Authority and Responsibility)

- Further review the content of the Audit Manual to take account of updates to the PSIAS effective from 1 April 2017. (PSIAS 2040 - Policies and Procedures).
- Through the year, continue to work with Legal and Democratic Services to implement changes in responsibilities for compilation of the AGS. Given Legal and Democratic Services is to lead on its production for 2017/18, consider Audit input going forward as part of future audit planning. (PSIAS 2010 - Planning).
- Further to the ICO Audit completed in March 2017, Audit will continue to liaise with the Information Governance team to consider, as part of audit planning, the further development of the approach to data protection related audits. (PSIAS 2010 - Planning).

- 7.7 It is also noted that there continue to be a small number of standards where Local Authorities have commonly found it impractical to achieve full compliance given existing structures and reporting arrangements. This includes arrangements for performance appraisal in terms of particular Officer / Member roles in this process given the Council works to an established process.
- 7.8 Audit and Assurance continue to liaise with other north-west local authorities to share good practice which includes considering issues in relation to PSIAS.
- 7.9 In respect of the external review to be completed later in 2017/18, the Service will also consider any further actions for development identified through that process.

APPENDIX A

INTERNAL AUDIT REPORTS ISSUED IN QUARTER 4 2016/17

Points of Information

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good	Green (G)
Medium / High – Good	Green (G)
Medium – Adequate	Green (G)
Low / Medium - Marginal	Amber (A)
Low – Unsatisfactory	Red (R)

*Indicates 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.

Report Status:

Draft reports:

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

Final reports:

incorporate management comments and responses to audit recommendations, including planned improvement actions. **An opinion** is stated in each audit report / assessment to assess the standard of the control environment.

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 within the council such as an individual establishment.

Trafford Council
Audit and Assurance Service
Annual Report of the Head of Internal Audit 2016/17

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1- 4)	-OPINION -R/A/G -Date Issued	COMMENTS
<u>FINAL REPORTS</u>		
<u>Level 4 Reports:</u>		
Social Value Of Procurement (T&R) / (Transformation and Resources)	Medium /High (GREEN) (6/2/17)	The audit was completed by Audit and Assurance on behalf of all three Local Authorities within the STAR Shared Procurement Service. The audit identified satisfactory systems and controls in place in connection with the majority of areas reviewed. Ongoing progress is being made to develop arrangements for monitoring performance indicators in respect of Social Value.
IT Change Management (T&R) / (Transformation and Resources)	Medium (GREEN) (27/2/17)	Overall, adequate controls are in place to address most business risks reviewed. It was acknowledged that the Council has been developing processes in relation to its change management approach since 2015/16. The report identifies a number of areas where development is ongoing and agreed actions are confirmed in the report.
Accounts Payable (T&R) / (Finance)	Medium (GREEN) (24/1/17)	The audit report highlights a number of improvements made since the previous review. Further developments required were highlighted including ensuring adequate corporate training is in place to support procurement processes; and ensure adequate controls are in place to ensure that the Accounts Payable team have up to date details of the Scheme of Delegation for expenditure approval across all service areas.
Budgetary Control (T&R/Authority-Wide) / Finance	High (GREEN) (15/3/17)	Overall, the arrangements for budgetary control were found to be operating effectively with only a small number of recommendations made. All areas for improvement identified in the corporate budget monitoring action plan have been actioned.
Section 106 Planning Agreements and the Community Infrastructure Levy (EGEI) / (Economic Growth, Environment and Infrastructure)	Medium /High (GREEN) (1/3/17)	Overall, a good standard of control was found to be in place for the areas reviewed. A procedural manual is in place, responsibilities are clearly assigned with regular reporting in place. A small number of recommendations were made in respect of recording keeping both in relation to Section 106 Planning Agreements and the administration of the Community Infrastructure Levy scheme.
Liquid Logic/ContrOCC system and IT Security review (CFW and T&R) / (Adult Social Services & Community Wellbeing and Finance)	Medium (GREEN) (24/1/17)	A review of the Adult Social Care payment and charging system was undertaken. The review highlighted good progress had been made implementing relevant recommendations made as part of a review of the previous system in place (Softbox). Some further recommendations were made in relation to various aspects of the system and supporting processes including payments to providers, client contributions and deferred payments. A number of recommendations have also been made in relation to management of the IT Access Controls for the system.
<u>Level 3 Reports:</u>		
Direct Payments – Adult Services (CFW)	Medium (GREEN)	A review was undertaken of procedures within Adult Services for making Direct Payments i.e. monetary payments made to individuals

Trafford Council
Audit and Assurance Service
Annual Report of the Head of Internal Audit 2016/17

/ (Adult Social Services and Community Wellbeing)	(24/1/17)	who request to receive one to meet all or some of their eligible care and support needs. Overall, effective procedures were in place for assessing needs and the setting up and payment of Direct Payments. Recommendations made included establishing a policy in relation to Direct Payments, updating procedural guidance and ensuring adequate service procedures are in place to carry out checks of payments made and client contributions.
Out of Borough Education Placements (CFW) / (Children's Services)	Low /Medium (AMBER) (22/2/17)	This review covered financial administration aspects (and not safeguarding issues). Systems and controls were found to be in need of improvement in a number of areas covered. To support financial monitoring and assist in processes for the forecasting of future spending, improvements are required for maintaining records of details regarding individuals who receive Out of Borough Placement support and those from other Authorities supported by Trafford, ensuring individual agreements and contracts are readily accessible. A further internal audit review is included in the 2017/18 Internal Audit Plan to follow up progress in implementing improvements.
Level 1 Reports:		
Sale Waterside Arts Centre - Bar Stock Follow Up (T&R) / (Transformation and Resources)	Medium /High * (14/2/17)	A follow-up review was undertaken to review progress in implementing recommendations made in the previous 2015/16 review of controls in relation to Sale Waterside Arts Centre bar stock. Findings indicated that significant improvements had been made with a new system and associated procedures in place. All three previous audit recommendations had been implemented.
Tyntensfield Primary School (CFW) / (Children's Services)	Medium /High (GREEN) (6/2/17)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Some recommendations were made including in relation to market testing for purchases and procedures for maintaining the inventory of assets.
Victoria Park Infant School (CFW) / (Children's Services)	Medium (GREEN) (14/2/17)	Systems and controls were found to be adequate across most areas covered. An area for improvement included the need for the school to produce a business continuity plan. A number of recommendations were made in relation to asset security including inventory maintenance.
Woodheys Primary School (CFW) / (Children's Services)	Medium (GREEN) (20/2/17)	Systems and controls were found to be adequate across most areas covered. Recommendations made included improved procedures for cash security, petty cash administration and the monitoring of income and expenditure for lettings.
Brooklands Primary School (CFW) / Children's Services)	Medium /High (GREEN) (21/3/17)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Some recommendations were made including in relation to procedures for maintaining the inventory of assets and also administering lettings.
Stamford Park Junior School (CFW) / (Children's Services)	Medium (GREEN) (22/3/17)	Systems and controls were found to be adequate across most areas covered. A key area for improvement is the need to formally approve a scheme of delegation summarising key financial limits. This should include authorisation of expenditure and processes for obtaining quotes and tenders.
Reports at draft stage	Comments	
Barton Clough Primary School	As at 31/3/17, the draft report had been issued. The final report is due to be issued in Quarter 1 of 2017/18 and details will be reported in the	

Trafford Council
 Audit and Assurance Service
 Annual Report of the Head of Internal Audit 2016/17

(CFW) / Children's Services)	Quarter 1 Audit and Assurance update.
Housing Waiting List (EGEI) / (Economic Growth, Environment and Infrastructure)	As at 31/3/17, an initial draft report was shared with the Service. The final report is due to be issued in Quarter 1 of 2017/18 and details will be reported in the Quarter 1 Audit and Assurance update.
Well Green Primary School (CFW) / (Children's Services)	As at 31/3/17, an initial draft report was shared with the School. The final report is due to be issued in Quarter 1 of 2017/18 and details will be reported in the Quarter 1 Audit and Assurance update.
	<i>*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review.</i>

Quarter 4 2016/17 - Acceptance of Recommendations

From the final audit opinion reports issued during the quarter (as listed above) 167 of the 170 recommendations made were accepted (98%).

Quarter 4 2016/17 – Implementation of Recommendations

In addition to the follow up audit listed above re Sale Waterside Arts Centre, in respect of three other audits previously completed, managers were requested to provide an update on progress in implementing recommendations made. Details are as follows:

- Broomwood Primary School (CFW) (Children's Services) - All 3 recommendations previously agreed had been implemented.
- Moss Park Junior School (CFW) / (Children's Services) – All 7 recommendations previously agreed had been implemented.
- Barge Project (CFW) (Children's Services) – Of the 11 recommendations previously made, 10 had been implemented or no longer applicable and 1 was in progress.

APPENDIX B

2016/17 Operational Plan: Planned Work and Actual Days Spent

<u>Category</u>	<u>Details</u>	<u>Planned Allocated Days 2016/17</u>	<u>Actual Days 2016/17</u>
Fundamental Systems	<p>Completion of fundamental financial systems reviews: See Section 4.3 for work completed and Appendix C for opinion reports issued or planned to be issued.</p>	230	194
Governance	<p>Corporate Governance Review / Collation of supporting evidence and production of the 2015/16 Annual Governance Statement (AGS) Corporate Governance Code updated in June 2016 and 2015/16 AGS completed in September 2016.</p> <p>Development of approach for 2016/17 AGS and ongoing advice / assurance gathering in respect of governance issues both across Council and partnership arrangements which will assist in informing 2016/17 AGS. 2016/17 AGS approach/timetetable was produced and agreed by the Accounts and Audit Committee in February 2017 as planned. Work commenced in reviewing the Corporate Governance Code and facilitating the compilation of the 2016/17 AGS.</p>	50	38
Corporate Risk Management	<p>Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy:</p> <ul style="list-style-type: none"> - Strategic Risk update reports issued in July and November 2016 and March 2017. - Risk management guidance on intranet updated in September 2016. - Updated Risk Management Policy and Strategy reviewed and approved in March 2017. 	30	26
Anti-Fraud and Corruption	<p>Investigation of referred cases: (As referred to in Section 4.5 of this report). Work in co-ordinating the reporting of the Council's NFI data matching exercise: Liaison with relevant services to ensure the</p>	140	139

Trafford Council
 Audit and Assurance Service
 Annual Report of the Head of Internal Audit 2016/17

	<p>required data for NFI was submitted in October 2016 as planned and data matches started to be reviewed from January 2017.</p> <p>Work to review the existing Anti- Fraud and Corruption Strategy and Policy, including where applicable, raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption:</p> <p>Work completed in liaison with Counter Fraud team in respect of awareness raising re fraud reporting. Updated Anti-Fraud and Corruption Policy, Strategy and supporting guidance approved by the Accounts and Audit Committee in March 2017.</p>		
Procurement / Contracts/ Value for money	<p>Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money. (This will include liaison with the STAR Procurement Service and partner authority auditors).</p> <p>See Section 4.6 for work completed and Appendix C for opinion reports issued and planned.</p>	70	53
ICT / Information Governance	<p>Audit reviews to be completed in line with the ICT audit plan:</p> <p>See Section 4.7 for work completed and Appendix C for audit opinion reports issued and planned.</p>	60	54
Schools	<p>Support the Council in working with schools to adhere to the Schools Financial Value Standard (SFVS). Undertake School Audit reviews (at least 15 audit reviews to be undertaken)</p> <p>See Section 4.4 for work completed and Appendix C for audit opinion reports issued and planned. (12 final reports and 1 draft report issued, 3 further audit visits completed and 2 at planning stage).</p>	170	228
Assurance – Other Key Business Risks	<p>Selected on the basis of risk from a number of sources including senior managers’ recommendations, risk registers and internal audit risk assessments. Reviews will include authority wide issues and areas relating to individual services, establishments and functions.</p> <p>See Section 4.8 for work completed and Appendix C for audit opinion reports issued and planned.</p>	180	185
Grant claims checks / Data Quality	<p>Internal audit checks of grant claims / data returns as required.</p> <p>Checks completed in 2017/18 have covered:</p>	30	43

Trafford Council
 Audit and Assurance Service
 Annual Report of the Head of Internal Audit 2016/17

	<ul style="list-style-type: none"> -Local Growth Fund -Public Health -Cycling Ambition Grant Phase 1 and 2 -Integrated Transport and Highways Maintenance. -Stronger Families Programme -Payroll / Greater Manchester Pension Fund 		
Service Advice / Projects	<p>General advice in respect of control, risk and governance across council services, projects etc.</p> <p>Ongoing advice across Council services. Provision of guidance including update of Audit intranet site. Membership of Information Security Governance Board (ISGB) and support in progressing the ISGB Action Plan. Work with Transformation Team to support development of Digital Strategy</p>	60	57
TOTAL		1020	1017

Audit Opinion Reports Issued 2016/17

Page 76

<u>Audit Opinion Reports: Title / (Corporate Directorate)/ (Executive Portfolio)</u>	<u>Status</u>	<u>Opinion Level</u>	<u>Future plans (where final report not yet issued)</u>
Fundamental Systems			
-Payroll (T&R) / (Transformation and Resources)	Final report 29/6/16	Medium/High	-
-Income Control (T&R) (Finance)	Final report 7/11/16	Medium/High	-
-NDR (T&R) / (Finance)	Final report 28/4/16	High	-
-Council Tax (T&R) / (Finance)	Final report 7/4/16	High	-
-Benefits/Council Tax reduction (T&R) / (Finance)	Final report 28/11/16	High	-
-Treasury Management (T&R) / (Finance)	Final report 10/11/16	High	-
-Cash Expenditure Control (T&R) / (Finance)	Final report 12/5/16	Medium	-
-Cash Income Control (T&R) / (Finance)	Final report 30/6/16	Medium	-
-Insurance (T&R) / (Finance)	Final report 7/7/16	Medium/High	-
-Accounts Payable (T&R) / (Finance)	Final report 24/1/17	Medium	-
-Liquid Logic/ContrOCC system (CFW; T&R) / (Adult Social Services & Community Wellbeing; Finance)	Final report 24/1/17	Medium	-
-Direct Payments (CFW) / (Adult Social Services & Community Wellbeing)	Final report 24/1/17	Medium	-
-Budgetary Control (T&R/Authority-Wide)	Final report 15/3/17	High	-
-Accounts Receivable & Debt Recovery (T&R) / (Finance)	Not started	-	Delayed at request of relevant service Rescheduled to start by Q2 of 2017/18.
-Let Estates (EGEI) / (Economic Growth, Environment and Infrastructure)	Not started	-	Delayed at request of relevant service. To start by Q2 of 2017/18.

Trafford Council
 Audit and Assurance Service
 Annual Report of the Head of Internal Audit 2016/17

Page 77

<p>Procurement /Contracts /Value for money</p> <ul style="list-style-type: none"> - Parking Enforcement Contract (EGEI) / (Economic Growth, Environment and Infrastructure) - Review of Social Value in Procurement (STAR authorities) (T&R) / (Transformation and Resources) - One Trafford Partnership - Governance/monitoring (EGEI) <p>(Note work also undertaken with regular liaison with Audit Sections of STAR partners including input to STAR audit reviews undertaken - 1 follow up final audit report issued by Stockport Council in April 2016 on behalf of Stockport, Rochdale and Trafford Councils – STAR Contracts Register review).</p>	<p>Final report 7/10/16</p> <p>Final report 6/2/17</p> <p>Planning stage</p>	<p>Medium</p> <p>Medium/High.</p>	<p>-</p> <p>-</p> <p>Agreed with EGEI for review to commence in Q1 of 2017/18 further to completion of 2016/17 scrutiny review.</p>
<p>ICT Audit</p> <ul style="list-style-type: none"> -IT Governance and Security in Schools follow up audit review (CFW; T&R) / (Children’s Services; Transformation and Resources) - IT Applications (Financial systems): Access Controls Follow Up Review (T&R) / (Transformation and Resources) - Liquid Logic/ContrOCC system IT review (CFW; T&R) / (Adult Social Services & Community Wellbeing; Finance) - IT Change Management (T&R) / (Transformation and Resources) - Cyber Security follow up review (T&R) / (Transformation and Resources) <p>(Note: -IT Disaster Recovery – There is ongoing liaison with IT in respect of developments in this area with updates to be reflected where applicable in the Strategic Risk Register and Annual Governance Statement updates in</p>	<p>Final report 11/5/16</p> <p>Final report 21/10/16</p> <p>(Findings issued as part of respective financial system review – see above). Final report 27/2/16</p> <p>Not started</p>	<p>High*</p> <p>Medium/High *</p> <p>-</p> <p>Medium</p> <p>-</p>	<p>-</p> <p>-</p> <p>-</p> <p>-</p> <p>To commence Q1/2 of 2017/18.</p>

Trafford Council
Audit and Assurance Service
Annual Report of the Head of Internal Audit 2016/17

Page 78

respect of business continuity).			
-Information Governance (see Appendix B - Service Advice).			
Schools (CFW) / (Children's Services)			
-Springfield Primary School - follow up audit	Final report 10/11/16	Medium *	-
-All Saints Catholic Primary School - follow up audit	Final report 20/7/16	Medium/High *	-
-Moss Park Junior School	Final report 22/4/16	Medium/High	-
-St.Joseph's Catholic Primary School	Final report 6/7/16	Medium/High	-
-Brentwood School	Final report 11/7/16	Medium/High	-
-Blessed Thomas Holford Catholic College	Final report 5/9/16	Medium/High	-
-Urmston Infant School	Final report 17/10/16	Medium	-
-Tyntesfield Primary School	Final report 6/2/17	Medium/High	-
-Victoria Park Infant School	Final report 14/2/17	Medium	-
-Woodheys Primary School	Final report 20/2/17	Medium	-
-Brooklands Primary School	Final report 21/3/17	Medium/High	-
-Stamford Park Junior School	Final report 22/3/17	Medium	-
-Barton Clough Primary School	Draft report issued.	-	Final report (including audit opinion) to be issued Q1 of 2017/18.
-Well Green Primary School	Initial draft report shared with Headteacher	-	Final report (including audit opinion) to be issued Q1 of 2017/18.
-Our Lady of the Rosary RC Primary School	Audit visit completed.	-	Final report (including audit opinion to be issued Q1 of 2017/18.
-Wellfield Junior School	Audit visit completed.	-	Final report (including audit opinion to be issued Q1 of 2017/18.
-Wellfield Infant and Nursery School	Planning stage (audit visit in April 2017)	-	Audit visit to commence and final report to be issued in Q1 of 2017/18.
-Bollin Primary School	Planning Stage (audit visit in May 2017).	-	Initial work undertaken with audit visit arranged to complete review and issue draft report in Q1 of 2017/18.
(Note other work completed includes follow up of previous opinion reports through school self-assessments: -Lostock College - St.Hilda's C of E Primary School - Moss Park Junior School - Broomwood Primary School).			

Trafford Council
Audit and Assurance Service
Annual Report of the Head of Internal Audit 2016/17

Assurance – Other Key Business Risks			
-Coppice Avenue Library (T&R) / (Transformation & Resources)	Final report 30/8/16	Low/Medium	-
-Stretford Library (T&R) / (Transformation & Resources)	Final report 18/11/16	Medium/High	-
-Stretford Children’s Centre (CFW)/(Children’s Services)	Final report 7/10/16	Medium	-
-Home to School Transport (CFW)/(Children’s Services)	Final report 3/11/16	Medium/High	-
-Client Finances follow up (T&R; CFW) / (Transformation and Resources; Adult Social Services and Community Wellbeing)	Final report 3/10/16	Medium *	-
-Out of Borough Education Placements (CFW) / (Children’s Services)	Final report 22/2/17	Low/Medium	-
- Section 106 Planning Agreements & the Community Infrastructure Levy (EGEI) / (Economic Growth, Environment and Infrastructure)	Final report 1/3/17	Medium/High	-
-Sale Waterside Arts Centre - Bar stock follow-up review (T&R) / (Transformation and Resources)	Final report 14/2/17	Medium/High *	-
- Housing Waiting List (EGEI) / (Economic Growth, Environment and Infrastructure)	Initial draft report shared with Service.	-	Final report (including audit opinion to be issued in Q1 of 2017/18.
-Taxi Licensing follow-up review (EGEI) / (Economic Growth, Environment and Infrastructure)	Audit fieldwork in progress	-	Final report (including audit opinion to be issued in Q1 of 2017/18.
-Aids and Adaptations (CFW) / (Adult Social Services & Community Wellbeing)	Planning Stage	-	Audit fieldwork to commence in Q1 of 2017/18.
-Corporate Health and Safety (T&R/Authority-wide)	Planning Stage	-	Audit fieldwork to commence in Q1 of 2017/18.
-Schools catering follow–up review (T&R) / (Transformation and Resources)	Planning Stage	-	Audit fieldwork to commence in Q1 of 2017/18.
-Planning Enforcement (EGEI) / (Economic Growth, Environment and Infrastructure)	Not started	-	Agreed with Service to reschedule to later in 2017/18.
Notes: In respect of Business Continuity, following up on previous audit findings, an update on this area is to be reported within 2016/17 AGS and further audit work to be considered in 2017/18 further to this. (Also see ICT Audit).			
Other work completed includes follow ups of previous			

Trafford Council
Audit and Assurance Service
Annual Report of the Head of Internal Audit 2016/17

opinion reports through manager self assessments: -Registrars Income -Section 17 Payments (Children's Act 1989) -Development Management). -CFW Barge Project).			
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*Follow up review

APPENDIX D

Client Survey Responses 2016/17

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	7	5		1	
Feedback of findings and liaison during the audit	10	2		1	
Professionalism of auditors	12		1		
Helpfulness of auditors	11	1		1	
Timeliness of the review and the draft report	3	7	2		1
Clarity of the report	8	4		1	
Accuracy of the report	7	4	1	1	
Practicality of the recommendations made	3	6	3		
Usefulness of the audit as an aid to management	8	4	1		
Total	69	33	8	5	1
%	59%	28%	7%	5%	1%
	Very Significant	Significant	Moderate	Minor	None
What level of improvement, in the standard of control and the management of risks, do you expect to see following the audit review?		1	8	3	1
%		8%	62%	23%	7%

(Note: the results are based on responses from 13 client surveys received in the period. It should be noted that any responses of "poor" or "adequate" relate to one client survey, the details of which have been followed up with the relevant service).

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 28 June 2017
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Corporate Governance Code (Updated June 2017)

Summary

Trafford Council maintains a local code of corporate governance which sets out the key systems, policies and procedures that comprise the Authority's governance framework. This document is reviewed and updated regularly as required, and approved by the Corporate Leadership Team and Accounts and Audit Committee, to reflect any changes in governance arrangements.

The Council's Annual Governance Statement is prepared each year (in accordance with the Accounts and Audit Regulations 2015) and reflects an annual review against the commitments set out in the Council's Corporate Governance Code.

Trafford Council's Code of Corporate Governance is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the existing Code is on the Council's website alongside the Council's Annual Governance Statement. <http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/docs/Annual-Governance-Statement-201516-Corporate-Governance-Code-June-2016.pdf>

This report sets out the proposed updated Corporate Governance Code which has been reviewed by CLT. The Code has been updated, both to take account of developments in 2016/17 and also the updated framework and guidance issued by CIPFA/SOLACE in 2016/17 "Delivering Good Governance in Local Government". This sets out 7 key governance principles and the Code has been updated to align with the revised framework.

Once reviewed and approved by the Accounts and Audit Committee in June 2017, the updated Corporate Governance Code will be included on the Council's website.

Recommendation

The Accounts and Audit Committee is asked to approve the updated Corporate Governance Code.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323
Name: Paula Liew – Principal Audit & Assurance Officer
Extension: 1232

Background Papers:
None



TRAFFORD COUNCIL

CORPORATE GOVERNANCE CODE

June 2017

Trafford Council Corporate Governance Code

1. What do we mean by governance?

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 and processes, 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.

2. Trafford's commitment

Trafford Council, as a public organisation, is committed to ensuring the highest possible standards of governance in order to fulfil its responsibilities:

1. To engage in effective partnerships and provide leadership for and with the community.
2. To ensure the delivery of high quality local services whether directly or in partnership or by commissioning.
3. To perform a stewardship role which protects the interests of local people and makes the best use of resources.
4. To develop citizenship and local democracy.

Openness, inclusion, integrity and accountability are fundamental principles by which the Council operates.

3. The Governance Framework

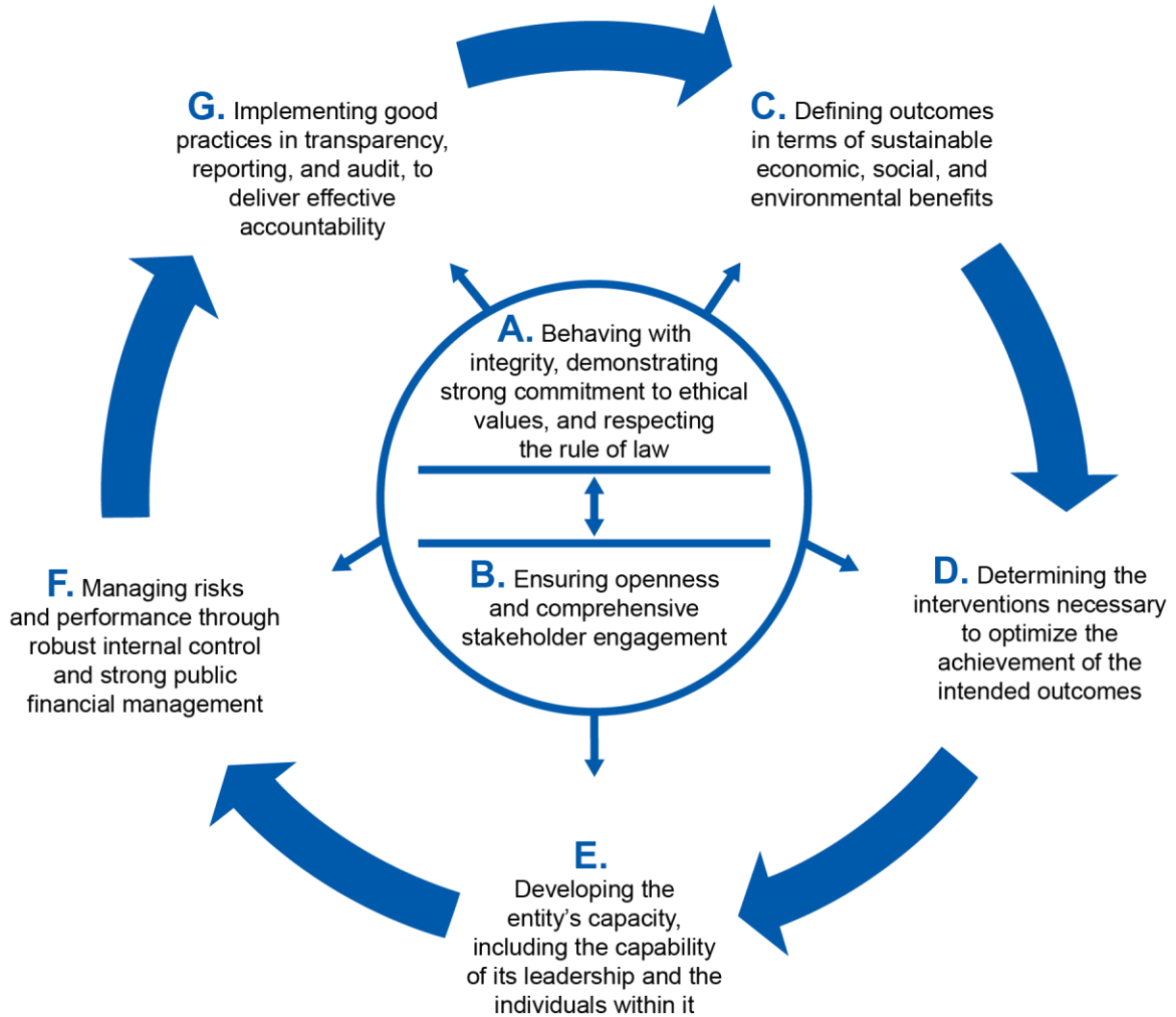
In order to ensure the fulfilment of its commitment, the Council operates a governance framework which provides a structure to support the Council's approach to governance.

Trafford Council has based its governance framework on the guidance produced in the publication 'Delivering Good Governance in Local Government' produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives & Senior Managers (SOLACE) and has been updated to reflect the revised Local Government Framework published in 2016, which is aligned to the International Framework: Good Governance in the Public Sector (CIPFA / IFAC, 2014).

The International Framework defines governance as 'the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved'.

The framework emphasises that good governance is dynamic and that the entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



Section 7 of the Code sets out in detail how the Authority is committed to meet the requirements of this framework.

4. How we will ensure that we deliver on these principles of good governance

Maintain a local code of corporate governance

In accordance with best practice requirements Trafford Council maintains a local code of corporate governance which sets out the key systems, policies and procedures that comprise the Authority's governance framework. This document will be reviewed and updated regularly as required and approved by the Corporate Leadership Team and Accounts and Audit Committee, to reflect any changes in governance arrangements.

Undertake an annual review of governance arrangements

The Authority will undertake an annual review to evaluate the position against the commitments set out in the Council's Corporate Governance Code, the effectiveness of governance arrangements and to ensure continuing compliance with best practice.

Where appropriate, action plans will be produced to ensure any significant weaknesses are identified are addressed and there is continuous improvement in the system of corporate governance.

Findings and recommendations from this exercise will be reported via the Corporate Leadership Team. This will be used to inform the production of the Annual Governance Statement, with significant issues reported publicly through this process.

Report publicly on compliance with governance arrangements in the Annual Governance Statement

The Authority will produce an Annual Governance Statement (AGS) in accordance with the Accounts and Audit Regulations 2015. This will be published and will accompany the Council's Annual Statement of Accounts. It will state what arrangements the Council has in place to ensure the effectiveness of its governance framework and how the Council has followed its stated governance principles. It will also highlight any areas the Council considers to require significant improvement; and refer to the actions planned to address them.

The Accounts and Audit Committee will review the robustness of the AGS. The Chief Executive and the Leader are required to sign off the agreed final version of the AGS.

5. Responsibilities

Every Council officer and member has a responsibility to ensure their personal conduct and the organisation's governance arrangements are always of the highest standard possible.

Senior managers have a responsibility for reviewing governance standards in their areas of responsibility and for identifying and implementing any necessary improvement actions. Improvement actions should be reflected in the appropriate business plans.

The Chief Executive and Leader will ensure that an annual review is completed of corporate governance arrangements and give assurances on their adequacy in the published Annual Governance Statement, accompanying the Statement of Accounts.

The Corporate Leadership Team will ensure that the Corporate Governance Code is reviewed regularly to reflect ongoing developments and planned improvements to the governance framework; and agree any amendments. The Code will be approved by the Accounts and Audit Committee. Significant changes will be referred to the Council's Executive for approval.

6. Communication

The Corporate Governance Code and Annual Governance Statement will be reported publicly with a copy available on the Authority's website.

7. Trafford Council's Governance Framework

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law

Behaving with integrity

- Ensuring members and officers behave with integrity, and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation
- Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should be based on the Seven principles of public life (Nolan principles)
- Leading by example and using these standard operating principles or values as a framework for decision making and other actions
- Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure they are operating effectively.

In accordance with requirements of the Localism Act 2011, the Council has reviewed and adopted its **Members Code of Conduct** incorporating procedures for notification of disclosable pecuniary interests, personal interests and hearing procedures. Protocols set out the arrangements for dealing with complaints about the code of conduct for members.

All staff are required to abide by an **Employee Code of Conduct** setting out the expected standards of behaviour. It is a requirement for all new employees to read and sign up to this as part of the staff induction procedure.

Arrangements are in place requiring members and employees of the Authority to not be influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. **Guidance to Officers on Gifts & Hospitality** sets out the circumstances these may be accepted, and how these should be declared and recorded.

The Council has adopted a set of **Corporate Values** embedded within its policies, procedures and strategies. The Council's competency framework outlines the organisation's values and the behaviours expected of employees when fulfilling their roles.

The **Supporting Change to Happen Strategy 2014-17** sets out the additional set of values to support the Reshaping Trafford programme underpinned by a set of competencies to enable change to be delivered, and to complement and strengthen the Council's Core values.

	<p>The organisation's shared values act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority.</p> <p>The authority has an Anti-Fraud & Corruption Strategy, Policy and supporting guidance to discharge its responsibility to safeguard public funds and promote a 'zero tolerance' culture to fraud and corruption.</p> <p>The Council has adopted a Confidential Reporting Code and supporting guidance, which sets out the whistle blowing protocols for reporting, responding to and monitoring of issues of concern</p>
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Demonstrating strong commitment to ethical values

- Seeking to establish, monitor and maintain the organisation's ethical standards and performance
- Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation
- Developing and maintaining robust policies and procedures which place emphasis on ethical values
- Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation

The **Standards Committee** has within its role, the promotion and maintenance of high standards of conduct of Members and the responsibility to oversee the effective operation of **the Code of Conduct for Members**. Responsibility for the regulation of employee conduct is set out in the Council's **Disciplinary Policy**.

The financial management of the Council is conducted in accordance with the **Financial Procedure Rules** and **Contract Procedure Rules** incorporated within Part 4 of the **Constitution**.

The Council's **Contract Procedure Rules** set out the agreed protocols for procurement and tendering for contracts including post contract arrangements, and are harmonised across the three Councils participating in STAR Procurement, the shared procurement service for Stockport, Trafford and Rochdale Councils. Protocols ensure that there is separation of roles within the procurement process, and all relationships of a business / private nature with existing or potential contractors should be declared.

The **Employee Code of Conduct** specifies that to avoid bias and ensure appointments are made on the basis of merit, where applicants are related to or have close personal relationship with an employee; this officer should not be involved in the appointment process.

Systems and processes for financial administration, financial control and protection of the Authority's resources and assets are designed and monitored to conform with appropriate ethical standards.

Respecting the rule of the law

- Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to the relevant laws and regulations
- Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements
- Striving to optimize the use of full powers available to the benefit of the citizens, communities and other stakeholders
- Dealing with breaches of legal and regulatory provisions effectively
- Ensuring corruption and misuse of power are dealt with effectively

The **Constitution** sets out how the Council will operate to deliver services and perform its functions within the wider legal framework. Part 3 sets out Responsibility for Functions at committee and executive portfolio level. It also sets out the proper officer arrangements for delivering specific legislative requirements.

The Authority actively recognises the limits of lawful activity placed on it but also strives to utilise powers to the full benefit of communities. It recognises the limits of lawful action and observes both the specific requirements of legislation and the general responsibilities placed on authorities by public law.

The Council has appointed a **Chief Executive** responsible and accountable to the Authority for all aspects of operational management. The functions of the **Head of Paid Service, Monitoring Officer** and **Chief Financial Officer** are set out in the Constitution.

The Council's Director of Legal & Democratic Services is designated as "**Monitoring Officer**". It is the function of the Monitoring Officer to oversee and monitor compliance with legislation and the Council's established policies and procedures.

The Council has designated a **Chief Finance Officer**, in accordance with Section 151 of the Local Government Act 1972, who is a member of the Corporate Leadership Team. Periodic assessment is undertaken to ensure compliance with the governance standards as set out in the **CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)**. The Council's **Chief Finance Officer**, has responsibility for the legality of the Council's financial transactions.

The **Contract Procedure Rules** set out the protocols by which the Council shall enter into Contracts in accordance with both UK and EU regulations.

The Authority seeks timely professional advice on matters that have legal or financial implications, which is recorded in advance of decision making and used appropriately.

The **Monitoring Officer** will, after consulting with the Head of Paid Service and the Chief Finance Officer, report to the full Council or to the Executive, in relation to an Executive function, if she considers that any proposal, decision or omission would give rise to unlawfulness or has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Responsibility for the regulation of employee conduct is set out in the Council's **Disciplinary Policy**. A range of **Human Resource policies** in place are designed to help ensure the proper conduct of staff and to ensure the workforce is appropriately skilled to deliver the Council's aims and objectives.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Openness

- Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness
- Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reason for keeping a decision confidential should be provided
- Providing clear reasoning and evidence of decisions in both public records and explanations to stakeholders and being explicit about criteria, rationale and conclusions used. In due course, ensuring that the impact and consequences of those decisions are clear
- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / course of action

The Council publishes a wide range of information, statistics and data in accordance with, and indeed beyond the expectations of, the Local Government Transparency Code (2015).

The Authority as a whole is open and accessible to the community, service users and its staff and has made a commitment to openness and transparency in all its dealings, subject only to those specific circumstances where it is proper and appropriate to do so.

Part 4 of the Constitution sets out the **Access to Information Procedure Rules** including the rights to attend meetings and access summons, agenda and reports. Where major 'key' decisions are to be discussed or made, these are set out in a notice published at least 28 days before a decision is made.

Council decisions are based on public **consultation** including annual review of the budget proposals. Meetings where key decisions are made and scrutinised are open to the public, except where exempt information is disclosed. Those making decisions, whether for the Authority or in partnership, are required to be provided with information that is fit for purpose – clear, timely, relevant, accurate and complete and gives clear explanations of issues and implications on both a financial and non-financial basis.

Engaging comprehensively with institutional stakeholders

- Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholders relationship are clear so that the outcomes are achieved successfully and sustainably
- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
- Ensuring partnerships are based on:
 - Trust
 - A shared commitment to change
 - A culture that promotes and accepts challenge among partners
 - the added value of partnership working is explicit.

Trafford Council is a member of the **Greater Manchester Combined Authority**, run jointly by the leaders from the 10 councils governed by a fully elected mayor, working with other local services, business and community to improve the city region with powers and accountabilities that bring decision making closer to the local people.

The Council is the lead organisation of the **Trafford Partnership**, which provides a key role engaging with residents and the community to ensure that priorities and actions at strategic level reflect the needs of local people. Four **Locality Partnerships** act as wider engagement networks for all stakeholders including residents and community groups. Each has its own Terms of Reference and The Locality Partnership Chairs sit on the Trafford Partnership **Strong Communities Board**.

In accordance with the requirements of the Health & Social Care Act 2012, a **Health & Wellbeing Board** has been established. Supporting this, the Council has in place a number of strategic partnership arrangements governed through **Section 75 Partnership Agreements**.

The Council set up wholly owned community interest companies (CIC), **Trafford Leisure** from 1st Oct 2015 to deliver leisure services across the borough and **Trafford Youth Trust** on 1st March 2016 to commission and develop youth service provision. Each company has a Board of Directors appointed responsible for compliance with general company law and CIC regulatory requirements.

When working in partnership, members are clear about their roles and responsibilities individually and collectively in relation to the partnership and the authority.

Engaging with individual citizens and service users effectively

- Establishing a clear policy on the types of issues that organisations will meaningfully consult with or involve individual citizens, service user and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes
- Ensuring that communications methods are effective and members and officers are clear about their roles with regard to community engagement
- Encouraging, collecting and evaluating the views and experiences of communities, citizen and service users and organisations of different backgrounds including reference to future needs
- Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account
- Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- Taking account of the interests of future generations of tax payers and service users.

The **Strategy for Building Strong Communities** provides a strategic 'home' for the Locality Working programme, clearly demonstrating how Locality Working is intrinsically linked with other key strategic agendas, providing a practical way of delivering Early Help and Prevention, Public Service Reform, Shaping Demand, Community Action and Third Sector Infrastructure Support. Through **Asset Based Community Development** Locality projects align strategic priorities to the needs and assets of the communities,

Through the Trafford partnership structure, each **Locality Partnership** is supported by an **Enabling Group** with a core membership of Councillors, Service Providers and Community Ambassadors to oversee engagement events and locality projects and to ensure the work of the Locality Partnerships are aligned to the strategic priorities of the borough.

Through the '**Be Bold be the Difference**' campaign, a range of training/awareness sessions have been rolled out to staff working with the community to understand how community groups can function alongside the Council to achieve shared goals. **Community Builders** and **Community Connectors** are in place to connect people in neighbourhoods so that all resources working in localities have a common understanding of what's available

The Council undertakes regular consultation in relation to policy change and spending proposals. There are a range of consultation mechanisms in place for public and Council employees including an online forum, network events, focus group and surveys.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes

- Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes including appropriate performance indicators, which provides the basis of the organisation's overall strategy, planning and other decisions
- Specifying the intended impact on, or change for, stakeholders, including citizen and service users. It could be immediately or over the course of a year or longer
- Delivering defined outcomes on a sustainable basis within the resources that will be available
- Identifying and managing risks to the achievement of outcomes
- Managing service users expectations effectively with regard to determining priorities and making the best use of resources available

A refreshed borough wide long term 'Vision 2031', 'Together Trafford', has been agreed during 2016/17 based on the premise, '**No one will be held back and no one left behind**'. To support this a Place based strategy is being developed based on the key principles:

- **People** – the council will help residents to help themselves and each other
- **Place** – to create a place where people want to live, stay, learn, work and relax.

To support the vision, a number of interventions have been developed which underpin the Council's **Annual Delivery Plan** and **Medium Term Financial Plan**.

- Creating a national beacon for sports, leisure and activity for all- Make Trafford a Destination of Choice
- Accelerate housing and economic growth
- Supporting communities and businesses to work together to design services, help themselves and each other.
- Working together for Trafford
- Optimising technology to improve lives and productivity
- Developing a wider education and skills offer that better connects people to jobs
- Mersey Valley becomes a significant visitor attraction that connects the North to the South of the Borough.

These will be underpinned by the key strategies and programmes setting out how the Council in collaboration with partners proposes to create a sustainable borough

	<p>The Core Strategy agreed in 2012 sets out the Council's spatial policy framework for delivering the development and change needed to realise the Council's vision for the Borough up to 2026. It includes plans relating to economic, social and environmental issues and how these will shape the future of Trafford.</p> <p>As part of the wider Greater Manchester Health & Social care devolution, the Trafford Locality Plan developed in collaboration with the Trafford Clinical Commissioning Group was agreed in March 2016. This sets out the vision and principles for development of a fully integrated health & social care system to be implemented by 2020.</p>
<p>Sustainable economic, social and environmental benefits</p> <ul style="list-style-type: none"> ➤ Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision ➤ Taking a longer terms view in regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisations intended outcomes and short term factors such as the political cycle or financial constraints ➤ Determining the wider public interest associated with balancing conflicting interests between achieving the various social, economic, and environmental benefits, through consultation where possible, in order to ensure appropriate trade offs 	<p>The Council's Medium Term Financial Strategy provides a rolling 3 year plan aligned to the authority's strategic objectives and includes a:</p> <ul style="list-style-type: none"> ➤ Medium Term Financial Plan which details the Council's revenue budget ➤ 3 year Capital Programme and developing Investment Strategy ➤ Treasury Management Strategy. ➤ Efficiency Plan which details the Council's approach to deliver efficiencies with all of this underpinned by a set of Prudential Indicators, designed to ensure capital borrowing is affordable and does not place undue burden on the Councils revenue budget. <p>Trafford continues to develop a multi-year Locality Plan which sets out the transformational change in conjunction with health partners to deliver health and social care integration.</p> <p>To support longer term decision making, committee reports require</p>

➤ Ensuring fair access to services.

that proposed options set out any implications in relation to the policy framework, corporate priorities, financial, legal, resource and sustainability issues as well as equality and diversity, and health & wellbeing. The report should indicate also whether consultation is required on the outcome of the decision

In accordance with the Equality Act 2010, the Council complies with the Public Sector Equality Duty to consider the needs of people who are disadvantaged or suffer inequality when making decisions regarding its service provision and policies. The Council has implemented detailed guidance and procedures for staff to ensure that an **Equality Impact Assessment** is undertaken in relation to all proposed changes in policy, strategy, functions and internal structures.

The Council is a signatory to the **GMCA Social Value Policy** and has developed its own Social Value guidance for staff and suppliers which demonstrates a commitment to obtaining additional social value in accordance with the Public Services (Social Value) Act 2012 from its third party influencable spend.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with these options. therefore ensuring best value is achieved however services are provided
- Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land, assets and bearing in mind future impacts.

To support decision making, the **committee reporting** templates require officers to set out the proposed decision and alternative courses of action supported by robust analysis of available options. All proposals are subject to sign off by Finance and Legal, Corporate Director and Executive portfolio holder.

The Council's **budget setting process** is informed by public consultation and through the annual **budget scrutiny review** considers risks and robustness of policy choices, with feedback used to inform policy decisions. The Council has in place **Joint Consultative Committee** arrangements to establish a regular method of consultation between the Council and the Trade Unions enabling input into human resource issues including proposed organisational and policy changes

The **InfoTrafford website** provides free public access to view statistical data about the borough including the **Joint Strategic Needs Assessment** which Trafford Council and Trafford Clinical Commissioning Group have equal and joint duties to prepare under the Health and Social Care Act 2012. The aim is to provide accessible information about the current and future needs of Trafford's population, with the aim to provide a tool for community empowerment, decision making, and service redesign and policy development.

The **Trafford Partnership Data Innovation and Intelligence Lab** provides a multi-agency, multi-discipline, co-located service with overarching objectives to support the (re)design of services, reduction and reshaping of demand on services, informing people and organisations in Trafford and attracting investment into the Borough.

Planning interventions

- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets
- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered
- Considering and monitoring risks facing each partner when working collaboratively including shared risks
- Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances
- Establishing appropriate key performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured
- Ensuring capacity exists to generate information required to review service quality regularly
- Preparing budgets in accordance with organisational objectives, strategies and medium term financial plan
- Informing medium and long term resource planning by drawing up realistic estimates of revenue or capital expenditure aimed at a sustainable funding strategy.

The **Annual Delivery Plan** sets out the key deliverables for the coming year supported by individual Directorate and Service business plans, which connect service objectives and associated actions to the community vision and corporate priorities.

The **Corporate Leadership Team (CLT)** and **Executive** receive regular monitoring and exception reports on the achievement of corporate objectives. In addition, a monthly performance report is issued to Corporate Directors and Executive Portfolio holders containing performance data specific to their remit.

The Council has implemented a **Transformation Programme** which is supporting the organisation to review and re-design existing functions and service areas to improve service delivery, achieve savings and establish the infrastructure required to manage the future financial challenges.

The **Programme Management Office (PMO)** defines and maintains standards for managing Transformation projects, to co-ordinate management information, provide best practice advice, guidance and templates for project management through the **Business Change Project lifecycle**, and to provide specialist consultancy in areas such as business case development, risk management and benefits realisation.

The **Transformation Programme** has defined programme governance arrangements in place. Significant projects for the Council have a Corporate Leadership Team lead, and all have a Senior Responsible Officer (SRO) and Financial Support Officer. Benefits realisation tracking and a summary of project delivery and exceptions is reported monthly to the Transformation Board.

Optimising achievement of intended outcomes

- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints
- Ensuring the budget process is all inclusive, taking into account the full cost of operations in the medium and longer term
- Ensuring the medium term financial strategy sets out the context for ongoing decisions on significant delivery issues or responds to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimizing resource usage
- Ensuring the achievement of social value through planning and commissioning services. The Public Services (social value) Act 2012 states that this is ‘the additional benefit to the community over and above the direct purchasing of goods, services and outcomes

The Council’s **Medium Term Financial Strategy (MTFS)** is a 3 year rolling document updated as changes in conditions / assumptions are known. The Council is required to set and approve a balanced robust budget and Council Tax level, and consults annually on its budget proposals which are subject to scrutiny review.

The budget setting process takes into consideration the assessment by the Chief Finance Officer of the robustness of the budget estimates and adequacy of the general reserve; Executive responses to the scrutiny review; outcome of staff and Trade Union consultation; and Equality Impact Assessment in relation to each proposal.

The Council hosts the Association of Greater Manchester (AGMA) **Procurement Hub** and has established a collaborative Procurement shared service organisation with Stockport and Rochdale Councils (STAR Procurement), with the aim to reduce overheads, increase economies of scale and provide collective expertise and resilience.

The Authority has agreed a **Procurement Strategy** which establishes how the councils can use procurement to focus activity on delivery of outcomes and realise corporate priorities, and highlights the importance of the procurement function throughout the lifecycle of service delivery, from initial inception through to contract management

In response to the Public Services (Social Value) Act 2012 the Greater Manchester Combined Authority (GMCA) has written a **Social Value Policy** which sets out how councils can increase prosperity of their local communities through procurement activity as an added benefit. STAR Procurement has produced local guidance to support this. All tenders advertised by **STAR Procurement** aim to capture social value aligned to the delivery of service, goods and work contracts.

Principle E: Developing the entity's capacity, including the capability of its leadership, and the individuals within it

Developing the entity's capacity

- Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness
- Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently
- Recognising the benefits of partnerships and collaboration working where added value can be achieved
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources

The Authority has put arrangements in place to measure and review the quality of service for users including mechanisms to identify and deal with failure in service delivery for both internal and collaborative working arrangements. Management information is available to enable monitoring of service quality effectively and regularly. The Council is committed to using benchmarking and seeks external advice where necessary to inform decisions.

As part of the **Greater Manchester Devolution** and supporting work programmes, and at local level through the **Vision 2031** and **Health Integration** Transformation programmes, the Council is committed to deliver service transformation through collaboration and integration. Programme management and governance is in place to deliver transformational change.

The **Transformation Programme** takes into account consideration of training and development needs across the Council providing skills transfer across the organisation. To support the workforce through this process, the **Supporting Change to Happen Strategy** is in place which sets out how the Council will support employees to understand, adapt and successfully move to the new operating arrangements through use of technology, training and leadership support.

A succession planning strategy formalises an approach to ensure that key skills are not lost to the Council whilst up-skilling staff to take on higher graded roles. Successors will be identified at senior manager level and targeted development initiatives provided to ensure that the Council is equipped to flex the workforce to react to resource and skills gaps.

Developing the capability of the entity's leadership and other individuals

- Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained
- Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body
- Ensure the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and balance for each other's authority
- Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to the changing legal and policy demands as well as economic, political and environmental changes and risks by:
- Ensuring members and staff have access to induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available

The Council has adopted a **Constitution** which provides a clear statement of how it operates, defining the respective roles and responsibilities of the Executive and non-Executive members, sets out responsibility for carrying out the Council's functions, at committee level and delegation to individual executive members and the Scheme of Delegation to Officers. The sections on delegated authority are reviewed and approved annually.

Member Officer Relations Protocols provide guidance to help build good working relations between members and officers. Article 15 of this document sets out the protocols and the role of the Monitoring Officer to monitor and review the operation of the constitution. The Council reviews elements of the Constitution each year at its annual meeting.

The **Officer Employment Procedure Rules** set out the terms and conditions for remuneration of employees. A **Pay Policy Statement** has been published which provides transparency regarding the Council's approach to setting pay for its employees. The Council has agreed a **Members Allowance Scheme** setting out the level of financial allowance that members may receive.

The Authority puts arrangements in place to ensure that statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation.

All new employees are required to complete a **Corporate Induction Module** which includes a number of mandatory elements such as the employees' code of conduct, fraud awareness and the Acceptable Use Policy. **Member Induction Training** is undertaken each year.

and encouraged.

- Ensuring members and officers have appropriate skills, knowledge and resources and support to fulfil their roles and responsibilities and ensuring they are able to update their knowledge on a continuing basis
- Ensuring personal, organisational and system wide development through shared learning, including lessons learnt from governance weakness both internal and external
- Ensuring that there are structures in place to encourage public participation.

Trafford Council is the lead authority on the development of a **Greater Manchester (GM) training procurement framework**. It is also a partner in the GM e-learning platform. **Training and Development Plans** are in place at directorate level and cross council, which are refreshed and updated annually.

There is a behavioural based competency framework and staff appraisal process in place which supports the cascade of corporate objectives and values through to individual employee targets. All staff are required to complete a **Personal Development Review** annually. **One to one meeting guidance** and a template to record discussions has been made available for managers so that a consistent approach to supervision is adopted across the Council.

The Council has taken a strategic approach to **Absence Management**. Ongoing performance is monitored as part of the Authority's Annual Delivery Plan.

The supplementary **Member Development Strategy** describes how Councillors will be supported to develop in their changing role as community advocates and leaders. **Personal Development Reviews** are being undertaken to ensure that members are provided with the necessary training and development support.

The Council operates an **Internal Apprenticeship Scheme** providing training and mentoring opportunities for Trafford residents. There are arrangements in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority through the **Locality Partnership** networks and involvement in co-produced locality projects which provide innovative solutions to local issues.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Managing risk

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively
- Ensuring that responsibilities for risk management are clearly allocated

Risk management is embedded into the culture of the organisation. The Council has a **Risk Management Policy Statement, Strategy and protocol** for monitoring and reporting risk. These explain the methodology which provides a comprehensive framework for the management of risk throughout the Council.

The **Council's Strategic Risk Register** sets out the key risks the Council is likely to face in achieving its high level corporate objectives. In accordance with the Council's Risk Management Policy Statement, Corporate Directors and the Accounts and Audit Committee review the associated arrangements in place for improving control and mitigating risks faced by the Council.

To support transformational change, **Programme Management** ensures that risk logs are maintained for each project which track emerging/ risk issues through the lifetime of the project and ensure where necessary these are escalated to senior management.

The Council's **Business Continuity Management** procedure requires each service area to produce an annual **Business Impact Analysis** to identify the risks to the Council in relation to service continuity which inform development of **Business Continuity Plans** for priority service functions.

The **Health & Safety Policy** sets out the council's approach and responsibilities, including risk assessment and incident reporting processes. The Council's **Health and Safety Unit** provide oversight and support this through provision of advice and training, and monitoring compliance, with regular updates to CLT and the Executive.

Managing performance

- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review
- Making decisions based on relevant, clear, objective analysis and advice pointing out the implications and risk inherent in the organisation's financial, social and environmental position and outlook
- Ensuring an effective oversight and scrutiny function which encourages constructive challenge and debate on policies and objectives before, during, and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible
- Providing members and senior management with regular reports on service delivery plans and progress towards achievement of outcomes
- Ensuring there is consistency between specification stages such as budget and post implementation e.g. financial statements.

The Council's **Annual Delivery Plan** sets out the key deliverables for the coming year supported by individual Directorate and Service business plans, which connect service objectives and associated actions to the community vision and corporate priorities.

The **Corporate Leadership Team (CLT)** and **Executive** receive regular monitoring and exception reports on the achievement of corporate objectives. In addition, a monthly performance report is issued to Corporate Directors and Executive Portfolio holders containing performance data specific to their remit.

The Council has in place a **Scrutiny Committee** and a separate **Health Scrutiny Committee**, which provide the scrutiny of decisions made, policy development and implementation and can "call in" decisions made by the Executive, or on their behalf with delegated authority, to challenge whether the decision has been made appropriately and ask the Executive to reconsider it if necessary.

The Council has an approved **Corporate Complaints Policy** and guidance with regular reporting to senior management.

Robust internal control

- Aligning the risk management strategy and policies on internal control with achieving objectives
- Evaluating and monitoring the authority's risk management and internal control on a regular basis
- Ensuring counter fraud and anti-corruption arrangements are in place
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance and risk management and control is provided by the internal auditor
- Ensuring an audit committee or equivalent group or function independent of the executive and accountable to the governing body:
 - provides a further sources of effective assurance regarding arrangements for managing risk and maintaining an effective controls environment
 - that its recommendations are listened to and acted upon

Operational managers have responsibility for managing risks and ensuring implementation of sound system of internal control within their service area.

The Audit and Assurance Service delivers the Council's **Internal Audit** function which is responsible for monitoring the quality and effectiveness of systems of internal control and operates in general conformance with the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit (2010). The Service also provide a key role in providing guidance, coordinating corporate reporting and reviewing the risk management framework.

The Council operates an **Accounts and Audit Committee** whose role is to monitor and evaluate the Council's corporate governance and internal control arrangements. The committee regularly reviews its work practices against the guidance set out in CIPFA's "Audit Committees: Practical Guidance for Local Authorities.

A risk based **Internal Audit work plan** is reviewed each year by the Corporate Leadership Team and Accounts & Audit Committee. The Audit and Assurance Manager reports quarterly on progress against plan, outcomes of individual audit reviews and the impact of audit work.

The **Annual Head of Internal Audit Report** presented to the Accounts and Audit Committee provides an opinion on the overall adequacy and effectiveness of the governance framework.

- **Managing data**
- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data including processes to safeguard personal data
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.

To ensure the Authority meets best practice and legislative requirements, an **Information Security Governance Board** has been established which meets regularly to provide strategic direction and oversight of Information governance across the council.

The Senior Risk Information Officer has been assigned to oversee and review information governance issues / information risks and information security, and a **Caldicott Guardian** with responsibility to protect service user and carers' interests regarding the use of confidential and personally identifiable data.

The Council has adopted an **Information Governance Framework** supported by a suite of policies supported by awareness raising and mandatory annual staff training in data protection, freedom of information and information security.

The Council is working with **GM Connect** and Association of Greater Manchester authorities (**AGMA**), Trafford CCG and other partners to implement and monitor effective data sharing throughout Greater Manchester. Although **Data Sharing agreements and protocols** have been adopted based on the AGMA model, they require further amendments to be compliant when GDPR is effective from May 2017.

To ensure compliance with **Data Protection and Freedom of Information** legislation, the Council has adopted a policy, procedures and a dedicated Information Governance team to provide support and guidance to employees.

Users of the Trafford ICT network are required to sign up to the authority's **Acceptable Use Policy** to confirm acceptance of agreed responsibilities and standards to prevent misuse of equipment or

	<p>networks.</p> <p>The Council has engaged a third party provider to provide IT Security capacity and capability working with the in house ICT service to ensure appropriate safeguards are in place, monitor the firewall perimeters and provide accredited security advice. A best practice review of IT Security policies has been undertaken aligned to the recommendations from the Information Commissioners Office's Audit.</p> <p>Trafford Council is compliant with Public Sector Network (PSN) requirements and as such subject to independent penetration testing on both the internal and external network.</p> <p>The Council has assigned Information Asset Owners who are responsible for ensuring information quality and security for their service areas and to maintain an Information Asset Register.</p> <p>The Council has adopted a Records Management Policy and has a comprehensive records retention and disposal schedule covering all services.</p> <p>Case File Recording Policies are in place to ensure the accuracy of service user information for systems that support the provision of care. Data analyst and performance staff regularly review data quality for key systems.</p>
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Strong public financial management

- Ensuring financial management supports both long term achievement of outcomes and short term operational and financial performance
- Ensuring well developed financial management is integrated at all levels of planning and control, including management of financial risk and controls

The Council's **Medium Term Financial Strategy** provides a rolling 3 year plan aligned to the authority's strategic objectives. The **Efficiency Plan** sets out the Council's approach to deliver efficiencies over a 4 year period.

The Council has a clearly defined 3 year **Capital Programme** and **Treasury Management Strategy**. The Council **Prudential Indicators** are designed to ensure capital borrowing is affordable and does not place undue burden on the Councils revenue budget. This will be updated at least annually as part of the budget setting process.

The Council's financial framework keeps its commitments in balance with available resources. There are arrangements in place to ensure compliance with **CIPFA's Prudential Code for Capital Finance in Local Authorities** and **CIPFA's Treasury Management Code**. The capital budget is monitored and reported to the CLT and Executive each quarter.

The Authority has defined **Budgetary Control Procedures** in place. **Revenue Budget Monitoring** reports are reported to the Corporate Leadership Team and the Executive on a regular basis to enable monitoring of income and expenditure levels, to ensure that commitments are within available resource levels and corrective action is taken when necessary. The Accounts and Audit Committee also receives the budget monitoring reports at its meetings through the year.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

<p>Implementing good practice in transparency</p> <ul style="list-style-type: none"> ➤ Writing and communicating reports to the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate ➤ Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand 	<p>The Council has policies and procedures in place to support compliance with the Freedom of Information Act 2000 requirements and has a Publication Scheme in place.</p> <p>The Council publishes a range of information to support the requirements of the Local Government Transparency Code. Details of all invoice payments to suppliers, senior officer salaries, contract register and members' expense claims are published online.</p> <p>The Council has a corporate Marketing and Communications function in place to oversee internal and external communication and ensure these arrangements are operating effectively. Guidance to members and officers has been provided in relation to press releases, use of the Council logo and social media.</p> <p>The Council has a range of communication channels in place through its website trafford.gov.uk, social media channels and press releases. Face to face and telephone contact is provided through the Access Trafford contact centre, and a network of libraries. Webcast of public meetings are available live and on demand through the Public-i website</p> <p>An assessment of service user needs has been carried out as part of the Council's work to implement the Accessible Information Standards for health & social care.</p>
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Implementing good practices in reporting

- Reporting at least annually on performance, value for money and the stewardship of resources
- Ensuring members and senior management own the results
- Ensuring robust arrangements for assessing the extent to which the principles contained in the framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance
- Ensuring the framework is applied to jointly managed and shared service organisations as appropriate
- Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.

The Council publishes details of its strategy and performance plans on its website **trafford.gov.uk**. Quarterly performance reports against the Annual Delivery Plan are reported to the CLT, Executive and Scrutiny Committee, and published online.

Regular updates on the Council's financial position are reported to CLT, Executive and Accounts & Audit Committee. The Annual Financial Statements, revenue and capital budget reports, Treasury Management updates and quarterly financial health indicators are all published on the Council website.

In accordance with statutory requirements the audited Statement of accounts and External Auditor's certificate and audit opinion are made available for inspection and published online.

The authority undertakes an annual review of the effectiveness of its governance arrangements against the **CIPFA/SOLACE** framework for Corporate Governance. The Authority's Corporate Governance Code and Annual Governance Statements are published online.

Information in relation to partnership activity and performance is reported through the Trafford Partnership website **traffordpartnership.org.uk**

Assurance and effective accountability

- Ensuring that recommendations for corrective action made by external audit are acted upon
- Ensuring an effective internal audit service with direct access to members in place which provides assurance with regard to governance arrangements and recommendations acted upon
- Welcoming peer challenge, review and inspections from regulatory bodies and implementing recommendations
- Gaining assurance on risks associated with delivering services through 3rd parties and that this is evidenced in the annual governance statement
- Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met

The **External Auditor's Annual Governance Report** and Annual Audit Letter are reported to the Accounts & Audit Committee and published online.

The Audit and Assurance Manager reports quarterly to the **Accounts and Audit Committee** on progress against the Internal Audit work plan, and provides assurance in relation to the effectiveness of the control environment and acceptance and implementation of audit recommendations. **For individual Internal Audit** reviews, findings are reported to the relevant managers, Heads of Service, Corporate Director, Chief Executive, Executive Portfolio holder and External Auditor.

The Authority is subject to periodic inspection by external bodies including **OFSTED** and **Care Quality Commission**. Inspection findings are published on line and action taken to address any recommendations made.

The authority welcomes peer challenge and external review, including recent voluntary audits by the **Information Commissioner's Officer** and **LGA**.

The Authority's **Annual Governance Statement (AGS)** identifies significant governance issues including risks in relation to 3rd party delivery and sets out the Authority's commitment to continuous improvement. The Accounts and Audit Committee receives updates in relation to issues within the AGS.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 28 June 2017
Report for: Information / Comments
Report of: Audit and Assurance Manager

Report Title

Draft Annual Governance Statement – 2016/17

Summary

This reports sets out the Draft 2016/17 Annual Governance Statement (AGS). The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2015.

The content of the draft AGS has been reviewed and agreed by CLT. This has included agreeing significant governance issues detailed in the AGS. The draft AGS has also been shared with External Audit to accompany the 2016/17 draft accounts.

In compiling the Annual Governance Statement for 2016/17, an exercise has been undertaken to also update the Council's Corporate Governance Code to reflect any developments or changes during the year. Both the AGS and Corporate Governance Code have been produced taking into account the updated framework and guidance on the AGS issued by CIPFA/SOLACE in April 2016. A separate report has been produced which highlights the proposed updated Corporate Governance Code.

The final version of the AGS will take into account any further feedback and will be presented to the Accounts and Audit Committee in September 2017 to accompany the Council's Accounts. This final version will be signed by the Chief Executive and Leader.

Recommendation

The Accounts and Audit Committee considers the content of the draft Annual Governance Statement.

The final version of the Annual Governance Statement, signed off by the Chief Executive and Leader, will be presented for approval by the Accounts and Audit Committee in September 2017.

Contact person for access to background papers and further information:

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

Name: Paula Liew – Principal Auditor

Extension: 1232

Background Papers:
None



TRAFFORD COUNCIL

DRAFT **ANNUAL GOVERNANCE STATEMENT** **2016/17**

(June 2017)

1. Scope of Responsibility

- 1.1 Trafford Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Trafford Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regards to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Trafford Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Trafford Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Authority's code is on our website at: <http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/downloadable-documents.aspx>.
This statement explains how Trafford Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6, which requires all relevant bodies to prepare an annual governance statement.

2. Purpose of the Governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Trafford Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Trafford Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

3. The Governance Framework

3.1 The Authority has adopted a local governance framework which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' 2016 edition. The Trafford Council Corporate Governance Code sets out in detail how the Authority meets the requirements of the framework and is aligned to the principles of good governance in local government as set out in the CIPFA framework, based upon the International Framework: Good Governance in the Public Sector (CIPFA, IFAC, 2014):

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of leadership and the individuals within it
- Managing risk and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.2 The key elements of the system and processes that comprise the Authority's governance framework are outlined in this Annual Governance Statement, describing how the Authority can demonstrate the effectiveness of governance arrangements during 2016/17 with reference to each of the seven governance principles.

CIPFA SOLACE Principle A.	Key Elements of Trafford Framework
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> • Constitution • Employee Code of Conduct • Members Code of Conduct • Register of Interests • Disciplinary Policy • ICT Acceptable Use Policy • Anti-Fraud & Corruption Strategy • Confidential Reporting Code • Standards Committee • Corporate Governance Code
How we demonstrated effectiveness in 2016/17	
<p>The Constitution, committee membership and delegated functions were reviewed and approved by Full Council on 25 May 2016. The Standards Committee met throughout 2016/17 receiving updates from the Monitoring Officer in relation to local standards and best practice developments e.g. Information Governance.</p> <p>The protocols setting out the dispensations which allow members to participate in council business where a disposable pecuniary interest has been disclosed, introduced in 2012, were reviewed by the Standards Committee in November 2016. All members are to complete a Register of Interests which is published online detailing disclosable pecuniary interests, other interests and provide a record of gifts & hospitality received.</p> <p>A Planning Committee Code of Practice was approved at Standards Committee in March 2017, setting standards of probity and conduct for members and officers dealing with planning related matters.</p> <p>A refreshed new starter induction guide and checklist for staff is in place which includes a number of mandatory elements such as Data Protection, Information Security, Employees' Code of Conduct, Fraud Awareness and the Acceptable Use Policy.</p> <p>The Council has reviewed and updated its Anti-Fraud & Corruption Strategy in March 2017. Improvements to the Council website have been made to enable online reporting of suspected fraud. The Council's Whistleblowing Policy is currently subject to review.</p> <p>The 2015/16 Annual Report for the Counter Fraud and Enforcement team was presented to the Accounts & Audit Committee in Sept 2016 outlining fraud prevention and detection activities and planned work through partnership and collaboration across Council departments and external agencies. The team has primarily focussed on revenues related fraud relating to Council tax and Business rates. An annual report for 2016/17 will be reported to the Accounts and Audit Committee by September 2017.</p>	

<p>The Authority has updated its Corporate Governance Code reporting against the principles of the revised CIPFA local governance framework 2016 (based on the International Framework: Good Governance in the Public sector (CIPFA/ IFAC 2014).</p>	
<p>CIPFA SOLACE Principle B.</p>	<p>Key Elements of Trafford Framework</p>
<p>Ensuring openness and comprehensive stakeholder engagement</p>	<ul style="list-style-type: none"> • Decision Making Protocols • Access to Information Procedure Rules • Budget Consultation • Trafford Partnership Board & Strategic Boards • Public Service Reform Board & Operational Group • Building Strong Communities Strategy • Locality Working Programme • Joint Strategic Needs Assessment
<p>How we demonstrated effectiveness in 2016/17</p>	
<p>Public and staff consultation on the 2017/18 budget proposals took place between September to December 2016 through a range of media including a dedicated website, online survey, stakeholder events, live webcasts and social media. The theme was 'Taking the Trafford Pound further' and incorporated various proposals themed around the overall strategy / key interventions (see Principle C). Outcomes of the public consultation were published alongside the budget proposals in February 2017.</p> <p>Other examples of consultation exercises in the year included the Greater Manchester Spatial Framework, All Age Transport Policy, Conservations Area Guidance and Economic and draft Economic and Housing Growth Framework. The Altrincham Business Improvement District was established in April 2016 following a process which included consultation over an 18 month period.</p> <p>The Council as part of the Greater Manchester Combined Authority and through its integrated partnership governance framework, is working to deliver transformational change under the Public Service Reform and Health & Social Care integration programmes. The PSR Strategic and Operational Boards provide oversight and engage stakeholders in development of new operating models for Trafford based on four place based multi-agency teams, one for each of Trafford's locality areas and a strengths and community asset based approach to service delivery. Evidence was gathered for this approach during 2016 through the two One Trafford Response test weekends and Reshaping Social Care '3 conversations' pilots, and will be further developed through the Place Based pilot in the North locality in early 2017/18.</p> <p>During 2016/17 Locality working has been supported through the development of Enabling groups: a small team of residents, councillors and agency representatives who lead the work programme in each area. As part of our 'Be Bold be the Difference'</p>	

campaign, a range of training/awareness sessions have been rolled out to staff working with the community to understand how community groups can function alongside the Council to achieve shared goals. Community Builders and Community Connectors are in place to connect people in neighbourhoods so that all resources working in localities have a common understanding of what's available.

The Council commissions Pulse Regeneration to deliver the 'Thrive' contract, infrastructure support for social enterprise, capacity building and volunteering. The Voluntary, Community, Social Enterprise (VCSE) Strategic Forum has been established to build positive relationships across the sectors and to recruit VCSE representatives to the Trafford Partnership Strategic Boards to increase influence.

CIPFA SOLACE Principle C	Key Elements of Trafford Framework
Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Together Trafford 'Vision 2031' • Core Strategy • Trafford Locality Plan • Physical Activity Vision • Medium Term Financial Strategy
How we demonstrated effectiveness in 2016/17	
<p>During 2016/17 the Council has continued to review its strategy to reflect local and national changes including devolution, financial gap and future funding arrangements, Greater Manchester Public Service Reform framework and integration.</p>	
<p>The 'Together Trafford - Vision 2031' based on the premise 'No one will be held back and no one left behind' has been developed in partnership with key agencies, and through engagement with voluntary, community and faith representation. Feedback from the Partnership Strategic Boards on the vision and identified interventions were presented to the Trafford Partnership Board in January 2017. This will be used to inform the development of a place based strategy guided by two principles:</p> <ul style="list-style-type: none"> • People: the council will help residents to help themselves and each other • Place: to create a place where people want to live, stay, learn, work, invest and relax 	
<p>To support the vision, seven interventions (short - medium term priorities) have been developed which underpin the Council's Annual Delivery Plan and Medium Term Financial Plan:</p> <ul style="list-style-type: none"> • Mersey Valley becomes a significant visitor attraction that connects the North to the South of the Borough • Creating a national beacon for sports, leisure and activity for all- Make Trafford a Destination of Choice • Accelerate housing and economic growth so everyone benefits • Supporting communities and businesses to work together to design services, help themselves and each other • One Trafford: Behaviour Change and Building Stronger Communities 	

- Developing a wider education and skills offer that better connects people to jobs
 - Optimising technology to improve lives and productivity
- (See Section 5.3 Significant Governance Issues 2017/18 - Delivery of Together Trafford - Vision 2031).

To support the devolution of Health & social care funding to Greater Manchester from 1st April 2016, Trafford Council and health partners agreed a 5 year Locality Plan in March 2016 which sets out the principles of change and framework for enhanced, integrated and co-commissioned health & social care offer in the borough.

A Physical Activity Vision has been developed through a collaborative approach with the aim to improve health & social outcomes for residents in Trafford by getting the inactive, active and increasing everyone’s level of physical activity, in conjunction with the Sport & Physical Activity Partnership and Health & Wellbeing Board. A Physical Activity Strategy and implementation plans are now under development. The Leisure Strategy project aims to develop an overarching Leisure Strategy aligned to Vision 2031.

CIPFA SOLACE Principle D	Key Elements of Trafford Framework
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> • Transformation Programme • Annual Delivery Plan • Medium Term Financial Plan • Efficiency Plan • Capital Investment Programme • Social Value Framework

How we demonstrated effectiveness in 2016/17

During 2016 the Council accepted a multi-year government funding settlement which will provide a greater level of financial stability over the next few years with guaranteed levels of mainstream government funding. To qualify for this an Efficiency plan was produced and will be reviewed annually as part of the budget setting process.

The 2017/20 Efficiency plan sets out proposals to deliver the savings required to close the funding gap through the transformation agenda, building on the foundations of the Reshaping Trafford programme which has already delivered efficiency and transformational savings. Transformational change will be in conjunction with partners as part of the PSR agenda delivered through the Trafford Partnership structures and continuing work on the 2031 vision and Together Trafford brand with our partners.

Trafford Council is working in collaboration with Trafford Clinical Commissioning Group (CCG) and key partners to develop an all age integrated framework for Service Reform based on a new operating model for the whole of public services in Trafford.

On 1 April 2016, Trafford Council and Pennine Care NHS Foundation Trust signed a two-year partnership agreement to enable delegation of functions and integrated

provision under the flexibilities set out in Section 75 of the Health act 2006 for an all age integrated health & social care service in Trafford. During 2016/17 a new senior management structure has been implemented and an All Age Front Door bringing together Children's Multi Agency Referral & Team and Adult Screening teams. The partnership agreement was refreshed in February 2017 to further align service delivery and support Phase 2 delivery in 2017/18.

Following a strategic review of leisure facilities across the borough, investment of £24m has been agreed as part of the authority's Capital Programme and project management is in place to deliver this. An assessment of outdoor leisure and sporting facilities (Playing Pitch strategy) has been undertaken with the aim to broaden sustainable access to a wide range of sporting and leisure opportunities and provide a sustainable strategic framework, as a fundamental enabler to improved health & wellbeing outcomes.

Supported by Trafford Council, Greater Manchester Police (GMP) embarked on a programme to transform its HR function to provide a more streamlined, cost effective and higher quality service to meet the needs of its officers and staff. A soft launch of the new service: Greater Manchester Shared Service with co-located staff at Trafford Town Hall went live in December 2016 with formal 'go-live' in March 2017.

In July 2016 the Council has entered the 2nd year of the joint venture contract with Amey LG to manage a range of environmental services including the previous in-house service and the domestic and commercial waste contract. Contract governance and monitoring arrangements have been established and savings delivered against target. During 2016 a Scrutiny Task & Finish Group has carried out a review of the contract to measure progress to date, and in March 2017 presented recommendations for improvement to performance reporting, communications and transparency.

The Trafford Youth Trust was established as a Community Interest Company in March 2016 with the aim to move from a council led to independent led organisation which can provide a partnership framework against which youth provision will be commissioned, and develop effective strategies to increase investment in youth services. To date the Trust has awarded £210,000 funding, some of which has been invested to deliver a mix of seven targeted and universal services throughout the borough, managed by six providers.

The Trafford Social Value group was established to coordinate social value activity across Trafford with relevant partner agencies aligned to the Greater Manchester Combined Authority (GMCA) Social Value Policy to ensure that capital investment provides added social, environmental and economic value for residents of Trafford. The STAR Shared Procurement Service has produced guidance for business in bidding for tenders. Contract and performance monitoring procedures are being developed.

CIPFA SOLACE Principle E	Key Elements of Trafford Framework
<p>Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> • Supporting Change to Happen Strategy 2014-17 • Member Development Strategy • Members’ Training Plan • Members’ Induction Process • Employee Training & Development Plan • Corporate Induction Procedure • Employees Personal Development Review (PDR) • Staff Health & Wellbeing Strategy • Absence Management Strategy
<p>How we demonstrated effectiveness in 2016/17</p>	
<p>The One Trafford Estate programme aims to assess, understand and plan to create a portfolio of assets for cross organisational working, portfolio reduction and to create a multifunctional hub for each locality.</p> <p>A Supporting Change to Happen strategy is in place which identifies areas of good practice and sets out further improvements required through use of technology, training and leadership support. A new suite of learning and development courses were available throughout 2016/17 for staff to equip them with tools, techniques and skills to manage their own personal transition to work successfully in the new delivery models. The courses included Leadership and Management, Commercial Skills workshops, Coaching for Improved Performance, Strength Based Conversations, Project Management and Strategic Influencing and Stakeholder Management.</p> <p>Trafford Council is the lead authority on the development of a Greater Manchester (GM) training procurement framework. The new dynamic purchasing system (DPS) went live in January 2017. The Council is also a partner in the GM e-learning platform. A large proportion of the mandatory training is delivered via the Council’s e-learning platform which enables it to monitor and report on compliance rates. Training and Development Plans are in place at directorate level and cross council, which are refreshed and updated annually.</p> <p>A succession planning strategy has been developed that formalises an approach to ensure that key skills are not lost to the Council whilst up-skilling staff to take on higher graded roles. Successors will be identified at senior manager level and targeted development initiatives provided to ensure that the Council is equipped to flex the workforce to react to resource and skills gaps.</p> <p>In August 2016 a Staff Health & Wellbeing Strategy was adopted with the aim to coordinate existing workplace activities, use a collaborative approach and improve organisational effectiveness organised around four key themes</p> <ul style="list-style-type: none"> • Healthy Lifestyle • Mental wellbeing 	

- Safe and healthy workplace
- Workforce engagement.

An action plan has been drawn up to monitor delivery of the agreed outcomes through evaluation of sickness absence, injury & accident data, occupational health records and staff surveys. A Core Strategy group has been established and in collaboration with key partners is focusing on a range of interventions, including improved mental wellbeing support for managers and staff e.g. through reviewing available services, improved signposting of this support, and the provision of relevant staff awareness and training.

A new Member Training Plan is in place with a training programme delivered during the year including safeguarding, leadership and the changing role of the Councillor. A Leadership Development Programme was rolled out throughout 2016/17 that delivered a range of community based leadership interventions. The Members Induction Guide was also refreshed and updated.

The Member Development Steering Group which is responsible for the development of training and development opportunities for all Members continues to meet on a regular basis to agree priorities for development and review and evaluate learning and development programmes. The Council continues to demonstrate compliance with Level 1 of the North West Employers Organisation Members Charter which ended in 2016. However the Council is working towards retaining the award in 2017.

Trafford in partnership with Pure Innovations, Trafford College and CMFT (Central Manchester Foundation Trust) has implemented a Supported Internship scheme which is now in its 4th year. The aim of the internship is to develop employability skills in the real work place for cohorts of 10 young people with learning difficulties and/or other disabilities, resulting in City & Guilds qualification. Securing sustainable paid employment for the young people is the ultimate goal of the scheme, with either the host employer or elsewhere.

The Council's Internal Apprenticeship scheme which was launched in 2011 has had around 140 recruits in a broad range of disciplines and 48 of these have secured permanent employment with the Council. In addition to these there are 10 existing members of staff undertaking a higher level apprenticeship in Leadership & Management (Level 5) and 2 former apprentices undertaking a level 3 in Business Administration.

CIPFA SOLACE Principle F	Key Elements of Trafford Framework
<p>Managing risks and performance through robust internal control and strong public financial management</p>	<ul style="list-style-type: none"> • Financial Procedure Rules • Contract Procedure Rules • Treasury Management Strategy • Scrutiny Committees and Protocols • Risk Management Strategy & Policy Statement • Strategic Risk Register • Internal Audit Strategy • Accounts & Audit Committee
<p>How we demonstrated effectiveness in 2016/17</p>	
<p>The Council's net revenue budget for 2016/17 is £146.70m and outturn expenditure on service expenditure shows an overall underspend of £4.32m. In terms of overall funding a sharp rise in business rate appeals has given rise to a shortfall in funding from business rates in the year which has been offset from the service savings above.</p> <p>The overall budget gap for 2016/17 was £22.64m and was addressed by a combination of additional resources of £6.26m, including projected growth in business rates, council tax and general reserve and £16.38m of service savings and additional income. This target was amended during the year to reflect the decision made by the Executive to amend the policy on social care transport reducing the overall target to £16.1m.</p> <p>The outturn figures shows that £15.50m of the savings target have been achieved. The transformation programme will over-achieve slightly against its savings target by £27k, the business as usual and corporate savings show a shortfall of £220k and the recovery of Continuing Health Care costs from the CCG show a shortfall of £403k, giving an overall shortfall of £596k. This will be met by underspends in other non-savings related budget lines.</p> <p>The budget for 2017/18 was approved by the Executive in February 2017 and sets out the Council's Medium term Financial strategy 2017/18 to 2019/20 including income and savings proposals to address the funding gap of £47.7m over next 3 years. The plan is a rolling document which is updated as changes in assumptions and conditions are known. (See Section 5.3 Significant Governance Issues 2017/18 - Medium Term Financial Position / Savings).</p> <p>A 3 year Capital investment programme for 2017/20 has been approved for £109.16m with £65.73m profiled to be undertaken in 2017/18. Work is underway to develop an Investment Strategy with £20m allocated to generate sustainable income streams to support the council's revenue budget using its favourable prudential borrowing position.</p> <p>The Council has signed up with 11 neighbouring authorities to the Greater</p>	

Manchester Business Rates Pool, which will have the benefit of ensuring that levies payable on business rate growth are retained within Greater Manchester rather than paid to Government. The Council has negotiated that it will retain a third of any future levy payments whilst in the GM Pool.

The annual Budget Scrutiny exercise took place during November to December 2016 with the report submitted to the Executive in January, which provided a formal response in February 2017. The outcome of this is that a further review of the Budget Scrutiny process will be undertaken to inform the 2017/18 budget setting process with the aim to ensure that Scrutiny receive sufficient detail on budget proposals and risk assessment methodology.

The 2016/17 Scrutiny work programme also focused on the provision of Leisure within Trafford; Home to School Transport; and income and savings projections. In addition, Task and Finish reviews of the One Trafford Partnership contract delivery and the Education, Health & Care Plan (EHCP) process were undertaken, both reviews concluded in March 2017. Official reports and recommendations are being considered by the relevant Executive Members.

Over the course of the year the Health Scrutiny Committee focused upon the Single Hospital Service, changes at Trafford General Urgent Care Centre and the development of Trafford Coordination Centre (TCC). Due to the extensive changes taking place within the Health and Social Care sector, and to ensure agenda items receive sufficient attention, it has been agreed that the number of meetings is to be increased in 2017/18 from four to six.

The Scrutiny Committee also ran two Task and finish Groups examining End of Life Care and Young People's Wellbeing. The End of Life Care group only performed preliminary investigations as they found the services to be in excellent condition. The Young People's Wellbeing group found a number of work streams being undertaken in this area and work is in progress, due to be reported in September 2017. In addition, the Joint Health Scrutiny Committee received regular updates on the New Health Deal for Trafford.

Progress against the Annual Delivery Plan (ADP) was reported quarterly through CLT and the Executive and monthly dashboard to portfolio holders. The ADP has a number of performance indicators. Of the details reported, there are 21 'Green' indicators (on target), 4 'Amber' (performance within an agreed percentage of the target) and 4 'Red' (below target). Where underperformance is identified, exception reports are produced detailing the initiatives underway to address these issues through Transformation and business as usual activities. The 2017/18 ADP was approved by the Executive in March 2017 and is aligned to the Vision 2031 priorities.

The Council continues to regularly review and monitor its Strategic Risk Register with updates to CLT and the Accounts & Audit Committee. The March 2017 report identified 16 strategic risks faced by the Council, each risk being managed by

nominated staff / groups within the Council. An Information Risk Register has been collated and is monitored through the Information Security Governance Board.

The Information Security Governance Board has established an action plan of key areas for improvement within the Council. The ISGB met regularly throughout 2016/17 to review progress on the implementation of these tasks throughout the Council.

The Authority continues to monitor risks in relation to Cyber security. The authority is PSN compliant, subject to independent penetration testing on both the internal and external network, and demonstrates compliance with Level 2 of the NHS Information Governance Toolkit.

During 2016 a 3rd party service provider has been appointed to provide additional ICT security capacity and capability, manage the firewall perimeters and provide accredited security advice. This has also included a full best practice review of Council IT Security policies mapped against ISO27001 standards.

The Council has acknowledged where further work is required to ensure it maintains effective business continuity management and have robust data recovery processes in place. (See Section 5.3 Significant Governance Issues 2017/18 - Business Continuity).

The Internal Audit 2016/17 work plan incorporated coverage of key financial systems and other business risks. Quarterly updates of work undertaken were provided to the Corporate Leadership Team and the Accounts and Audit Committee through the year. The Annual Report of the Head of Internal Audit for 2016/17 states that based on internal audit work undertaken during the year, the Internal Audit Opinion is that, overall, the control environment is operating to a satisfactory standard. The report states that follow up audit work in areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified. Where areas for improvement have been identified during 2016/17, actions have been agreed with management which will be followed up in 2017/18.

The Internal Audit function operates in general conformance with the Public Sector Internal Audit Standards. The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

In accordance with the Local Audit & Accountability Act 2014, a review of available options for future appointment of the external auditor was considered by the Accounts & Audit Committee during 2016/17. In common with most other local authorities, it was approved by Council in February 2017 to undertake the procurement via use of the sector led body Public Sector Audit Appointments (PSAA).

CIPFA SOLACE Principle G	Key Elements of Trafford Framework
Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> • Council Website • Freedom of Information Publication scheme • Trafford Partnership Data Innovation and Intelligence Lab • Marketing and Communications Team • Annual Financial Statements • Annual Governance Statement • Annual Scrutiny Report • Annual Delivery Plan
How we demonstrated effectiveness in 2016/17	
<p>The External Auditor’s Annual Letter 2015/16 was presented to Accounts & Audit Committee in November 2016 providing an unqualified opinion on the financial statements and identified that in all significant aspects, proper arrangements were in place to secure value for money.</p> <p>The Council welcomes external challenge and during 2016/17 commissioned a Local Government Association (LGA) Peer Review’ and also an Information Commissioner’s Office Data Protection audit. The findings and recommendations from the LGA Peer Review were publicised in March 2017.</p> <p>The Information Commissioner’s office review provided an overall “Reasonable” Assurance rating in relation the areas reviewed. An improvement plan will be implemented to address the recommendations made and incorporated within the Information Security Governance Board 2017/18 annual work plan, with regular updates to the Corporate Leadership Team. (See Section 5.3 Significant Governance Issues 2017/18 - Information Governance).</p> <p>During 2016/17, Ofsted and the Care Quality Commission (CQC) conducted a joint inspection to judge the effectiveness of Trafford in implementing the reforms for children and young people who have special educational needs and/or disabilities (SEND), as set out in the Children and Families Act 2014. The report highlights a number of strengths and some areas of improvement which the Council is working to address.</p> <p>A review was also completed in September 2016 by the CQC of adult services in respect of assessment and reablement, rapid response and 24 hour supported living. The report included an action plan for areas requiring addressing. A further inspection was completed in May 2017 which noted significant improvement since the September inspection with services rated by the CQC as “Good”.</p> <p>During 2016/17, the Council made significant improvement with responding to Freedom of Information (FOI) requests within their statutory timescale of 20 working days. The average response rate throughout 2016/17 was 87%, with a peak monthly</p>	

rate of 96%. The Council will continue to monitor closely FOI compliance to ensure statutory obligations are met.

The Council continues to publish a range of open data through its website and the InfoTrafford website. Through the Greater Manchester Data Synchronisation Programme, the Council has developed a collaborative approach and has overcome barriers local authorities face in making data available in properly open formats. The work of the Trafford Data, Innovation and Intelligence Lab supports the objectives of the Council and its partners to provide information to support policy making, inform commissioning and support investment decisions. The Lab has delivered the 1st year of a 3 year EU project to open up public data, focusing on worklessness and employment.

Progress in relation to addressing significant governance issues is formally reported both through the strategic risk reporting and the process for producing the Annual Governance Statement.

4. Review of effectiveness

4.1 Trafford Council’s Corporate Governance Code sets out the Authority’s responsibility to undertake a review of the effectiveness of its governance framework on an annual basis. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s annual report, and also by comments made by the external auditors and the results of other reviews / inspections.

4.2 The processes applied and sources of assurance obtained in maintaining and reviewing the effectiveness of governance arrangements and, as part of that, the system of internal control include the following:

Management Controls	Independent Assurance	External Assurance
<ul style="list-style-type: none"> • Financial Management • Programme Management • Performance Management • Risk Management • Legal 	<ul style="list-style-type: none"> • Internal Audit • Scrutiny • Health & Safety 	<ul style="list-style-type: none"> • External Audit • Other inspectorate e.g. OSTED, CQC • Sector led improvement e.g. LGA

- 4.3 These governance functions are described in more detail within the Council's Corporate Governance Code and specific assurances or improvements delivered during 2016/17 are detailed in Sections 3 and 5 of this Statement.
- 4.4 **We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Accounts and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in Section 5.**

5. Significant Governance issues

- 5.1 The Council takes seriously its responsibilities and duties with regard to ensuring continuous improvement in the way its functions are exercised and in consideration of economy, efficiency and effectiveness.
- 5.2 In response to the 2015/16 review of internal control governance, and the identification of particular significant governance issues, the Council has taken action to address these through actions in 2016/17. Detailed below are the significant governance issues highlighted in the 2015/16 Annual Governance Statement followed by action taken in 2016/17.

2015/16 Significant Issues	Action Taken 2016/17
<p>Medium Term financial position / savings</p> <p>The medium term outlook is that the Council will still need to make savings in excess of £47m over the three years from 2017/18 to 2019/20, a significant proportion of this being in 2017/18. Continued action will be required by the Council to address these budget challenges.</p>	<p>The approved budget for 2016/17 was £146.7m which included a budget gap of £22.64m, addressed in part from additional resources of £6.26m and savings of £16.38m. The savings target was amended during the year to reflect the decision made by the Executive to amend the policy on social care transport reducing the overall target to £16.1m.</p> <p>The outturn shows that £15.5m of the savings target was achieved. The transformation programme will over-achieve slightly against its savings target by £27k, the business as usual and corporate savings show a shortfall of £220k and the recovery of Continuing Health Care costs from the CCG show a shortfall of £403k, giving an overall shortfall of £596k. This will be met by underspends in other non-savings related budget lines.</p> <p>The budget for 2017/18 is £160.83m and included meeting a budget gap of £25.4m. This was bridged through the identification of savings and new income proposals of £15.57m, additional business rate income of £2.53m and an increase in council tax comprising a general increase of 1.99% and 3% increase in respect of the adult social care precept worth a combined £4.2m.</p> <p>During the year the Council agreed an efficiency Plan which meant that the Council would secure the stability of a multi-year financial settlement.</p>

2015/16 Significant Issues	Action Taken 2016/17
	<p>Whilst the majority of the in-year savings programme was successfully delivered the pressure on business rate income and growth to support the budget was magnified. This was due to the large numbers of new appeals against rateable values caused by large infrastructure projects in and around Trafford Park and the Trafford Centre.</p>
<p>Transformation Programme delivery</p> <p>The delivery of programme outcomes and benefits realisation was identified as a significant risk to the Authority with a projected saving target for 2016/17 of £9.94m.</p> <p>Key activities for the year included the GM Shared service, Youth Trust and Health integration.</p> <p>Revised programme governance and assurance reporting are in place to deliver savings.</p>	<p>As referred to above, the overall budget gap in 2016/17 to be met from savings was £16.1m. The final level of savings was £15.5m, a shortfall of £596k which has been met from non-saving related budgets.</p> <p>The Transformation Projects outturn of £7.412m delivers a surplus of £27k against the savings target of £7.385m. As at 26 April 2017, there are:</p> <ul style="list-style-type: none"> • 13 projects recommended for closure • 9 are recommended to carry forward (with a specific approach proposed) • There are 4 projects recommended for monitoring in 2017/18 for full-year effect savings delivery. <p>Key achievement in 2016/17 related to:</p> <ul style="list-style-type: none"> - GMSS in partnership with GMP - Trafford Youth Trust - Trafford Leisure - A new CCTV delivery partnership with Salford Council - An all age, integrated health and social care partnership agreement and management structure with Pennine Care NHS Foundation Trust - ICT integrations with the Trafford Coordination Centre - Remodelled social care provision - One Trafford Response.

2015/16 Significant Issues	Action Taken 2016/17
	It is proposed the Reshaping Trafford programme will close, replaced by the Together Trafford Vision 2031 Transformation Portfolio. As part of this process a closedown report and lessons learnt will be produced.
<p>Public Service Reform (PSR)</p> <p>The PSR programme is aligned to the Health and Social Care integration programme with the aim of creating a single New Operating Model across partners for Trafford based on a 4 locality place-based model, to co-ordinate service provision, making full use of community assets, Voluntary, Community and Social Enterprise services and adopting a single key-worker approach.</p> <p>Supporting work streams are being developed as part of a 3-5 year programme, and proposed the Perfect Weekend- a cross-partnership exercise to observe, assess and analyse how demand is managed in Trafford across a 24/7 timeframe in order to inform redesign of services to improve outcomes for Trafford residents.</p> <p>A further action reported in the 2015/16 AGS for 2016/17 (headed under “Devolution”) related to the GM Work and Skills programme. This reported that the programme focuses on ten priorities and an action plan has been developed for each of the priorities which detail short, medium and long term actions. Many of these priorities can be progressed in the short</p>	<p>In March 2016, the Greater Manchester Combined Authority issued guidance for all 10 member local authorities to provide a consistent vision and framework for the delivery of Integrated Public Service Reform. As part of the framework, a set of key design principles were issued which would underpin locally devised reform models. These principles will be integrated across a range of Transformation projects to ensure that the reform of key public services is planned and delivered in a co-ordinated and sustainable way, with a strong focus on locality led solutions, dedicated support, and a greater emphasis on prevention and early help. E.g: All Age Front Door, Integrated Health & social care, One Trafford Estate, Complex Dependency and sustainability of the Troubled Families programme, Keeping Families Together and Place Based Integration</p> <p>During 2016 the One Trafford Response exercise utilised the Trafford Co-ordination Centre to test the multi-agency approach to provide a single point of access to services and to provide live time information to inform holistic case management and intelligent commissioning. This involved 181 staff across 21 organisations, and feedback and analysis has been used to inform the development of the place based pilot– North area Old Trafford and Stretford is due to commenced in spring 2017.</p> <p>An agreed vision for placed based working and design principles have been developed based on the One Trafford response exercise and approved by the PSR Strategic Board. The Governance structures engage stakeholders through the PSR operational Group and VCSE Strategic forum.</p> <p>Reform of Work and Skills now sits within the PSR programme and as such the Working Well programme reports to the PSR Governance structures.</p>

2015/16 Significant Issues	Action Taken 2016/17
<p>term via a range of deliverables that GM is already committed to pursuing to implement the November 2014 and November 2015 Devolution Agreements.</p>	<p>Programme issues are reported initially to the PSR Operational Leads group and where necessary escalated up to the PSR Board for Senior Leader action. Referrals ceased for the Working well pilot at the end of March 2017 and the provider continues to work for up to two years with existing clients. The Working Well Expansion programme is still being rolled out and brings in new cohorts of claimants including lone parents and job seeker allowance claimants leaving the Department for Work and Pensions. There are currently over 700 clients on the programme in Trafford and 37 have so far moved into work. The Manchester Growth Company is now delivering both the Working Well Expansion and the complementary Skills for Employment programme. Work has also progressed on the development of the new Work and Health programme which will replace Working Well later this year.</p>
<p>Locality partnerships Further work required to ensure the Asset Based Community Development (ABCD) and Community Builder Programmes are embedded in the new Place Based Integration work stream.</p> <p>Through the role of the Partnership and Communities Team and campaigns, to provide direct support enabling neighbourhood partnerships to become more resident-led. To run the 2016 Voluntary Sector Grants programme in-house to generate in the region of £35k efficiency savings.</p> <p>To develop a performance framework and outcomes measurement tool to demonstrate how locality projects are delivering against strategic priorities and for the Trafford Partnership Data Innovation and Intelligence Lab to map / track projects that have</p>	<p>During 2016/17 Locality working has been supported through the development of Enabling groups: a small team of residents, councillors and agency representatives who lead the work programme in each area (shifting power from council to community).</p> <p>Community Builders and Community Connectors are in place to connect people in neighbourhoods so that all resources working in localities have a common understanding of what's available.</p> <p>As part of the 'Be Bold be the Difference' campaign, a range of training and awareness sessions have been rolled out to staff through social media and Enabling groups, working with the community to understand how community groups can function alongside the council to achieve shared goals.</p> <p>A range of Locality Partnership events were delivered across the borough in relation to environment, youth activities, physical activity and health and wellbeing attended by over 400 people from the community, agencies and businesses.</p>

2015/16 Significant Issues	Action Taken 2016/17
<p>received grant funding and businesses in Trafford.</p>	<p>The Council's £100,000 voluntary sector grants scheme was delivered (42 community projects, 25 micro-grants to residents, 1500 residents voted at 4 community events).</p> <p>Further work identified includes:</p> <ul style="list-style-type: none"> -Continue to develop PSR to follow locality working principles of co-production, sharing information and resources, to bring in a wider range of stakeholders and communities to deliver true co-production. This will be achieved by co-locating communities officers trained in Community Building and with strong links to the local VCSE in the new place based multi-agency team -To embed locality working in organisations, through workforce strategy. -To ensure realistic timescale and resource available to embed new relationships and culture across partner agencies, a delivery plan for the Building Strong Communities Strategy is being developed. <p>The Locality project closed and will be merged into Vision 2031.</p>
<p>Information Governance</p> <p>Further action is required to embed information governance across the Council through the role of the Information Governance Team providing advice to support key projects and monitoring of key activities through the Information Security Governance Board Work plan.</p> <p>The Council is committed to undertake a voluntary audit from the Information Commissioner's Office during 2016/17, working to improve response times to Freedom of Information Requests</p>	<p>The Information Security Governance Board established an action plan of key areas for improvement within the Council. The ISGB met regularly throughout 2016/17 to review progress on the implementation of these tasks throughout the Council. Progress is monitored by CLT, and data protection and information security risks are reported through the Strategic Risk Register.</p> <p>A Corporate Information Risk Register has been compiled and is monitored as a standing item at the ISGB meetings.</p> <p>Key work undertaken included review and update of Information Governance policies and procedures for responding to Freedom of Information and Subject Access Requests. A staff awareness campaign was delivered with roll out of refresher Information Governance Training for staff who process</p>

2015/16 Significant Issues	Action Taken 2016/17
	<p>personal and/or sensitive information. Staff completion rates for the Data Protection training and Information Security training is much improved with rates for successful completion at 92% and 91% respectively.</p> <p>The Information Commissioner’s Office audit was carried out during January 2017; the scope covered:</p> <ul style="list-style-type: none"> • Data protection governance • Training and awareness • Subject access requests <p>This provided a ‘reasonable’ level of assurance that processes and procedures are in place and delivering data protection compliance. This is the second highest level of assurance that can be awarded. The report includes an action plan setting out recommendations for improvement in existing arrangements to reduce the risk of non-compliance with the Data Protection Act.</p> <p>The NHS Information Governance toolkit assessment was completed and submitted in accordance with the prescribed timeframe.</p> <p>The Council’s statutory response times to FOI requests has significantly improved during 2016/17 compared to previous years. Improvements have been made in completing overdue requests.</p>
<p>Devolution /GM Work and Skills Programme</p> <p>See Significant Issue above “Public Service Reform” in respect of the GM Work and Skills Programme. This activity is now covered as part of that programme.</p>	<p>See above re Public Service Reform.</p>

2015/16 Significant Issues	Action Taken 2016/17
<p>Business Continuity</p> <p>Improvements are required in Council processes in relation to business continuity both in respect of service procedures and central IT disaster recovery processes. This is to ensure the Council's services have robust continuity arrangements in place in the event of disruptions occurring. Action is taking place to improve arrangements and will continue to progress during 2016/17.</p>	<p>During 2016/17 Business Impact analysis has been updated for the majority of service areas including identification of Recovery Point Objective (RPO) and Recovery Time Objective (RTO) for IT system restoration, and to prioritise and identify single points of failure. Quarterly reporting to the Transformation, Performance and Resources (TPR) group has taken place during 2016/17 and monitoring of the improvement action plan.</p> <p>The Trafford Data centre model is currently structured through on premise and co-location hosting through an internal ICT function and data centre at Trafford Town Hall (TTH) and a backup site at Sale Waterside. The Council has been considering the Cloud option for all new service provisions especially when the non-functional business requirements specify disaster recovery. An investment decision is required in relation to the legacy investment in the Council data centre, and to support this further work has been undertaken to map the current state ICT Architecture capability.</p> <p>The Transformation and Resources Directorate have undertaken an ICT Architecture Review of the Trafford ICT landscape with the purpose of documenting and understanding our current ICT architecture capability. The objective of this exercise was to collate our current ICT capability into industry recognised ICT Architecture groupings. It is proposed to maintain and develop our ICT Capability Landscape via the engagement of an external Design Authority Partner (DA) who can provide enterprise, solution and infrastructure architecture capability on a call off basis to supplement the existing Trafford ICT team.</p> <p>The Head of ICT attended the April 2017 TPR meeting to update on work required to develop IT DR capacity and to discuss how this can be aligned to the overall business continuity management approach.</p>

Significant Governance Issues 2017/18

5.3 The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to ensure the Council effectively delivers its objectives and manages its resources to meet the ongoing financial challenges being faced. Detailed below are significant governance issues and actions planned to address these in 2017/18.

<p>Delivery of ‘Together Trafford-Vision 2031’</p>	<p>‘Together Trafford Vision 2031’ based on the premise “No one will be held back and no one left behind” has been developed in partnership with key agencies, and through engagement with voluntary, community and faith representation.</p> <p>Vision 2031 consists of a number of major programmes and other projects. These include:</p> <ul style="list-style-type: none"> - The Vision and Strategy programme - Public Service Reform - Health and Social Care Integration - The Social Care Sustainability Programme - The Investment and Place Shaping Programme. <p>The governance structure supporting Vision 2031 has been designed, with the overarching responsibility sitting with the Trafford Partnership Board. Underpinning the Vision 2031 delivery portfolio are seven key interventions (See pages 8&9).</p> <p>The Council’s 2017/18 Annual Delivery Plan has been aligned with the Vision 2031 interventions there will be regular reporting to the Executive through the year on progress.</p>
<p>Medium Term Financial Position / savings</p>	<p>Further work will be required to address the residual budget gap of £13.19m in 2018/19 and £6.05m in 2019/20. In the longer term it is aimed that Vision 2031 will deliver sustainable benefits but there is significant pressure to identify savings/additional income that will support the budget in the short term. A number of actions will be progressed.</p> <p>The Council is developing an Investment Strategy aimed at generating additional income streams to support the revenue budget.</p>

	<p>As part of the preparation to the full implementation of 100% Business Rates Retention in 2019/20 the Government is carrying out a needs review which will take account of the cost of providing services locally. The Council intends to play a full part in this review.</p>
Information Governance	<p>An action plan has been put in place to implement the recommendations from the ICO review and will be monitored through the ISGB. The ICO will carry a six month follow up on progress undertaken through self-assessment.</p> <p>The Authority is currently planning to ensure implementation of the requirements of the EU General Data Protection Regulations (GDPR) for May 2018. In addition, a collaborative approach to review the various changes and requirements introduced by GDPR is being undertaken at GM Level which will feed into the Council's work plan on this.</p> <p>Going forward, there will be significant work around Public Service Reform (PSR) in order to review and improve ways of working to remove areas of duplication of work. Currently, the One Trafford Response programme is the first significant PSR project underway and IG have been involved from the outset to review concepts and to provide advice on the data protection considerations to be resolved prior to its implementation.</p>
Business Continuity	<p>There will be ongoing monitoring of business continuity through the Strategic Risk Register and quarterly updates to the Transformation, Performance and Resources (TPR) group.</p> <p>An approach is to be agreed for the review of the business requirements (including Business Impact Analysis refresh) and to update system restoration priorities to inform ICT investment decisions.</p> <p>A market tender for an external Design Authority Partner (DA) will be issued in May 2017.</p> <p>The Capability Landscape will be fully costed in terms of ongoing revenue and annual capital spend, and benchmarked via the Society of Information Technology Management to provide CLT with a 'value for money' position on the capability landscape which can be linked to future decisions and business cases. It is aimed to start the benchmark process in April 2017.</p>

	<p>On behalf of the Audit and Assurance Service, Salford IT Audit Services will assess the Capability Landscape in terms of a Disaster Recovery readiness and determine whether existing solutions can meet business recovery time and point objectives (RTO and RPO) or to consider alternative solutions.</p> <p>A set of Trafford Architecture 'rule of the road' will be adopted to ensure we maintain the standardisation features of the existing landscape and avoid introducing complexity based on duplication or poor investments. These standards will be reviewed and enhanced by our Design Authority partner when appointed.</p> <p>Trafford have invested in a backup solution which has the capability to recover a service to an offsite location using the backup data. Trafford will test the solution using a desktop Proof of Concept by June 2017.</p> <p>As part of the 2017/18 Capital Plan the ICT capability at Sale will be enhanced with specific focus on increasing the network bandwidth and resilience; enhancing the facilities environment power and cooling and upgrading the server infrastructure.</p>
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The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to ensure it delivers its objectives and manages its resources to meet the ongoing financial challenges being faced.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

(Note: Final version of the 2016/17 Annual Governance Statement to be signed off, in September 2017, by the Chief Executive and Leader of the Council).

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 28 June 2017
Report for: Information
Report of: Cllr Coupe and Cllr Lally – Chair and Vice - Chair Accounts & Audit Committee (2016/17)

Report Title

Accounts and Audit Committee Annual Report to Council 2016/17.

Summary

The report sets out the 2016/17 Annual Report of the Accounts and Audit Committee to be submitted to Council.

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:

None

Accounts & Audit Committee
Annual Report
To Council

2016-2017



TRAFFORD
COUNCIL

CONTENTS

FOREWORD BY CHAIR & VICE-CHAIR OF THE ACCOUNTS & AUDIT COMMITTEE	Page 2
INTRODUCTION	
Role of the Committee.....	Page 3
Purpose of the Report.....	Page 3
Membership of the Committee.....	Page 3
ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED	Page 4
2016/17 – THE WORK OF THE ACCOUNTS & AUDIT COMMITTEE	
Internal Audit.....	Page 5
External Audit.....	Page 7
Risk Management.....	Page 9
Corporate Governance and the Annual Governance Statement.....	Page 10
Anti Fraud & Corruption Arrangements.....	Page 11
Accounts/Financial Management.....	Page 12

FOREWORD BY THE CHAIR AND VICE-CHAIR OF THE ACCOUNTS & AUDIT COMMITTEE

The Accounts and Audit Committee is independent of the Executive and plays a key role in providing challenge across the organisation. It provides independent assurance to the Council and the public on the effectiveness of the Council's governance, financial management, risk management and internal control arrangements. Continuing financial pressures faced by local authorities highlight the need for the Council to ensure that these arrangements assist in enabling resources to be managed effectively.

The Committee has continued to cover a broad range of work through the year. In addition to coverage of its work plan which was agreed at the start of the year, the Committee has sought assurance through the year as issues arise.

This report sets out how we have ensured the Committee has met its responsibilities in 2016/17.



Councillor Jonathan Coupe
Chairman, Accounts & Audit Committee 2016-17



Councillor Paul Lally
Vice-Chairman, Accounts & Audit Committee 2016-17

INTRODUCTION

Role of the Committee

The role of the Accounts and Audit Committee is to:

- provide independent assurance on the adequacy of the risk management framework and the associated control environment,
- undertake independent scrutiny of the Authority’s financial and non financial performance to the extent that it affects the Authority’s exposure to risk and weakens the control environment, and
- oversee the financial reporting process.

Assurance is gathered by the Committee mainly from the work of Finance Services (including Financial Management and the Audit and Assurance Service), and External Audit (provided by Grant Thornton in 2015/16). Relevant officers within these areas attended meetings through the year. This was supplemented by assurance from other sources where this was considered appropriate, for example direct from the Council’s managers.

Purpose of the Report

The purpose of this report to Council is to:

- Summarise the work undertaken by the Accounts & Audit Committee during 2016/17 and the impact it has had.
- Provide assurance to the Council on the fulfilment of the Committee’s responsibilities.

Membership of the Committee

The Accounts & Audit Committee’s terms of reference state that its membership shall comprise seven Members, be politically balanced within the Council’s current system, and shall not include any Members of the Executive.

Accounts & Audit Committee Membership	
2016/17	2017/18
Cllr Jonathan Coupe (Chair)	Cllr Nathan Evans (Chair)
Cllr Paul Lally (Vice Chair)	Cllr Chris Boyes (Vice Chair)
Cllr Alan Mitchell	Cllr Alan Mitchell
Cllr Chris Boyes	Cllr Paul Lally
Cllr Tom Ross	Cllr Barry Brotherton
Cllr Mrs Jane Baugh	Cllr Mrs Jane Baugh
Cllr Barry Brotherton	Cllr James Wright

ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED

The Committee derives its independent assurance from a number of sources including the work of External Audit, Finance (including Financial Management and Internal Audit) and managers across the Council.

During the year, these sources of assurance were reported to the Committee on a regular basis encompassing all the themes identified in the Committee's Terms of Reference. The Committee received information at each meeting and provided challenge and feedback to officers and external auditors, therefore fulfilling its responsibilities during 2016/17.

Areas covered by the Committee during the year, in line with its remit, included:

- Internal and External Audit;
- Risk Management;
- Corporate Governance, Internal Control and the Annual Governance Statement;
- Anti-Fraud and Corruption, and
- The production of the Statement of Accounts.

An established arrangement is in place whereby a work programme is agreed by the Committee at the start of each year to ensure it met its responsibilities. For 2016/17, the work programme included reviewing regular updates on the work of external audit, internal audit, approval of draft and final accounts, updates of the Council's strategic risk register, review of anti-fraud and corruption arrangements, and updates on treasury management and insurance activity. The programme also covered consideration of training and awareness for Committee Members which included a workshop on the Council's accounts and a presentation on business rates.

Further to the establishment of the agreed meeting timetable and work programme at the start of the year, the Committee reviewed the programme through the year and where needed, agenda items were added as required. This included receiving updates on developments for agreeing the process for the appointment of the Council's external auditors for the 2018/19 financial year. Further to this, the Accounts and Audit Committee recommended to Council that the future process for appointing the external auditor is undertaken via a national arrangement, co-ordinated by the Sector Led Body, Public Sector Audit Appointments Limited (PSAA). It was agreed that this option will be used with the appointment due to be made, as required, by December 2017.

Assurance in terms of the outcome of the 2016/17 External Audit of the Council's financial statements and a conclusion on the Council's value for money arrangements will be reported later in 2017 to the Committee in the External Auditor's 2016/17 Annual Audit Letter. In November 2016, the Committee had gained assurance through the 2015/16 Annual Audit Letter that an unqualified opinion was given on the 2015/16 financial statements. The report also concluded that, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2016.

Details of the work undertaken by the Committee are set out in the rest of this report.

Accounts and Audit Committee – Work Completed During 2016/17

Internal Audit

Role of the Committee in relation to Internal Audit:

- Review and approve (but not direct) the Internal Audit Charter, Internal Audit Strategy and internal audit resourcing.
- Review and approve (but not direct) the annual Internal Audit work programme. Consider the proposed and actual audit coverage and whether this provides adequate assurance on the organisation’s main business risks. Review the performance of Internal Audit.
- Receive summary internal audit reports and seek assurance on the adequacy of management response to internal audit advice, recommendations and actions plans.
- Review arrangements for co-operation between Internal Audit, External Audit and other review bodies, and ensure that there are effective relationships which actively promote the value of the audit process.
- Receive the Annual Head of Internal Audit report and opinion.

Work Completed	Outcome/ Impact
<p>The progress of internal audit work conducted by the Audit and Assurance Service was reported to the Committee on a quarterly basis. This included summary findings from individual audit reviews, responses to audit reports, progress in implementing the annual audit plan and performance of the Audit and Assurance Service. Update reports were presented in September 2016, November 2016 and February 2017.</p> <p>June 2016 The Annual Head of Internal Audit Report was submitted, providing an opinion on the standard of internal controls during 2015/16 based on Internal Audit work undertaken during the period.</p>	<p>The Committee maintained an overview of the control environment reviewed by Internal Audit and also obtained assurance in respect of Internal Audit performance.</p> <p>Updates included details of areas reviewed where controls were found to be operating to a satisfactory standard and others within the Council where improvements were identified and audit recommendations made accordingly.</p>

(Internal Audit continued)	
Work Completed	Outcome/ Impact
<p>March 2017 The Committee reviewed the updated Internal Audit Charter and Strategy. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service, and the Internal Audit Strategy describes the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Service are met.</p> <p>A report was submitted setting out the 2017/18 Annual Internal Audit Plan.</p>	<p>The Accounts and Audit Committee approved the updated Internal Audit Charter and Strategy.</p> <p>Assurance that Internal Audit coverage for the coming year covered a wide range of key business risks and plans were in place to make adequate internal audit resources available to complete the planned work.</p>

External Audit

The role of the Committee in relation to External Audit is:

- To review and consider proposed and actual External Audit coverage and its adequacy, and consider the reports of External Audit and other inspection agencies.
- To receive updates from External Audit on findings and opinions, and assurance as to the adequacy of management’s response to External Audit advice, recommendations and action plans.
- To review arrangements made for co-operation between External Audit, Internal Audit and other review bodies.

Work Completed	Outcome/ Impact
<p>June 2016 The Committee received a report from Grant Thornton on the progress made in delivering its responsibilities as the Authority’s external auditor. The report also highlighted key emerging national issues and developments which could be of interest to members of the Committee. Other such updates were provided at meetings in November 2016 and February 2017.</p>	<p>The Committee was able to monitor progress in respect of external audit work.</p>
<p>September 2016 The Committee receive a report on the findings to date from the External Auditor in respect of the audit of the Council’s accounts for the year ended 31 March 2016 and its work to provide a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money conclusion).</p>	<p>Members were advised that it was anticipated that an unqualified opinion on the financial statements would be provided.</p> <p>In addition, based on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources, the Council had proper arrangements in all significant respects to ensure it delivered value for money.</p>
<p>November 2016 The Committee received the Council’s Annual Audit Letter for the year ended 31 March 2016, summarising the key findings arising from the work of the External Auditor, Grant Thornton.</p> <p>The Committee received a report of the Chief Finance Officer detailing the options for the provision of external audit services from 2018/19. The appointment of the external auditor would need to be completed by 31 December 2017. It was noted that a further update would be provided later in 2016/17.</p>	<p>The Annual Audit Letter confirmed that an unqualified opinion was given on the financial statements. It also confirmed that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.</p> <p>The Committee were provided with background on options available for the future appointment of the external auditor.</p>

(External Audit continued)	
Work Completed	Outcome/ Impact
<p>February 2017 As part of the February update report, Grant Thornton presented an update on progress including planned work in respect of the 2016/17 audit. In addition, the update included a letter summarising its overall findings from the certification of the Council's 2015/16 Housing Benefits subsidy claim.</p> <p>A report by the Chief Finance Officer provided a recommended option for the process for appointing external audit services from 2018/19. This was based on consideration of a range of options, evaluated in liaison with Greater Manchester Treasurers.</p>	<p>The Committee was able to continue monitoring progress in respect of external audit work.</p> <p>It was agreed that the Accounts and Audit Committee recommended to Council that the future process for appointing the external auditor, to be completed by December 2017, was undertaken via the use of the Sector Led Body, Public Sector Audit Appointments Limited (PSAA).</p>
<p>March 2017</p> <p>The Committee received the External Audit Plan from Grant Thornton which outlined its audit approach and plan to deliver the audit for the year ended 31 March 2017. The report also set out the External Audit fees and assumptions supporting these.</p>	<p>The report submitted provided the Committee with details of work Grant Thornton is required to undertake as the council's external auditor.</p>

Risk Management

The role of the Committee in relation to risk management:

- Review the adequacy of arrangements for identifying and managing the organisation’s business risks – including the Council’s risk management policy and strategy and their implementation.
- Review the robustness of the strategic risk register and the adequacy of associated risk management arrangements.
- Receive and consider regular reports on the risk environment and associated management action.

Work Completed	Outcome/ Impact
<p>June 2016 The Committee was provided an update on managing risks in relation to the loss, absence or retention of senior managers which was previously included as a risk on the Council’s strategic risk register.</p>	<p>Assurance was received on measures taken and action in progress to mitigate the risks highlighted.</p>
<p>November 2016 The Committee was provided with a report on the Council’s Strategic Risk Register. The report provided an update on the strategic risk environment, including updates on each of the risks on the strategic risk register.</p>	<p>The Committee received assurance on the arrangements for reviewing key strategic risks. The Committee provided feedback regarding the detail provided relating to some risks and requested further information on some areas which was provided following the meeting.</p>
<p>March 2017 The Committee was provided with a further update report on the Strategic Risk Register. The highest risk identified related to the Council’s medium term financial position with details reported of action taken and measures planned to continue to manage the risk.</p> <p>The Committee was also presented with the Council’s updated Risk Management Policy Statement and Strategy. The Policy Statement set out the Authority’s overall position regarding its approach to risk management, whilst the Strategy document set out, in detail, the expected arrangements to be in place to ensure there are adequate risk management processes across the Council.</p>	<p>The Committee received assurance that there is ongoing monitoring of strategic risks with details provided for each risk of control / monitoring arrangements in place and where applicable further improvements planned.</p> <p>The Committee approved the Council’s Risk Management Policy Statement and Strategy.</p>

Corporate Governance, Internal Control and the Annual Governance Statement

The role of the Committee in relation to the above is to:

- Conduct a critical review of the proposed Annual Governance Statement, the procedures followed in its completion and supporting evidence to provide assurance to the Leader of the Council and the Chief Executive of its meaningfulness and robustness.
- Review effectiveness of corporate governance and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.

Work Completed	Outcome/ Impact
<p>June 2016 A report setting out the 2015/16 draft Annual Governance Statement (AGS) was presented to give Members the opportunity to review the content of the AGS prior to it being finalised. The Committee also received the Council's updated Corporate Governance Code for approval.</p>	<p>The Committee agreed to consider the draft version of the AGS and noted timescales for finalising the document in accordance with the Accounts and Audit Regulations 2015.</p> <p>The Committee agreed the updates to the Council's Corporate Governance Code which followed good practice set out by the Chartered Institute for Public Finance and Accountancy (CIPFA).</p>
<p>September 2016 The final version of the Annual Governance Statement, signed by the Chief Executive and Leader, was submitted to the Committee.</p> <p>A report was presented to update Members on the outcome of an inspection carried out by the Office of Surveillance Commissioners (OSC).</p>	<p>The Committee approved the 2015/16 Annual Governance Statement.</p> <p>Members were advised of recommendations made by the OSC and the proposed actions of the Council to implement them.</p>
<p>February 2017 A report setting out a proposed approach / timetable to ensure compliance with the production of an Annual Governance Statement for 2016/17 was presented.</p> <p>The Committee received an update on work in relation to the Reshaping Trafford programme which was one of the key governance issues highlighted in the 2015/16 Annual Governance Statement.</p>	<p>Procedures and responsibilities of Members and officers in the process for producing and approving the 2016/17 Annual Governance Statement were agreed.</p> <p>Assurance was provided regarding progress made in progressing actions highlighted in the previous year's Annual Governance Statement.</p>

Anti - Fraud & Corruption Arrangements

The role of the Committee is to:

- Review and ensure the adequacy of the organisation’s Anti - Fraud & Corruption policy and strategy and the effectiveness of their application throughout the Authority.
- Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.

Work Completed	Outcome/ Impact
<p>September 2016</p> <p>The Committee received a report outlining the Councils’ fraud prevention and detection performance and activities in 2015/16, as well as outlining the Counter Fraud and Enforcement team’s plans for 2016/17.</p> <p>Members were reminded of the new structure in place following the transfer of benefit fraud investigation staff to the Department for Work and Pensions’ (DWP) in March 2016 as part of the national Single Fraud Investigation Service. A new team had been formed by the Council to conduct fraud investigation that remained within the Council’s scope.</p>	<p>The Committee was provided with assurance that the Council was continuing to ensure adequate fraud investigation capacity is in place going forward.</p>
<p>November 2016</p> <p>The Committee received a report providing an update on recent developments in respect of the use of the Council website to report fraud and plans to raise awareness of this. This included the introduction of on-line fraud reporting forms.</p> <p>It was also reported that the Council’s Anti-Fraud and Corruption Strategy and Policy and supporting guidance would be updated accordingly. These documents were subsequently presented to the Committee and approved in March 2017.</p>	<p>The Committee gained assurance that improvements had been made to processes for fraud reporting and details were being publicised.</p>

Accounts / Financial Management

The role of the Committee is to:

- Approve the Council’s Annual Statement of Accounts including subsequent amendments.
- Consider the External Auditor’s report on the audit of the Council’s annual financial statements.
- Be responsible for any matters arising from the audit of the Council’s accounts.

Work Completed	Outcome/ Impact
<p>June 2016</p> <p>The pre-audited Annual Statement of Accounts for 2015/16 was presented along with the 2015/16 Revenue Budget Outturn and Capital Investment Programme Outturn reports.</p> <p>(In advance of the June Committee meeting, a training session was provided for Committee Members on the Council’s Accounts).</p> <p>A report was submitted on the outcome of the review of treasury management activities for the past financial year.</p> <p>A report was submitted providing details of the Council’s insurance arrangements and activity in 2015/16. This included details in respect of the major classes of insurance.</p>	<p>The Committee was able to review the accounts prior to submission to the external auditor and public inspection.</p> <p>Assurance was obtained that treasury management activities adhere to the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance.</p> <p>Assurance was obtained that insurance arrangements are monitored and regularly reviewed.</p>
<p>September 2016</p> <p>The final accounts were presented following the audit of the 2015/16 draft accounts.</p> <p>A presentation was given to the Committee on business rates.</p>	<p>The Committee approved the final accounts for 2015/16.</p> <p>Members were updated on latest developments in respect of business rate retention, including for Trafford as part of a Greater Manchester Pilot scheme.</p>
<p>November 2016</p> <p>A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2016/17.</p>	<p>The Committee was able to monitor treasury management performance during the year in line with the CIPFA Code of Practice on Treasury Management.</p>

(Accounts/Financial Management continued)	
Work Completed	Outcome/ Impact
<p>February 2017 A Treasury Management report was submitted setting out the Council's strategy for 2017/18 – 2019/20. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy.</p> <p>(In advance of the February Committee meeting, a training session was provided for Committee Members on Treasury Management).</p>	<p>The Audit Committee recommended that the Council approve the various elements of the Strategy.</p>
<p>All meetings</p> <p>The Accounts and Audit Committee received the most recent available monthly budget monitoring report at each meeting.</p>	<p>The Committee had the opportunity to review information and raise queries on budget monitoring information submitted through the year.</p>

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 28 June 2017
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2017/18

Summary

This report sets out the proposed work plan for the Committee for the 2017/18 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 Accounts and Audit Committee is asked to approve the 2017/18 work programme.

Contact person for access to background papers and further information:

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

Background Papers: None

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts / Financial Management
28 June 2017	Agree Committee's Work Programme for 2017/18 (including consideration of training and development). Training & Development/Presentation - Draft accounts (provided outside of the Committee in July 2017)					
	- 2016/17 Head of Internal Audit Annual Report	- Audit Progress Report	-Cyber Security risk update	- Review 2016/17 draft Annual Governance Statement - Corporate Governance Code - Accounts and Audit Committee 2016/17 Annual Report to Council		- 2016/17 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn reports -Treasury Management update (including Annual Performance Report 2016/17)
6 September 2017	- Q1 Internal Audit Monitoring Report	- Audit Findings Report		- 2016/17 Annual Governance Statement (final version)	- Counter Fraud and Enforcement Team Annual Report 2016/17.	- Approval of Annual Statement of Accounts 2016/17 - Budget Monitoring Report. - Procurement update (STAR Shared Procurement Service) -Insurance Performance Report 2016/17

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (Including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts/Financial Management
6 December 2017	Training and Development – Risk Management					
	- Q2 Internal Audit monitoring report	- Annual Audit Letter - Audit Update - External Auditor appointment update	- Strategic Risk Register Monitoring Report			- Treasury Management : mid-year performance report - Budget Monitoring Report
7 February 2018						
	- Q3 Internal Audit monitoring report / Public Sector Internal Audit Standards update	- Audit Update (including Grant Claims summary)		- Report on arrangements for 2017/18 Annual Governance Statement / Update on significant governance issues		- Treasury Management Strategy - Budget Monitoring Report
23 March 2018						
	- 2018/19 Internal Audit Plan - Internal Audit Charter and Strategy	- Audit Plan / update	- Strategic Risk Register Monitoring Report		- Anti-Fraud and Corruption update	- Budget Monitoring Report.

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