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TRAFFORD COUNCIL

AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Tuesday, 27 March 2018

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 7 February 2018.	1 - 6
3. AUDIT PROGRESS REPORT (MARCH 2018)		
	To receive a report from the Council's External Auditor.	7 - 24
4. EXTERNAL AUDIT PLAN		
	To receive a report from the Council's External Auditor.	25 - 42
5. INTERNAL AUDIT CHARTER AND STRATEGY		
	To consider a report of the Audit and Assurance Manager.	43 - 62
6. INTERNAL AUDIT OPERATIONAL PLAN 2018/19		
	To consider a report of the Audit and Assurance Manager.	63 - 84

7. **BUDGET MONITORING 2017/18 - PERIOD 10 (APRIL 2017 TO JANUARY 2018)**
- To receive a joint report of the Executive Member for Corporate Resources and the Chief Finance Officer. 85 - 100
8. **STRATEGIC RISK REGISTER 2017/18 (MARCH 2018 UPDATE)**
- To consider a report of the Audit and Assurance Manager. 101 - 116
9. **ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2017/18**
- To receive a report of the Audit and Assurance Manager. 117 - 120
10. **URGENT BUSINESS (IF ANY)**
- Any other item or items which by reason of special circumstances (to be specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency.

THERESA GRANT
Chief Executive

Membership of the Committee

Councillors 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 **Monday, 19 March 2018** 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

7 FEBRUARY 2018

PRESENT

Councillor N. Evans (in the Chair).

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

Also Present

Councillor M. Cordingley

In attendance

Head of Financial Management

(G. Bentley)

Head of Governance

(P. Forrester) (present for minutes 33-34)

Audit and Assurance Manager

(M. Foster)

Democratic & Scrutiny Officer

(C. Gaffey)

Also in attendance

T. Rooney, Grant Thornton UK LLP

APOLOGIES

Apologies for absence were received from Councillor J.A. Wright.

33. MINUTES

RESOLVED: That the Minutes of the meeting held on 6 December 2017, be approved as a correct record and signed by the Chairman.

34. ANNUAL GOVERNANCE STATEMENT 2017/18 - APPROACH/TIMETABLE

The Committee received a report of the Head of Governance, setting out the action plan / timetable to ensure compliance with the production of an Annual Governance Statement for 2017/18. There were no significant changes to the approach or timetable from the previous year; however it was noted that Legal & Democratic Services had now assumed responsibility for the production of the Statement.

RESOLVED:

- i) That the timetable / action plan be noted.
- ii) That the Committee would review a draft version of the Annual Governance Statement prior to it being finalised and signed off by the Chief Executive and Leader.

35. TREASURY MANAGEMENT STRATEGY 2018/19 - 2020/21

The Committee received a joint report of the Executive Member for Corporate Resources and the Chief Finance Officer outlining the strategy to be followed

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7 February 2018

during this period for investments and borrowing, the outlook for interest rates, the management of associated risks, the policy to be adopted on Minimum Revenue Provision (MRP), and Prudential Indicators.

The Head of Financial Management highlighted the rise in interest rates which would be beneficial for returns on investment, and advised that the forecast debt level was set to rise due to the Council's Investment Strategy. Members were advised that the Investment Strategy was focused on the Council's financial investments, and that other budget papers to be published in due course would provide further details around the budget, property investment and commercial activity.

Following the publication of revised guidance issued by the Secretary of State prior to the meeting, an updated version of appendix 3 of the report was tabled for Members. The Head of Financial Management explained that the changes related to third party loans. The Council's current policy was to not set aside MRP for these loans, as the third parties had an obligation to repay. Only where it was felt that this obligation was at risk, or the debt was impaired would any amount be charged to the revenue budget.

The Committee discussed out of borough investments, as well as how the MRP lifespan for investments was set. It was noted that the maximum permissible lifespan was fifty years. However, the decision on the MRP lifespan was made by professional judgment considering a number of factors, and each investment was judged on its own merits.

The report would be amended to reflect the changes to the MRP policy before being considered at the next meeting of the Executive.

RESOLVED: That the Accounts & Audit Committee recommend to the Executive and Council the following key elements of the report for approval:

- 1) The policy on debt strategy as set out in section 3;
- 2) The Investment Strategy as set out in section 5;
- 3) The Prudential Indicators and limits including the Authorised Limit (as required by section 3(1) of the Local Government Act 2003), Operational Boundary, Minimum Revenue Provision Statement and Investment criteria as detailed in Appendix 3.

36. AUDIT PROGRESS REPORT (JANUARY 2018) AND CERTIFICATION LETTER

The Committee received a report of Grant Thornton UK LLP on the progress at January 2018 in delivering its responsibilities as the Authority's external auditor. The report also highlighted key emerging national issues and developments and a number of challenge questions in respect of the emerging issues.

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The scale fee set by the PSAA for the certification of the Council's 2016/17 housing benefit claim was noted, and it was confirmed that formal protocols were in place regarding the transition to the Council's new external auditor.

RESOLVED: That the report be noted.

37. EXTERNAL ASSESSMENT OF INTERNAL AUDIT BY CIPFA

The Committee received a report of the Audit and Assurance Manager, setting out the findings and opinion from the assessment of the Council's internal audit processes recently undertaken by CIPFA. The Committee were reminded that it was a requirement of the Public Sector Internal Audit Standards (PSIAS) that Internal Audit Services within the public sector measure how well they were conforming to the Standards. This included the requirement to have an external assessment undertaken at least once in a five-year period.

CIPFA's overall opinion of the Council's Internal Audit Service was that it 'generally conformed' with the Standards, which was the highest of the three possible opinion levels. Of the five recommendations made by CIPFA in the report, all were accepted by the Council, with three implemented with immediate effect. The other two recommendations would be addressed with separate reports in due course. It was noted that the action plan had been completed and this would be reported as part of the Council's Annual Audit Report.

The Chairman and the Committee congratulated the Audit and Assurance Manager for the outcome of the assessment.

RESOLVED: That the report be noted.

38. AUDIT AND ASSURANCE REPORT FOR THE PERIOD OCTOBER TO DECEMBER 2017

The Committee received a report of the Audit and Assurance Manager providing a summary of the work of Audit and Assurance during the period October to December 2017. The report also provided ongoing assurance to the Council on the adequacy of its control environment.

The Audit and Assurance Manager highlighted the key priorities for quarter 3 in section 3 of the report, as well as the outcome of audits in section 4. In respect of the 9 final reports issued, at least "Adequate" Opinions (Medium or above) were given in relation to all the reports. For all final reports issued, where applicable, agreed action plans were in place to implement the recommendations made. It was noted that most recommendations had been accepted in the period with the exception of a small number of non-high priority recommendations made to schools. Members were advised that recommendations could be considered as being 'in progress' for a variety of reasons, including if plans were in place for completion by a specific date or if they were only partially completed.

The Committee discussed the operational plan for allocating work days and whether there was a priority framework in place to determine which areas should

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receive the most focus. It was noted that there was a minimum expectation regarding audit work for all areas, and that the service had processes in place to ensure the work days were spread accordingly. It was also noted that contingencies were in place to cover any loss of work days for any particular area.

Members discussed how employees' immigration status was checked, as well as the difference in financial arrangements between the Council and Trafford CCG. Members were advised that the Council and CCG auditors had met in the past to share work plans, and work would take place to ascertain what links would need to be made between the two organisations' audit teams going forward.

RESOLVED: That the report be noted.

39. BUDGET MONITORING 2017/18 - PERIOD 8 (APRIL TO NOVEMBER 2017)

The Committee received a joint report of The Executive Member for Corporate Resources and the Chief Finance Officer informing Members of the current 2017/18 forecast outturn figures relating to both Revenue and Capital budgets. The report also summarised the latest forecast position for Council Tax and Business Rates within the Collection Fund.

Members were advised of the forecasted revenue budget underspend of £216k, an adverse movement of £725k since Period 6, however this took into account the additional £2m in highways spending taken from the additional revenue generated by the green waste fee scheme. The current forecast for the Council wide budget was a £1.5m underspend.

Members were advised of the £5.1m financial benefit to the Council from the 100% Business Rate pilot scheme. However, due to the risks faced by Trafford due to its large business rates baseline and volatility from business rate appeals, and the prospect of a reassessment of the retention scheme in two years' time, this would be transferred to a new earmarked reserve.

The Committee discussed the dividend received from the Manchester Airport investment. Members also discussed the continued overspend in Adult Social Care. The Committee were reminded that Adult Social Care spending remained a national issue, with a number of other Local Authorities also forecasting an overspend in this service area. The Secretary of State had recently announced that some additional funding would be made available for Adult Social Care, and a green paper aimed at addressing these issues was expected in the summer of 2018.

Members discussed the £2m of additional funding for highways maintenance for 2017/18 and whether this would all be spent in the current financial year. The Head of Financial Management confirmed that this was the ambition, and would check to ensure that the contractors were aware of this.

Members discussed the dedicated school grant and the ongoing dispute in relation to sixth forms. The Head of Financial Management advised that a further report on

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the matter would be taken to a future meeting of the Executive following a consultation with schools.

RESOLVED: That the report be noted.

40. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2017/18

The Committee received a report of the Audit and Assurance Manager setting out the updated work plan for the Committee for the 2017/18 municipal year.

RESOLVED: That the report be noted.

41. URGENT BUSINESS (IF ANY)

(a) Accounts and Audit Committee Meeting Timetable

[The Chairman agreed to accept this item as a matter of urgent business to allow a timely update on the situation to Committee Members]

The Vice-Chairman requested that consideration be given to the Accounts and Audit Committee meeting timetable for the 2018/19 in an attempt to avoid the issue encountered at the beginning of the 2017/18 municipal year, where a meeting had to be rescheduled due to Member unavailability. With meeting dates published and agreed at the Annual Council meeting at the end of May, some Members already had commitments on the day of the first Accounts and Audit Committee meeting scheduled for the end of June. The Audit and Assurance Manager confirmed that this would be taken into consideration for next year's timetable and work programme.

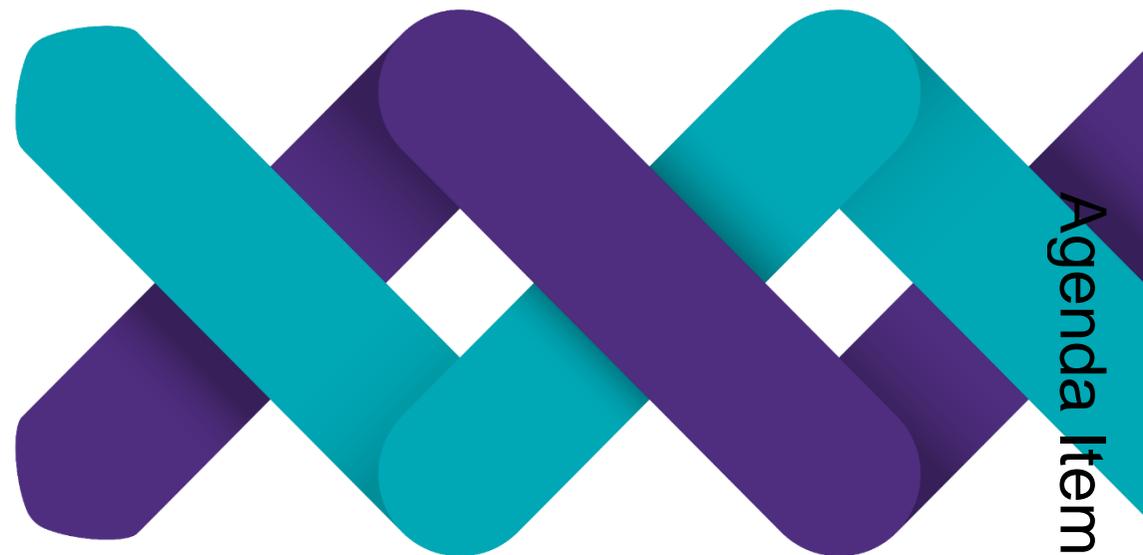
RESOLVED: That the update be noted.

The meeting commenced at 6.30 pm and finished at 7.30 pm

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Audit Progress Report and Sector Update

Trafford Council
Year ending 31 March 2018
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15 March 2018



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Introduction

Mark Heap

Engagement Lead

T 0161 234 6375

M 07880 456204

E mark.r.heap@uk.gt.com

Tommy Rooney

Engagement Manager

T 0161 214 6359

M 07880 456169

E tommy.o.rooney@uk.gt.com

This paper provides the Accounts and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Accounts and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2018

Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and will issue a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

Our interim audit is currently in progress and the fieldwork includes:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

The findings to date from our interim audit are summarised at page 6 to 7.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing our plan and timetable with officers.

The final accounts audit is due to begin when we receive the draft accounts at the beginning of June with findings reported to you in the Audit Findings Report by the earlier deadline of July 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We have made our initial risk assessment to determine our approach and report this to you in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

Meetings

We meet with Finance Officers on a regular basis and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective..

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	March 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	In progress
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's reports on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit reports has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

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	Work performed	Conclusions and recommendations
Review of information technology controls	Our information systems specialist is in the process of performing a high level review of the general IT control environment, as part of the overall review of the internal controls system.	Our work is ongoing.
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. Walkthrough tests have been undertaken on the payroll system and operating expenditure system. We have also reviewed the arrangements and procedures in place for the revaluation of Property, Plant and Equipment (PPE) and are reviewing arrangements in place for the submission of pension information for use by the actuary to the Greater Manchester Pension Fund.</p> <p>Our work to date has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	Our work done to date has not identified any weaknesses which impact on our audit approach.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements
Early substantive testing	Our early testing is currently in progress.	We will update the committee further once this work is completed.

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- [Grant Thornton Publications](#)
- [Insights from local government sector specialists](#)
- [Reports of interest](#)
- [Accounting and regulatory updates](#)

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

Financial sustainability of local authorities 2018

This National Audit Office report reviews financial sustainability across Local Government and examines whether the MHCLG, along with other departments with responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities.

The report concludes that current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014, when the NAO first looked at financial sustainability. It also notes that the financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

The NAO's view is that the sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since the 2014 review. Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams.

Key findings include:

Financial resilience varies between authorities, with some having substantially lower reserves levels than others. Levels of total reserves in social care authorities as a whole are higher now than in 2010-11. However, there is variation in individual authorities' ability to build up their reserves and differences in the rate at which they have begun to draw them down. Some 10.6% of single-tier and county councils would have the equivalent of less than three years' worth of total reserves (earmarked and unallocated combined) left if they continued to use their reserves at the rate they did in 2016-17.

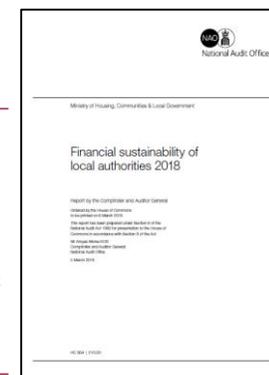
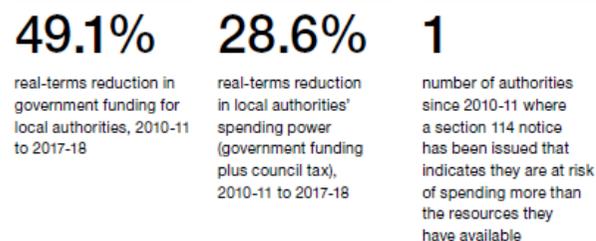
A section 114 notice has been issued at one authority, which indicates that it is at risk of failing to balance its books in this financial year. In February 2018, the statutory financial officer for Northamptonshire County Council issued a section 114 notice, indicating that it was at risk of spending more in the financial year than the resources it has available, which would be unlawful.

MHCLG's work to assess the sector's funding requirements as part of the 2015 Spending Review was better than the work it undertook for the 2013 Spending Review. The Department's advice to ministers in 2015 drew on a more comprehensive evidence base, including data returns from 12 departments.

The government has announced multiple short-term funding initiatives in recent years and does not have a long-term funding plan for local authorities. In 2016-17, the Department offered a four-year settlement to all authorities to enable better financial planning. However, there have been many changes to funding streams outside this core offer. The funding landscape following the 2015 Spending Review has been characterised by one-off and short-term funding initiatives.

There is also uncertainty over the long-term financial plan for the sector. The absolute scale of future funding is unknown until the completion of the next Spending Review. The government has confirmed its intention to implement the results of the Fair Funding Review in 2020-21 and to allow local authorities to retain 75% of business rates. However, the implications of these changes are not yet clear.

There is a lack of ongoing coordinated monitoring of the impact of funding reductions across the full range of local authority services.



Public Sector Audit Appointments: Report on the results of auditors' work 2016/17

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

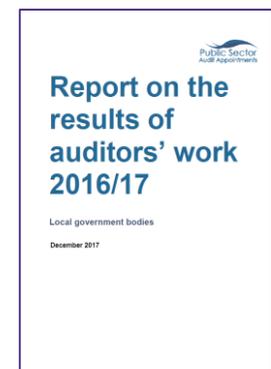
The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16. The most common reasons for auditors issuing non-standard conclusions on the 2016/17 accounts were:

- the impact of issues identified in the reports of statutory inspectorates;
- corporate governance issues; and
- financial sustainability.

The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.



Changes to the prudential framework of capital finance

The Ministry of Housing Communities and Local Government has updated the Local Authority Investments Guidance and the Minimum Revenue following its publication of consultation responses on 2 February 2018.

A total of 213 consultation responses were received by the MHCLG by the 22 December 2017 deadline from across local government. Following consideration of the responses the Government has:

- made some technical changes to the Investments Guidance and MRP Guidance
- amended proposals relating to useful economic lives of assets
- implemented the Investments Guidance for 2018-19, but allowed flexibility on when the additional disclosure first need to be presented to full Council
- deferred implementation of MRP Guidance to 2019-20 apart from the guidance “Changing methods for calculating MRP”, which applies from 1 April 2018.

Key changes are noted below.

Statutory Guidance on Local Authority Investments

Transparency and democratic accountability – the revised guidance retains the requirement for an Investment Strategy to be prepared at least annually and introduces some additional disclosures to improve transparency. However, as the changes to the CIPFA Prudential Code include a new requirement for local authorities to prepare a Capital Strategy, the revised guidance allows the matters required to be disclosed in the Investment Strategy to be disclosed in the Capital Strategy.

Principle of contribution – the consultation sought views on the introduction of a new principle requiring local authorities to disclose the contribution that non-core investments make towards core functions. Authorities’ core objectives include ‘service delivery objectives and/or placemaking role.’ This clarification has been made to recognise the fact that local authorities have a key role in facilitating the long term regeneration and economic growth of their local areas and that they may want to hold long term investments to facilitate this.

Introduction of a concept of proportionality – the Government is concerned that some local authorities may become overly dependent on commercial income as a source of revenue for delivering statutory services. The consultation sought views on requiring local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income. A majority of respondents supported the introduction of a concept of proportionality, recognising the importance that local authorities make decisions based on an understanding of the overall risk that they face.

Borrowing in advance of need – by bringing non-financial investments (held primarily or partially to generate a profit) within the scope of the Investments Guidance, the consultation proposals made it clear that borrowing to fund acquisition of non-financial assets solely to generate a profit is not prudential. The Investment Guidance requires local authorities who have borrowed in advance of need solely to generate a profit to explain why they have chosen to disregard statutory guidance. It is also important to note that nothing in the Investment Guidance or the Prudential Code overrides statute, and local authorities will still need to consider whether any novel transaction is lawful by reference to legislation.

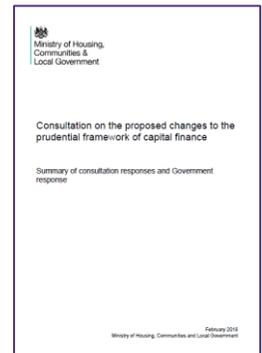
Minimum Revenue Provision Guidance

The consultation sought views on proposals to update the guidance relating to MRP to ensure local authorities are making prudent provision for the repayment of debt.

Meaning of a charge to the revenue account – the Government does not believe that crediting the revenue account is either prudent or within the spirit of the approach set out in the relevant Regulations. For this reason a charge to the account should not be a negative charge.

Impact of changing methods of calculating MRP – the Government does not expect any local authority to recalculate MRP charged in prior years due to the proposed changes in methodology.

Introduction of a maximum economic life of assets – the consultation sought views on setting a maximum useful economic life of 50 years for freehold land and 40 years for other assets. The MRP Guidance will set a maximum life of 50 years, but allow local authorities to exceed this where the related debt is PFI debt with a longer term than 50 years, or where a local authority has an opinion from an appropriately qualified person that an operational asset will deliver benefits for more than 50 years.



Changes to capital finance framework

Challenge question:

Are you aware of the impact of the changes to the prudential framework of capital finance?

CIPFA publications - The Prudential Code and Treasury Management Code

CIPFA have published an updated 'Prudential Code for Capital Finance in Local Authorities'. Key developments include the introduction of more contextual reporting through the requirement to produce a capital strategy along with streamlined indicators.

The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003, and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

Since the Prudential Code was last updated in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda. It reflects the increasing diversity in the sector and new structures, whilst providing for streamlined reporting and indicators to encourage better understanding of local circumstances and improve decision making.

The introduction of a capital strategy allows individual local authorities to give greater weight to local circumstances and explain their approach to borrowing and investment. The Code is available in hard copy and online.



CIPFA have also published an updated Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance Notes. The Code provides a framework for effective treasury management in public sector organisations.

The Code defines treasury management as follows:

The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

It is primarily designed for the use of local authorities (including police and crime commissioners and fire authorities), providers of social housing, higher and further education institutions, and the NHS. Local authorities in England, Scotland and Wales are required to 'have regard' to the Code.

Since the last edition of the TM Code was published in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda.

There are significant treasury management portfolios within the public services, for example, as at 31 March 2016, UK local authorities had outstanding borrowing of £88bn and investments of £32bn

The Code is available in hard copy and online.

CIPFA Publication

Challenge question:

Are you aware of the impact of the changes to the prudential code?



The adult social care workforce in England

This National Audit Office report considers the Department of Health & Social Care's role in overseeing the adult social care workforce and assesses whether the size and structure of the care workforce are adequate to meet users' needs for care now, and in the future, in the face of financial challenges and a competitive labour market.

The Department of Health and Social Care is not doing enough to support a sustainable social care workforce. The number of people working in care is not meeting the country's growing care demands and unmet care needs are increasing, according to the report. While many people working in care find it rewarding, there is widespread agreement that workers feel undervalued and there are limited opportunities for career progression, particularly compared with similar roles in health. In 2016-17, around half of care workers were paid £7.50 per hour or below (the National Living Wage was £7.20 in 2016-17), equivalent to £14,625 annually. This, along with tough working conditions and a poor image, prevents workers from joining and remaining in the sector.

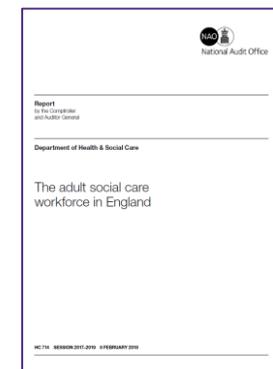
There are around 1.34 million jobs in the adult social care sector in England, across more than 20,300 organisations. The turnover rate of care staff has been increasing since 2012-13 and in 2016-17 reached 27.8%. The vacancy rate in 2016-17 for jobs across social care was 6.6%, which was well above the national average of 2.5%-2.7%. However, demographic trends suggest that demand for care will continue to increase and people's care needs will continue to become more complex. To meet these challenges, the Department estimates that the workforce will need to grow by 2.6% every year until 2035.

The social care market is operating in challenging circumstances. Care providers, already under financial pressures, are struggling to recruit and retain workers and are incurring additional costs as a result. Local authorities spent 5.3% less on care in 2016-17 compared with 2010-11, and spending is expected to reduce further over the next two years due to continued government funding cuts and increased financial pressures on local authorities. Uncertainty over funding is limiting local authorities' ability to plan future spending on care.

The Department cannot demonstrate that the sector is sustainably funded, which impacts workforce planning. Around 65% of independent providers' income comes from local authority-arranged care. The vast majority of local authorities are paying fees to homecare providers that are below the recommended minimum price for care, putting providers in financial difficulties. Furthermore, local authorities are not paying the full cost for care home placements. If this continues, there is a risk providers will not continue to invest in areas where there are high proportions of people receiving local authority funded care.

The Department has no national strategy to address this workforce challenge and key commitments it has made to help make the sector more attractive, through enhanced training and career development, have not been followed through. Furthermore, the NAO has not found any evidence that the Department is overseeing workforce planning by local authorities and local health and care partnerships, which commission care, to help with the challenge. Without a national strategy to align to, few local areas have detailed plans for sustaining the care workforce.

The NAO has recommended that the Department produces a robust national workforce strategy with the support of the Ministry of Housing, Communities and Local Government and that it encourages local and regional bodies to align their own plans to it. The Department also needs to invest more to enable commissioners to set appropriate fees for providers, so they can pay staff adequately and afford to offer career development and training opportunities.



Commercial Healthcheck: commercial investments and governance

Our latest healthcheck report was launched at CIPFA's Income Generation Summit in November. It is part of our 'The Income Spectrum' series, giving leaders of local government and public services insights into why and how local authorities are changing their approach to commercialisation, some of the related governance and risk management issues, and the latest innovation trends with case studies ranging from Angus and Luton to Oldham and Stirling.

The research shows that councils need to do more than simply adhere to the drafted rules to ensure an approach to commercialisation that balances outcomes and risks. The report therefore also includes a healthcheck diagnostic tool designed to give local government leaders extra comfort and confidence that they are pursuing a suitably balanced approach

Governance of commercial commitments is key to building confidence in the path to financial sustainability. The CIPFA code is the sector's primary rule book for treasury management and is expected to place a stronger emphasis on how councils will balance security, liquidity and return.

Key findings from the report include:

- While property has tended to be the focus, it is just one of a number of areas of activity. In the past year, borrowing includes £4.8 billion on bonds and commercial paper, and investment includes £7 billion in inter-authority lending (Investment in property for councils is a growing trend – a third of councils have done so since 2010, spending more than £2.4 billion between them, but this is not the only major area of investment activity)
- More entrepreneurial councils are adopting innovative approaches such as place-based market offerings, working together locally to add social value and cross-boundary franchising
- For many councils, investing in commercial assets is key to developing anchor institutions that contribute to place – ranging from airports, business parks and forestry to GP surgeries and cinemas
- A 'beyond compliance' approach to governance of commercial activities is required by progressive councils wanting to do more with less

[Click on the report cover to download and read more](#)



Grant Thornton Publication

Challenge question:

Is your Authority considering the risks and governance issues for its commercialisation agenda?



Supply Chain Insights tool helps support supply chain assurance in public services

Grant Thornton UK LLP has launched a new insights and benchmarking platform to support supply chain assurance and competitor intelligence in public services.

The Supply Chain Insights service is designed for use by financial directors and procurement professionals in the public sector, and market leaders in private sector suppliers to the public sector. It provides users with a detailed picture of contract value and spend with their supply chain members across the public sector. The analysis also provides a robust and granular view on the viability, sustainability, market position and coverage of their key suppliers and competitors.

The platform is built on aggregated data from 96 million invoices and covers £0.5 trillion of spending. The data is supplemented with financial standing data and indicators to give a fully rounded view. The service is supported by a dedicated team of analysts and is available to access directly as an on-line platform.

Phillip Woolley, Partner, Grant Thornton UK LLP, said:

"The fall-out from the recent failure of Carillion has highlighted the urgent need for robust and ongoing supply chain monitoring and assurance. Supply Chain Insights provides a clear picture of your suppliers' activities across the sector, allowing you to understand risks, capacity and track-record. We think it's an indispensable resource in today's supplier market."



The tool enables you to immediately:

- access over 96 million transactions that are continually added to
- segment invoices by:
 - organisation and category
 - service provider
 - date at a monthly level
- benchmark your spend against your peers
- identify:
 - organisations buying similar services
 - differences in pricing
 - the leading supplier
- see how important each buyer is to a supplier
- benchmark public sector organisations' spend on a consistent basis
- see how much public sector organisations spend with different suppliers

Supply Chain Insights forms part of the Grant Thornton Public Sector Insight Studio portfolio of analytics platforms.

Click on Supply Chain Insights for more information.

Supply Chain Insights

Grant Thornton

Challenge question:

Has your Authority considered how our Supply Chain Insight tool can help support your supply chain assurance?



Cost Assurance

Did you know....

40

Number of Public Sector engagements to date

£125m

Annual spend analysed

Page 22
£3.55m

Rebate opportunities identified

£1.1m

Fee income identified

2.84%

Error rate – rebates versus spend volume

55%

Of Public Sector engagements are Local Government

Our Cost Assurance service line provides Local Authorities with an independent and retrospective audit of their legacy telecommunications and utilities costs incurred during the past 6 years (as per the Statute of Limitation).

We find that there are repeat errors contained within a Suppliers' invoice arrangements – errors that aren't necessarily picked up by the end client. This is due to the fact that they tend to be contained in suppliers' billing systems 'at source' and are much further down the supply chain which the user won't necessarily have visibility of.

We are supported by a comprehensive library of legacy supplier pricing that has been collated since 2011. Our one aim is to ensure that the client has only paid for the services used during the period by:

- ensuring that bills presented by Suppliers' are in line with their contracts and relevant pricing mechanisms
- ensuring the client receives the Supplier refunds where errors have been identified by us
- ensuring consequential savings are identified and implemented immediately for the client

Our Cost Assurance work is based on a contingent-fee model and is supported by PSAA Ltd. Each of our Local Authority engagements include a fee cap to ensure governance and regulatory standards are maintained.

In summary, we are able to bring much needed financial benefit to the sector as well as providing insight into errors that may be prone to repeat offence by suppliers long after our work is concluded.

Grant Thornton Challenge question:

Has your Authority considered the potential for an independent review of telecommunications and utility costs?

Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

<http://www.grantthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>

<http://www.cfoinsights.co.uk/>

<http://supplychaininsights.grantthornton.co.uk/>

PSAA website links

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

HCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-local-government-investments-second-edition>

<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition>

CIPFA website link

<http://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2017-edition-book>

National Audit Office link

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

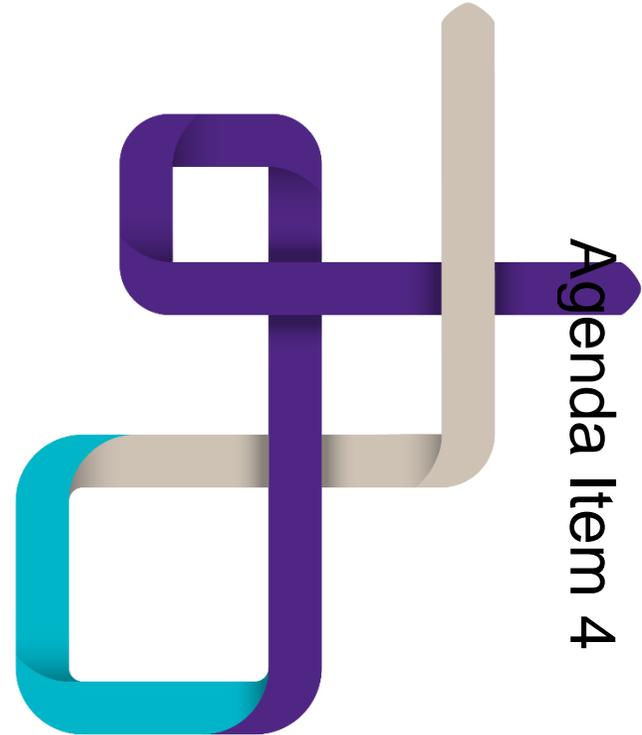
<https://www.nao.org.uk/report/the-adult-social-care-workforce-in-england/>

External Audit Plan

Year ending 31 March 2018

Trafford Council
9 March 2018

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Agenda Item 4

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Your key Grant Thornton
team members are:

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Mark Heap

Engagement Lead title

T: 0161 234 6375

E: mark.r.heap@uk.gt.com

Tommy Rooney

Audit Manager

0161 214 6359

E: tommy.o.rooney@uk.gt.com

Ann Watchorn

Executive

T: 0161 234 6346

E: ann.a.watchorn@uk.gt.com

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Trafford Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). The Code summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Trafford Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Accounts & Audit Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Accounts & Audit Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks

Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Property Plant and Equipment (PPE) valuation
- Pension liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £8.150m (PY £8.143m), which equates to 2% of your 2016/17 gross expenditure. We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £0.407m (PY £0.407m).

ISA (UK and Ireland) 320 also requires auditors to determine lower materiality levels where there are "*particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users*". We have identified the following disclosure where a lower materiality level is appropriate:

- Officers' remuneration including senior management remuneration disclosures

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- progress in delivering financial targets, including savings delivery and income generation, and arrangements for overseeing the Council's investments to generate additional income and support regeneration and growth..

Audit logistics

Our interim visit is currently in progress. Our final visit will take place in June/July 2018. Our key deliverables are this Audit Plan and our Audit Findings Report.

Our fee for the audit will be no less than £118,192 (PY: £118,192) for the Council.

Independence

We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements

Deep business understanding

Changes to service delivery

Commercialisation

The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version was published in December 2017.

Trafford Council has established a £300m Capital Investment Fund for the acquisition of investment assets to generate additional revenue and support regeneration and growth.

Devolution

The Cities and Local Government Devolution Act 2016 provides the legal framework for the implementation of devolution deals with combined authorities and other areas. Trafford Council together with Greater Manchester's other local councils have a history of working together which helped lead the councils to the 2014 Devolution Agreement. The agreement gives the region additional powers, and greater accountability through an elected mayor. Andy Burnham was elected as the Mayor of Greater Manchester in May 2017 and the Combined Authority assumed responsibility for Fire and Rescue services from June 2017.

Health and social care

The Council is working with NHS Trafford Clinical Commissioning Group to move to an integrated management structure from April 2018 as part of the development of single integrated strategic commissioning.

Changes to financial reporting requirements

Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditor's opinion by 31 July 2018.

Changes to the CIPFA 2017/18 Accounting Code

CIPFA have introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for Leases, Service Concession arrangements and financial instruments.

Earlier closedown

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of the financial statements to 31 July by the 2017/2018 financial year.

This will be the first year that all Councils must meet this deadline.

Key challenges

Financial pressures

Historically the Council has managed its finances well. The 2017/18 budget required a budget gap of £25.4m to be met to balance the budget. The latest budget reports forecast a year end underspend of £216k at 31 March 2018. The updated Medium Term Financial Plan forecasts a funding gap of £41m to be met to balance the budget over the period 2018/19 to 2020/21. This includes £23m in 2018/19 to be met from £11.3m additional funding, £1.6m from reserves, £3.9m income generation and £6.1m service transformation savings.

Vision 2031

The Council's Together Trafford Vision 2031 consists of a number of major programmes and other projects, including::

- The Vision and Strategy programme
- Public Service Reform
- Health and Social Care Integration
- The Social Care Sustainability Programme
- The Investment and Place Shaping Programme.

Our response

- We will consider your arrangements for managing and reporting your financial resources and progress towards the integration with the CCG as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.
- As part of our opinion on your financial statements, we will consider whether your financial statements reflect the financial reporting changes in the 2017/18 CIPFA Code.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
The revenue cycle includes fraudulent transactions	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited because there is a high degree of predictability in the main revenue streams • The culture and ethical frameworks of local authorities, including Trafford Council, mean that all forms of fraud are seen as unacceptable <p>Therefore we do not consider this to be a significant risk for Trafford Council.</p>
Management over-ride of controls	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. . The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Valuation of property, plant and equipment</p>	<p>The Council revalues its land and buildings over a five year period to ensure that carrying value is not materially different from fair value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Review management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work Assess the competence, expertise and objectivity of any management experts used. Discuss with the valuer the basis on which the valuation is carried out and challenge the key assumptions. Review and challenge the information used by the valuer to ensure it is robust and consistent with our understanding. Test revaluations made during the year to ensure they are input correctly into the Council's asset register Evaluate the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.
<p>Valuation of pension fund net liability</p>	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> Identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement Evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out Undertake procedures to confirm the reasonableness of the actuarial assumptions made. Check the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary

Reasonably possible risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Employee remuneration	<p>Payroll expenditure represents a significant percentage (32%) of the Council's operating expenses.</p> <p>As the payroll expenditure comes from a number of individual transactions and an interface with sub-systems there is a risk that payroll expenditure in the accounts could be understated. We therefore identified completeness of payroll expenses as a risk requiring particular audit attention</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of payroll expenditure for appropriateness; • gain an understanding of the Council's system for accounting for payroll expenditure and evaluate the design of the associated controls; • re-perform all year-end reconciliations and investigate significant adjustments • agree year end accruals to supporting documentation • perform substantive analytical procedures disaggregated for each month.
Operating expenses	<p>The Council purchases goods and services from a range of suppliers. At the year-end management uses judgement to estimate the value of goods or services consumed which have not yet been paid for so that where an invoice has not been received appropriate accruals can be reflected in the Balance Sheet. This forms part of the closedown process for both capital and revenue transactions and the use of estimates is required to enable the Council to close its ledgers promptly.</p> <p>Given the use of estimation techniques, we identified completeness of non- pay expenditure as a risk requiring particular audit attention:</p>	<p>We will</p> <ul style="list-style-type: none"> • evaluate the Council's accounting policy for recognition of non-pay expenditure for appropriateness; • gain an understanding of the Council's system for accounting for non-pay expenditure and evaluate the design of the associated controls; • test the year-end reconciliation of the accounts payable system to the general ledger • assess the accruals process established by management and consider whether it is sufficiently comprehensive to ensure year-end accruals are not materially misstated • test a sample of year end accruals and creditor balances in the year-end balance sheet to confirm these accurately reflect year-end liabilities. • test a sample of payments made in April 2018 to confirm the associated invoices have been accounted for in the correct financial year.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Going concern

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Materiality

The concept of materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality for planning purposes

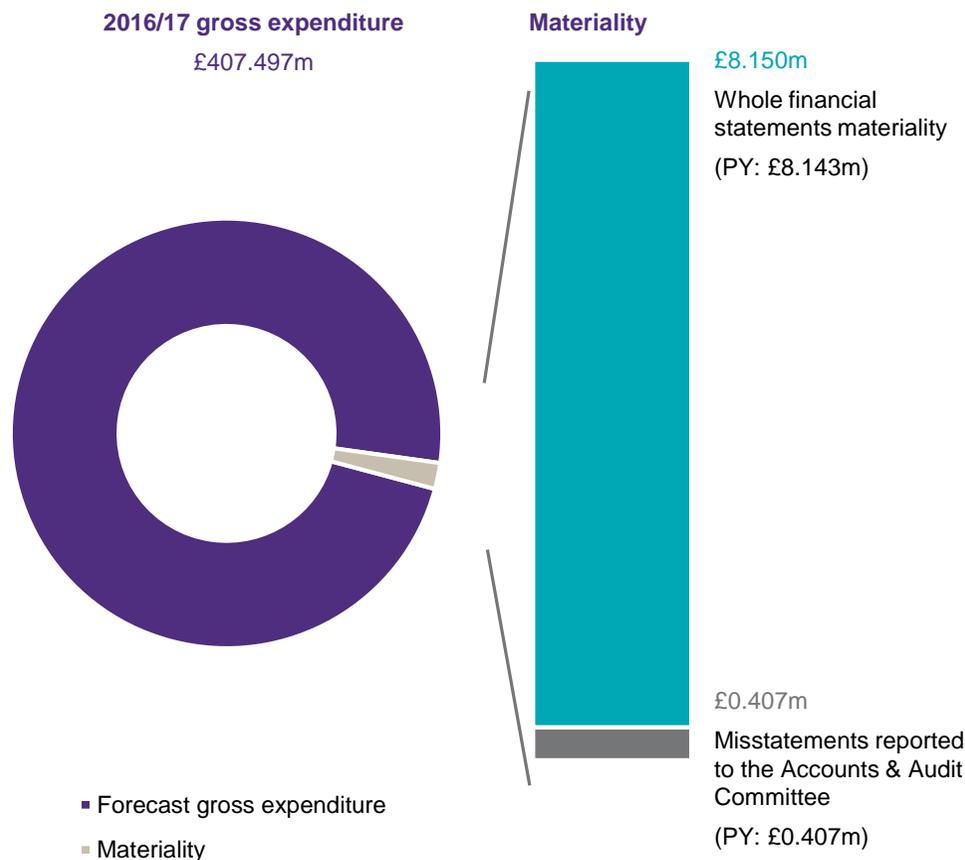
We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £8,150,000 (PY £8,143,000), which equates to 2% of your 2016/17 gross expenditure (single entity). We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Accounts & Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £407,000m (PY £407,000).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Accounts & Audit Committee to assist it in fulfilling its governance responsibilities.



Group audit scope and risk assessment

In accordance with ISA (UK) 600, as group auditor we are required to obtain sufficient appropriate audit evidence regarding the financial information of the components and the consolidation process to express an opinion on whether the group financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework.

Component	Significant?	Level of response required under ISA (UK and Ireland) 600	Risks identified	Planned audit approach
Trafford Leisure Community Interest Company (subsidiary from 1 October 2015)	No	Analytical	Low risk – spend only just above audit materiality level	Desktop review performed by Grant Thornton UK

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Key changes within the group: None

Audit scope:

Comprehensive – the component is of such significance to the group as a whole that an audit of the components financial statements is required

Targeted – the component is significant to the Group, audit evidence will be obtained by performing targeted audit procedures rather than a full audit

Analytical – the component is not significant to the Group and audit risks can be addressed sufficiently by applying analytical procedures at the Group level

Involvement in the work of component auditors

The nature, time and extent of our involvement in the work of the component auditor will begin with a discussion on risks, and if required, guidance on designing procedures, participation in meetings, followed by the review of relevant aspects of the audit documentation and meeting with appropriate members of management.

Value for Money arrangements

Background to our VFM approach

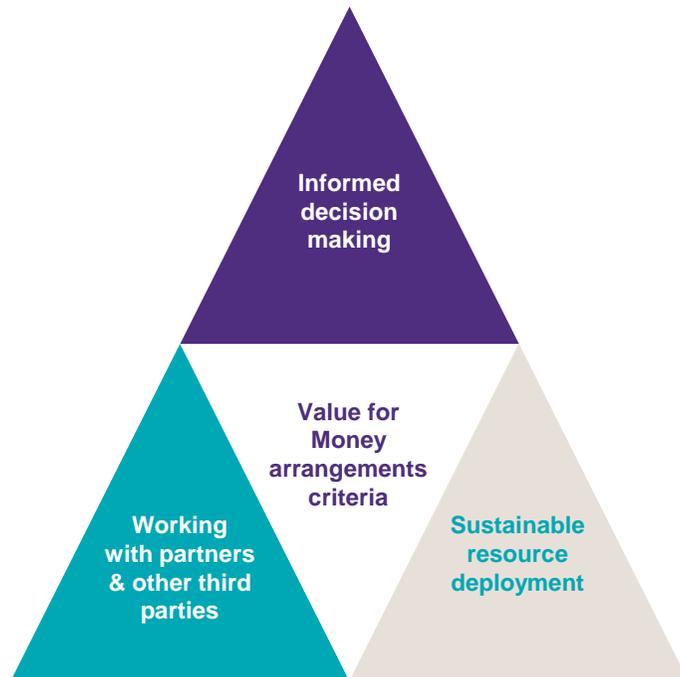
The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

“In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.”

This is supported by three sub-criteria, as set out below:

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Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Future budget pressures

Future Budget pressures:

The Council's future budgets remain challenging with a budget gap of £41m to be bridged in order to balance the Medium Term Financial Plan 2018/19 to 2020/21. The budget gap for 2018/19 is c£23m and is to be met from £11.3m additional funding, £1.6m from reserves, £3.9m income generation and £6.1m service transformation savings. The Council will also need to manage financial pressures, particularly in Adult Social Care and in Children's Services in order to deliver a balanced revenue budget position over that period.

The Council has established a £300m Capital Investment Fund and appointed investment advisors to support the acquisition of investment assets to generate additional revenue to help bridge the funding gap and also support its regeneration and growth strategy.

We will continue to monitor the Council's budgetary performance and financial planning. We will consider the processes established by the Council to identify, manage and monitor the savings proposals to address the budget gap to 2021. We will also update our understanding of the arrangements for overseeing the Council's investments to generate additional income and support regeneration and growth.

Audit logistics, team & audit fees



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Mark Heap, Engagement Lead

Mark leads our relationship with you and takes overall responsibility for the delivery of a high quality audit, meeting the highest professional standards and adding value to the Council.

Tommy Rooney, Audit Manager

Tommy plans, manages and leads the delivery of the audit, is your key point of contact for your Finance team and is your the first point of contact for discussing any issues.

Ann Watchorn, Audit Incharge

Ann's role is to assist in planning, managing and delivering the audit fieldwork, ensuring the audit is delivered effectively, efficiently and supervises and co-ordinates the on-site audit team.

Audit fees

The planned audit fees are no less than £118,192 (PY: £118,192) for the financial statements audit. The indicative fee for grant certification is £15,963 (PY £11,498). Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

[The following non-audit services were identified/ No non-audit services were identified]

Service	Fees £	Threats	Safeguards
Audit related			
Agreed Upon Procedures Engagement in respect of Teachers Pension Return	To be agreed	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work was £4,200 in 2016/17 in comparison to the total fee for the audit of £118,192 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors mitigate the perceived self-interest threat to an acceptable level.
Non-audit related			
None	N/A	N/A	N/A

The amounts detailed are fees agreed to-date for audit related and non-audit services to be undertaken by Grant Thornton UK LLP in the current financial year. These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. Any changes and full details of all fees charged for audit related and non-audit related services by Grant Thornton UK LLP and by Grant Thornton International Limited network member Firms will be included in our Audit Findings report at the conclusion of the audit.

None of the services provided are subject to contingent fees.

Appendices

A. Revised ISAs

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Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	We will be required to conclude and report whether: <ul style="list-style-type: none">• The directors use of the going concern basis of accounting is appropriate• The directors have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements. Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.
Other information	We will be required to include a section on other information which includes: <ul style="list-style-type: none">• Responsibilities of management and auditors regarding other information• A statement that the opinion on the financial statements does not cover the other information unless required by law or regulation• Reporting inconsistencies or misstatements where identified
Additional responsibilities for directors and the auditor	We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.
Format of the report	The opinion section appears first followed by the basis of opinion section.



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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 27 March 2018
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Service – Internal Audit Charter and Strategy

Summary

The Accounts and Audit Committee is provided with the Internal Audit Charter and Internal Audit Strategy documents for approval following their recent review. The Internal Audit Charter and Strategy documents were previously updated in March 2017 and have recently been reviewed and updated, in agreement with the Corporate Leadership Team. The updates to the Charter are proposed in order to be consistent with updates made in 2017/18 to the Public Sector Internal Audit Standards (PSIAS).

Proposed amendments to be made to the Charter and Strategy are as follows with the relevant paragraphs highlighted in the report:

- Further detail added to the Internal Audit Charter (Para. 6.4) setting out arrangements for dealing with potential conflicts of interest in respect of “non-audit” duties.
- Para. 12.2 added to the Internal Audit Charter in relation to Consultancy work.
- In Para 4.4 of the Internal Audit Strategy, in addition to ICT systems, reference has been added that information governance processes are subject to adequate internal audit coverage.

Recommendation

The Accounts and Audit Committee is asked to approve the Internal Audit Charter and Strategy.

Contact person for access to background papers and further information:

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

Background Papers:

None



TRAFFORD
COUNCIL

Internal Audit Charter

Audit and Assurance Service (March 2018)

TRAFFORD COUNCIL

AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT CHARTER

1. Introduction

- 1.1 Section 151 of the Local Government Act 1972 requires Councils to “make arrangements for the proper administration of their financial affairs”. More specific requirements are detailed in the Accounts and Audit Regulations 2015 in that the relevant authority must “undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.”
- 1.2 The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function at Trafford which is provided by the Audit and Assurance Service.
- 1.3 The Audit and Assurance Service is required to operate in accordance with the UK Public Sector Internal Audit Standards. The Standards are mandatory for all internal auditors working in the UK Public Sector.

2. Definitions

Internal Audit

- 2.1 “Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.” (Public Sector Internal Audit Standards).
- 2.2 CIPFA provide further details in their PSIAS Local Government Application Note : “Internal audit provides an independent and objective opinion to the organisation on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control. It may also undertake consulting services at the request of the organisation, subject to there being no impact on the core assurance work and the availability of skills and resources.

The “Board” and “Senior Management”

- 2.3 The Public Sector Internal Audit Standards (PSIAS) require that the internal audit charter defines the terms ‘board’ and ‘senior management’ in relation to the work of internal audit. For the purposes of internal audit work, the ‘board’ refers to the Council’s Accounts and Audit Committee which has delegated responsibility for overseeing the work of internal audit. The term senior management will be defined on

an individual basis according to individual context but will usually refer to the Corporate Leadership Team (CLT).

3. Mission of Internal Audit and Core Principles for the Professional Practice of Internal Auditing

3.1 The Mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. In order to achieve this, in accordance with the PSIAS, it should operate in accordance with the following core principles:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives and risks of the organisation
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement.
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

4. Status

4.1 The Audit and Assurance Service forms part of Finance Services within the Transformation and Resources Directorate.

4.2 Internal Audit's authority derives directly from its statutory responsibilities and the Procedure Rules established by the Council.

4.3 The responsibility for the production and execution of the internal audit plan and subsequent audit activity rests with the Audit and Assurance Manager. The Audit and Assurance Manager reports to the Chief Finance Officer but will report directly to the Chief Executive where required.

5. Reporting Lines

5.1 The work of the Audit and Assurance Service is reported directly to the Chief Executive; to members via the committee charged with responsibility for audit and governance (The Accounts and Audit Committee, defined by the term "Board" under PSIAS) and to Executive members. The work of the Accounts and Audit Committee is also reported annually to the Council.

5.2 Internal audit assignments are the subject of formal reports. These reports are sent to the relevant Corporate Director and Head of Service together with relevant managers. The Executive member with portfolio responsibility, Chief Executive, Corporate Director – Transformation and Resources, Chief Finance Officer and External Audit will receive

**Trafford Council Audit and Assurance Service
Internal Audit Charter and Strategy**

copies of the internal audit reports. The Monitoring Officer will also receive copies of audit reports at the discretion of the Audit and Assurance Manager. Reports are issued initially as drafts and, following agreement as to contents and responsibility for implementing recommendations, a final report is issued. The Accounts and Audit Committee is provided with a listing on a quarterly basis of each audit report, summarising the findings and stating the audit opinion given.

6. Independence

- 6.1 The Audit and Assurance Service will be sufficiently independent of the activities being audited so that auditors are able to make impartial and effective professional judgements and recommendations.
- 6.2 Internal Audit will determine its priorities in consultation with the Accounts and Audit Committee.
- 6.3 The Audit and Assurance Manager will report impartially in his or her own name.
- 6.4 Where internal audit staff have a perceived or real conflict of interest in undertaking a particular piece of audit work (whether for personal reasons or through managing or undertaking any non-audit duties), this will be managed through the internal audit management and supervisory process. Work will be re-assigned where appropriate. Staff are required to declare any potential conflict of interest and a signed declaration from each member of staff is required on an annual basis. In the event that the Audit and Assurance Manager has responsibility for any activity relating to non-audit duties, to ensure independence is not impaired, the Audit and Assurance Manager would not be directly involved in the audit of this activity and arrangements would be agreed with the Section 151 Officer.
- 6.5 Adequate budgetary resources will be made available to enable the Internal Audit function to maintain its independence.

7. Responsibilities

- 7.1 The main objective of the Audit and Assurance Service is to provide the Council with an independent and objective opinion on the Council's control environment.
- 7.2 The Audit and Assurance Service should play a key role in shaping the ethics and standards of the Council and where appropriate, act as a catalyst for change and improvement.
- 7.3 The scope of internal audit work will cover all the Council's activities and encompass both the financial and non-financial aspects of the control environment. This includes activities undertaken in partnership

**Trafford Council Audit and Assurance Service
Internal Audit Charter and Strategy**

with other organisations where assurance will be sought in accordance with agreed protocols including access rights.

- 7.4 Internal audit work comprises an independent and objective review of the control environment. The key elements of the control environment include:
- (a) Establishing and monitoring the achievement of the organisation's objectives
 - (b) The facilitation of policy and decision making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded in the activity of the council, how leadership is given to the risk management process, and how staff are trained or equipped to manage risk in a way appropriate to their authority and duties
 - (c) Ensuring the economical, effective and efficient use of resources, and for securing continuous improvement in the way in which the council's functions are exercised, having regard to a combination of economy, efficiency and effectiveness
 - (d) The financial management of the Council and the reporting of financial management
 - (e) The performance management of the Council and the reporting of performance management.
- 7.5 The Council's assurance and performance management framework will be taken into consideration when determining the work of Internal Audit. The key elements of the assurance and performance management framework are:
- Risk management both at the strategic and operational levels
 - The monitoring of key Council objectives and targets by the Corporate Leadership Team
 - Business planning - the identification and monitoring of key business targets by individual services
 - Self-assessments by managers of the operation of controls for which they are responsible
 - Reviews by External Audit
 - Reviews by other external agencies
 - Scrutiny reviews
 - Previous work of Internal Audit and the Accounts and Audit Committee.
- 7.6 Particular attention will be devoted to any aspects of the control environment affected by significant changes within the organisation's risk environment.
- 7.7 The Audit and Assurance Manager will also make a provision, in the scope of Internal Audit's work, to form an opinion where key systems are operated by the Council on behalf of other bodies or other bodies are operating key systems on behalf of the Council.

**Trafford Council Audit and Assurance Service
Internal Audit Charter and Strategy**

- 7.8 Where the Council works in partnership with other organisations, the role of Internal Audit will be defined on an individual basis.
- 7.9 The Audit and Assurance Manager will give an opinion on the operation of the Council's control environment, which encompasses internal control, risk management and governance. This is set out in the annual Head of Internal Audit report.
- 7.10 The Audit and Assurance Service will also take a lead role in supporting the work of the Accounts and Audit Committee. This will include co-ordinating the committee's work programme in agreement with committee members and supporting the committee to report on its work undertaken.

8. Fraud and Corruption

- 8.1 The Audit and Assurance Service works with other services including the Counter Fraud and Enforcement Team, Human Resources and Legal Services to maintain the Council's anti-fraud and corruption policy, strategy and supporting guidance. The Service also works with others to raise awareness of anti-fraud measures across the Council and fraud risks are considered as part of Internal Audit review work.
- 8.2 The Audit and Assurance Manager will be informed of suspected or detected fraud, corruption or impropriety, so that he or she can consider the adequacy of the relevant controls and evaluate the implications of fraud and corruption for his or her opinion on the internal control environment.

9. Access

- 9.1 The Audit and Assurance Service will have unrestricted direct access to all members, council personnel, records (whether manual or computerised), cash, stores, and other assets and may enter council property or land to obtain such information and explanations considered necessary to fulfil the responsibilities of an internal audit function. Such access shall be granted on demand and not be subject to prior notice and will also extend to partner bodies or external contractors working on behalf of the authority insofar as such access relates to work carried out or services provided on behalf of or in partnership with the authority. In respect of issues where clarity may be required in relation to access rights e.g. in relation to specific partnership arrangements, Audit and Assurance will seek advice, e.g. from relevant service areas such as Legal Services.

10. Limitations of Internal Audit Responsibilities

- 10.1 In seeking to discharge the responsibilities detailed above, and in line with the responsibilities of Internal Audit set out in section 7 above, it should be noted that the Internal Audit function is not responsible for:

**Trafford Council Audit and Assurance Service
Internal Audit Charter and Strategy**

- Controlling the risks of the authority.
- Establishing and maintaining systems of internal control.
- Determining operational policies or procedures.

11. Resources

- 11.1 The Audit and Assurance Manager will hold a relevant professional qualification; have wide experience of audit and management and will be responsible for ensuring that the Audit and Assurance Service is appropriately staffed in terms of numbers, grades, qualification levels and experience.
- 11.2 The Audit and Assurance Manager will ensure that appropriate provision is made for maintaining and developing the competence of audit staff. All internal auditors will undertake a programme of continuing professional development to maintain and develop their skills. A record of training and development undertaken and planned will be maintained.
- 11.3 The Audit and Assurance Manager is responsible for ensuring that the resources of the Audit and Assurance Service are sufficient to meet its responsibilities and achieve its objectives. If a situation arose whereby it was concluded that resources were insufficient this will be formally reported to the Section 151 Officer, Chief Executive and, if the position is not resolved, to Members charged with responsibility for audit and governance (Accounts and Audit Committee).

12. Consultancy

- 12.1 Consultancy comprises the range of services, other than assurance services, provided by Internal Audit to assist management in meeting the objectives of the Council. This may include facilitation, process design, training, and advisory services. The Audit and Assurance Manager will be responsible for deciding what level of consultancy support Internal Audit can provide. The scope of any consultancy work will be agreed with management and will only be undertaken where resources permit without impacting on the planned annual assurance process.
- 12.2 In the event that the Service has previously performed consulting services, in planning the allocation and scoping of future assurance work, account will be taken of consultancy work performed in that area to ensure that independence and objectivity is not impaired.
- 12.3 Account will always be taken of the primary objective of Internal Audit to complete assurance work and approval would be sought from the Accounts and Audit Committee before any significant unplanned consultancy work is agreed which would impact on the Internal Audit Plan.

**Trafford Council Audit and Assurance Service
Internal Audit Charter and Strategy**

13. **Review**

- 13.1 The Internal Audit Charter will be subject to regular review, the results of which will be reported for approval by the Corporate Leadership Team and the Accounts and Audit Committee.

**Mark Foster
Audit and Assurance Manager
March 2018**



TRAFFORD
COUNCIL

Internal Audit Strategy

Audit and Assurance Service (March 2018)

TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE

INTERNAL AUDIT STRATEGY

1. Introduction

- 1.1 The Internal Audit Charter defines the objectives and scope of Internal Audit. The Internal Audit Strategy set out in this document details the arrangements in place to deliver internal audit so as to ensure that the objectives of the Audit and Assurance Service are met and the scope of it understood.
- 1.2 The Audit and Assurance Service is required to deliver a risk-based audit plan in a professional independent manner, to provide the Council with an opinion on the level of assurance it can place upon the internal control environment (which encompasses internal control, risk management and governance); and, where applicable, to make recommendations to improve it.
- 1.3 The Strategy Statement below sets out the key requirements for ensuring the Audit and Assurance Service fulfils its role effectively. The Statement sets out the overarching vision and aims of the Service. Details of how these requirements are to be met are set out in sections 3 to 8 of the Strategy.

2. Strategy Statement

- 2.1 The Mission and Core Principles for Internal Audit are defined in the Internal Audit Charter, in accordance with the Public Sector Internal Audit Standards (PSIAS) and the Audit and Assurance should work to these in its planning and service delivery. (See Section 3.1 of the Internal Audit Charter).
- 2.2 The Audit and Assurance Service plays a key role in shaping the ethics, values and standards of the Council. The Service should be professional, challenging and innovative, acting as a catalyst for change and improvement by:
 - Ensuring its work adds value and maximises assurances to the Council about its positive impact on the achievement of corporate objectives and service delivery;
 - Having a sound knowledge of the organisation, being forward looking and aware of local, regional and national agendas and their impact on the Council;
 - Ensuring the service is flexible, works in partnership with managers, invests in good working relationships with all stakeholders and responds effectively to the changing needs of the Council;

**Trafford Council Audit and Assurance Service
Internal Audit Charter and Strategy**

- Having sufficient resources to effectively deliver the vision and uphold professional standards, particularly officer resources with the number, skills mix, knowledge and experience to achieve this.

3. Service Provision

- 3.1 The Internal Audit function is provided by the Audit and Assurance Service, which is part of Finance Services within the Transformation and Resources Directorate. Day to day management is the responsibility of the Audit and Assurance Manager who reports to the Chief Finance Officer (Section 151 Officer). The Service maintains independence in its reporting as set out in its Charter and associated procedures.
- 3.2 Internal audit services to the Council are currently provided by in-house resources and are complemented by bought-in resources as follows:
- Specialist ICT audit resources are provided by Salford Internal Audit Services. This arrangement was originally agreed by the Association of Greater Manchester Authorities as part of a review of joint working whereby Salford City Council provide specialist resources for use by all the Greater Manchester authorities. These specialist resources are used to complement in-house resources.
 - Internal audit resources will be bought-in if the Audit and Assurance Manager, in agreement with the Chief Finance Officer, considers this to be necessary to ensure completion of the internal audit plan, and if resources permit this approach. The engagement of bought-in internal audit resources will be reported to members charged with the responsibility for audit and governance. (Recognition will be given to potential conflicts of interest where bought in internal audit resources also provide non internal audit services to the Council).
- 3.3 The Audit and Assurance Manager is responsible for ensuring that all internal audit work complies with the Internal Audit Charter and the Public Sector Internal Audit Standards.

4. Audit Planning

- 4.1 A risk based Audit and Assurance Service plan will be produced on an annual basis. This will be derived from the 'Audit Universe' which comprises all auditable areas in the control environment. Work will be planned to ensure adequate assurance is provided towards the completion of the Council's Annual Governance Statement.
- 4.2 Resources will be allocated taking into account assurance levels required, risks involved and the potential impact of the work. The planned programme of work will be informed by:
- assurance required to be provided as a Council

**Trafford Council Audit and Assurance Service
Internal Audit Charter and Strategy**

- assurance gained from other sources other than internal audit work including external audit and other inspectorates, service self-assessments etc.
- knowledge and understanding of the organisation including future priorities and potential impacts
- detailed consultation with key stakeholders.

4.3 Factors to be taken into account when undertaking a risk assessment of auditable areas will take account of the council's assurance and performance management framework including:

- Risk management both at the strategic and operational levels
- Monitoring of key council objectives and targets by the Corporate Leadership Team
- Directorate and Service Business Planning arrangements
- Governance and control self-assessments by managers of the operation of controls for which they are responsible
- Reviews by External Audit and other external agencies
- Other internal reviews including scrutiny work
- Previous internal audit and Accounts and Audit Committee findings.

4.4 The Annual Internal Audit Plan lists the areas to be audited and the resources required. Audit reviews and other programmes of work will focus both on strategic and operational issues. To ensure adequate flexibility, audit work will involve a number of different methods of delivery i.e. traditional internal audit reviews; provision of guidance; awareness raising; advice to project / working groups etc. The plan will be prepared to ensure:

- Fundamental financial systems are reviewed on a cyclical basis.
- Adequate resources are set aside for anti-fraud and corruption work including investigating suspected cases and raising awareness across the Council.
- Adequate resources are included to enable reviews of the Council's corporate governance and risk management arrangements.
- The Council's ICT systems and information governance processes are subject to adequate internal audit coverage.
- Procurement and contracts arrangements across the council are reviewed.
- Internal Audit fulfils its role in auditing schools, supporting the process by which schools are required to meet the Schools Financial Value Standard.
- Adequate coverage of other key business risks including individual coverage of authority-wide issues, individual services, establishments, partnerships, programmes and projects.

**Trafford Council Audit and Assurance Service
Internal Audit Charter and Strategy**

- 4.5 Provision is made to follow up work completed in previous periods. The plan also contains a contingency for unforeseen changes which may necessitate a change in priorities.
- 4.6 The Internal Audit Plan is flexible and will be kept under review and will be revised to take account of changes in the risk environment. Significant changes in the plan will be reported to the Corporate Leadership Team and to the Accounts and Audit Committee.

5. Service Delivery

- 5.1 There will be close working with management in agreeing the scope of individual audit assignments. The planning and scoping process takes into account any significant factors, developments and key risks to ensure the internal audit review of that area will add value for the Council.
- 5.2 The ongoing development of the Audit and Assurance Service's knowledge base will provide an effective source of information as part of the planning process. Knowledge will be developed by various means including ongoing liaison and discussion with managers and other key stakeholders.
- 5.3 Individual Audit and Assurance projects will have, within the overall project time allocation, planned time to allow the Audit and Assurance Officer(s) to research and build their knowledge of the area (proportionate to the nature/complexity of the review).
- 5.4 The Audit and Assurance Manager will ensure that there are documented protocols and procedures for planning and conducting audits, setting out the standards for the service. These will be set out in the Audit Manual. The Audit and Assurance Manager will monitor performance against the standards set out in the Audit Manual and other relevant documents.

6. Reporting

- 6.1 Reporting arrangements for the Audit and Assurance Service are set out in protocols which form an integral part of the Service's Audit Manual.
- 6.2 The approach to reporting, delivering opinions and supporting conclusions, and developing associated improvement actions will be flexible. This will be to ensure that officer resources are effectively utilised, the needs of recipient managers/stakeholders are met, the necessary assurance is provided and the form of reporting maximises ownership and impact of resulting improvement actions / organisational change being recommended.

**Trafford Council Audit and Assurance Service
Internal Audit Charter and Strategy**

- 6.3 For individual audit assignments, where internal audit recommendations are made, these will be discussed with management prior to the issue of audit reports. The findings from the audit will be reported, clearly identifying and explaining the key risks and control weaknesses, with the relative priority of recommendations clearly communicated. Following each audit, the client manager will have the opportunity to provide feedback via the client satisfaction survey.
- 6.4 Progress against the annual internal audit plan will be monitored by the Audit and Assurance Manager and reported to the Corporate Leadership Team and to the Accounts and Audit Committee on a regular basis.
- 6.5 The Audit and Assurance Service will give an overall opinion each year on the Council's risk management, control and governance arrangements to support the Annual Governance Statement. The Internal Audit opinion on the control environment will be given in the Annual Head of Internal Audit Report, which will be presented to the Corporate Leadership Team and the Accounts and Audit Committee.

7. Staffing / Resources

- 7.1 In order to deliver the Internal Audit Strategy and comply with professional standards, it is important that the Audit and Assurance Service comprises staff with the appropriate skills and experience.
- 7.2 Audit and Assurance officers are expected to undertake continuing professional development as appropriate and undertake training / development activities, both for personal development and to ensure there is an effective skills balance within the Service.
- 7.3 The Service operates personal development and review processes in line with the Council's policy as well as professional good practice. Ongoing training and development needs are identified as part of this process. In addition to internal training, such as through e-learning, shadowing the work of colleagues etc., available training provided by key providers such as CIPFA and IIA is considered and where appropriate included within the ongoing programme of training. Training and development needs are reviewed regularly.
- 7.4 The Service has a clearly defined code for staff encompassing ethics, conduct and values in accordance with the Public Sector Internal Audit Standards. Staff are required to complete and sign a declaration statement in line with the PSIAS Code of Ethics.
- 7.5 If resources, including staffing, are insufficient for the Audit and Assurance Service to provide an opinion on the control environment, the Audit and Assurance Manager will report this to the Chief Finance Officer, Chief Executive and to the Accounts and Audit Committee.

8. Ongoing Development Actions

8.1 The Service reviews its procedures, systems and working methods on a regular basis. This includes a review, at least annually, against the Public Sector Internal Audit Standards through either an internal or external assessment. Details are reported to the Accounts and Audit Committee within the Head of Internal Audit Annual Audit Report. The Service has a Quality Assurance Improvement Programme setting out its quality review processes in place which includes details in respect of both internal and external assessments.

8.2 There are a number of areas that are subject to ongoing or periodic review to ensure standards are maintained and where possible improvements made. The following will continue to be considered as part of ongoing service planning and monitoring of performance:

- Consider the ongoing appropriateness / application of audit procedures and protocols both in ensuring these continue to meet the organisation's requirements and remain in accordance with the Public Sector Internal Audit Standards.
- Continue to consider and where appropriate, adopt, various approaches to audit reporting taking into account client feedback.
- Continue to consider training and development needs of staff to ensure there remains adequate knowledge and expertise in specific areas of audit activity.
- As part of ongoing audit planning, continue to consider the approach to gathering assurance including collaboration with other Internal Audit providers e.g. in respect of audit reviews of partnerships and other arrangements where there is collaboration between organisations.
- Continue to consider appropriate means of raising awareness of key governance and control issues. Ensure content on the Audit and Assurance Intranet site is regularly reviewed to ensure it is up to date and provides effective guidance.
- Ensure methods of working take into account any changes in the organisational structure, accommodation issues, technology, agile working protocols etc.

9. Review

9.1 The Internal Audit Strategy will be subject to regular review, the results of which will be reported to the Accounts and Audit Committee and the Corporate Leadership Team.

Mark Foster
Audit and Assurance Manager
March 2018



Quality Assurance Improvement Programme - Audit and Assurance Service

TRAFFORD COUNCIL AUDIT AND ASSURANCE SERVICE

Quality Assurance Improvement Programme

1. Introduction

1.1 The Audit and Assurance Service Quality Assurance and Improvement Programme (QAIP) is in place to provide reasonable assurance to the various stakeholders of the Internal Audit activity that the Service:

- Performs its work in accordance with its Charter, which is consistent with The Public Sector Internal Audit Standards' (PSIAS) definition of Internal Auditing and Code of Ethics;
- Operates in an effective and efficient manner; and
- Is perceived by stakeholders as adding value and improving Internal Audit's operations.

1.2 The QAIP covers Internal Audit activity in accordance with the PSIAS Standard 1300 (Quality Assurance and Improvement Programme), including:

- Monitoring the Internal Audit activity to ensure it operates in an effective and efficient manner;
- Ensuring compliance with the PSIAS' Definition of Internal Auditing and Code of Ethics;
- Helping the Internal Audit activity add value and improve organisational operations;
- Undertaking both periodic and on-going internal assessments (Standard 1311); and
- Commissioning an external assessment at least once every five years, the results of which to be are communicated to the Accounts and Audit Committee (in accordance with Standard 1312 and 1320).

2. Internal Assessments

2.1 In accordance with PSIAS Standard 1311, internal assessments are undertaken through both on-going and periodic reviews.

On-going Reviews

2.2 Continual assessments are conducted through:

- Management supervision of each audit review;
- Audit policies and procedures used as set out in in the Internal Audit Strategy and Audit Manual for each assignment in order to comply with appropriate planning, fieldwork and reporting standards;
- Review and approval of all final reports including recommendations and levels of assurance by the Audit and Assurance Manager.
- Feedback from audit clients obtained through a client survey issued following each internal audit review. A summary analysis of

**Trafford Council Audit and Assurance Service
Internal Audit Charter and Strategy**

responses received is included in the Annual Head of Internal Audit report.

- Monitoring of internal performance to feed into regular reporting to the Corporate Leadership Team and Accounts and Audit Committee.

Periodic Review

2.3 Periodic assessments/reviews are conducted through:

- Quarterly and Annual Reporting to the Corporate Leadership Team and the Accounts and Audit Committee on the work of Internal Audit.
- Annual self-assessment against the Public Sector Internal Audit Standards with a summary of the outcome of this exercise reported in the Annual Head of Internal Audit Report, including any key improvement actions planned.
- Performance review of individual audit staff through the Council's Performance Development Review (PDR) process.

3. External Assessments

3.1 External assessments will appraise and express an opinion about Internal Audit's conformance with the PSIAS' Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

Frequency of External Assessment

3.2 An external assessment will be conducted at least every five years, in accordance with the PSIAS. Appointment of the External Assessor and scope of the External Assessment will be agreed with the Section 151 Officer and Chair of the Accounts and Audit Committee.

Scope of External Assessment

3.3 The scope of the external assessment will consist of the following elements of Internal Audit activity:

- Conformance with the Standards, Definition of Internal Auditing, the Code of Ethics, and Internal Audit's Charter, plans policies, procedures, practices, and any applicable legislative and regulatory requirements;
- Integration of the internal audit activity into the Council's governance and reporting framework;
- Processes undertaken by Internal Audit;
- The mix of knowledge, experiences, and disciplines within the staffing structure;

**Trafford Council Audit and Assurance Service
Internal Audit Charter and Strategy**

- A determination whether Internal Audit adds value to governance, risk management and internal control within the Council.
- 3.4 Results of external assessments will be provided to the Accounts and Audit Committee. The external assessment report will be accompanied by a written action plan in response to recommendations identified. Any significant areas of non-compliance will be reported in the Annual Head of Internal Audit Report and where applicable, considered for inclusion in the Annual Governance Statement.
- 4. Review of the QAIP**
- 4.1 This document will be appropriately updated following any changes to the PSIAS or Internal Audit's operating environment and will be reviewed on a regular basis.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 27 March 2018
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Service – Internal Audit Operational Plan 2018/19

Summary

The purpose of the report is to provide, at a high level, the proposed Internal Audit Operational Plan for 2018/19.

Recommendation

The Accounts and Audit Committee is asked to approve the 2018/19 Internal Audit Plan.

Contact person for access to background papers and further information:

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

Background Papers:

None

Internal Audit Operational Plan 2018/19 – Audit and Assurance Service

1. Introduction

- 1.1 The 2018/19 Internal Audit Operational Plan identifies the work to be undertaken by the Audit and Assurance Service during the year. This report describes its method of compilation and presents, at a high level, the 2018/19 Plan for approval.

2. Background

- 2.1 Each year the Audit and Assurance Service produces a report setting out its annual plan for approval by the Corporate Leadership Team (CLT) and the Accounts and Audit Committee. Subsequent updates are then provided to CLT and the Accounts and Audit Committee through the year highlighting work undertaken and progress against key areas of the plan. Actual work undertaken during the year against work planned is set out in the Annual Head of Internal Audit Report.
- 2.2 In accordance with the Accounts and Audit Regulations 2015, it is a requirement that the Council “must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.” The Audit and Assurance Service must undertake its work in accordance with the Public Sector Internal Audit Standards.
- 2.3 The Service’s approach to undertaking internal audit work is set out in the Internal Audit Charter and Strategy documents. These were previously approved by CLT and the Accounts and Audit Committee in March 2017 and revised versions have been provided for approval in March 2018.

3. Compilation of the Internal Audit Plan

- 3.1 The Operational Internal Audit Plan is produced to take into account coverage of risks and associated controls in place. At the end of the year an audit opinion is given as to the overall adequacy and effectiveness of the Council’s control environment, which encompasses internal control, risk management and governance. An important consideration is that the plan should include good coverage across Council services and systems.
- 3.2 A number of factors are taken into account in compiling the plan based on both statutory obligations, the objectives of the Council and an assessment of risks. Factors such as materiality, business risks, inherent risks and time since the area was last reviewed are taken into account. Consideration is given to the Council’s six corporate priorities:
- Low Council Tax and Value for Money
 - Economic Growth and Development

- Safe Place to Live – Fighting Crime
- Services Focussed on the most Vulnerable People
- Excellence in Education
- Reshaping Trafford Council.

There is audit coverage across each of the Council's Corporate Directorates to reflect the various priorities and also authority-wide audit work to cover various strategic risks in relation to achievement of these objectives.

- 3.3 New developments such as changes in legislation, organisational change and new policies and strategies are considered in planning work. For instance, coverage has taken into account the introduction of the General Data Protection Regulations from May 2018. Consideration will also be given to developments in relation to the Council's Investment Strategy. Given the Council's integration with Trafford CCG, Audit and Assurance will liaise with the CCG Internal Auditors to share plans and where relevant discuss findings and areas for future co-operation.
- 3.4 The Corporate Directorates provide input to the plan through liaison with the Audit and Assurance Service throughout the year and through information provided such as through risk registers, action plans, self-assessments and control / governance issues raised.
- 3.5 The Audit and Assurance Service has a number of obligations to take into account in producing the plan. For instance, time is set aside for the Service to co-ordinate the update of the Council's Strategic Risk Register.
- 3.6. Plans take into account other audit, assurance or development work being undertaken in particular areas. This includes work by the External Auditor and where applicable reviews by other external bodies. Through the year, account will also be taken of other internal reviews which may relate, for instance, to work in relation to Scrutiny or Transformation.
- 3.7 Time is allocated to follow up on control issues previously raised in 2017/18, including previous audit review work, to assess progress in implementing action plans, particularly where significant areas for improvement in controls have been identified. The plan highlights a number of follow up audits.
- 3.8 A specific category of audit time is also included to reflect the requirement for internal audit checks of information supporting particular grant claims.
- 3.9 The amount of time available to undertake the annual plan is identified, and individual areas of work selected taking into account the above factors. A contingency is also held to allow for unforeseen circumstances.
- 3.10 For reporting and monitoring purposes the plan is divided into a number of categories. Whilst the plan is divided into these categories it should be

noted that there are significant areas of overlap between them and assurance gathered from one source could apply to another.

- 3.11 There are a variety of activities undertaken to fulfil the plan and in addition to conducting internal audit reviews which result in the issuing of audit reports, work may also include providing input to project / working groups, providing guidance and advice, and providing input to council policies and procedures. The Service also facilitates the production of a number of corporate reports presented to the Accounts and Audit Committee.
- 3.12 The report does not include reference to all work to be undertaken during the year. As issues are raised or areas of risk are identified on an ongoing basis, other areas are included through the year and existing plans reviewed. For some areas, further elements of planning may take place during the year and therefore detailed plans are not available at the commencement of the year. Regular updates to CLT and the Accounts and Audit Committee will include reference to new work included in the work plan through the year. The plan is flexible and during the year adjustments may be made to accommodate any changes in the control environment and to consider emergent risks. Supporting the plan set out in this report are further plans detailing work allocated to individual staff.
- 3.13 Time is set aside for the completion of reviews which had been included as part of the 2017/18 Plan. Work completed or in progress in 2017/18 and work carried forward to 2018/19 will be reflected in the Annual Head of Internal Audit Report to be issued by June 2018.
- 3.14 Assumptions in respect of available audit days are considered to provide the total planned days. For 2018/19, there are 1140 available operational audit days. Total expected staffing resources to deliver the plan amounts to 6.90 full time equivalent staff plus resources of 50 audit days purchased from Salford Internal Audit Services to undertake ICT audit work.
- 3.15 In addition to the 1140 planned days shown, it should be noted that further time is allocated for a number of other activities undertaken that are not reflected in the analysis as they are not attributable to one particular category of work but support the audit process. These include support to the Accounts and Audit Committee, liaison with the External Auditor (Grant Thornton), development of audit systems, procedures and guidance, networking with other North West Internal Audit groups to share good practice, information gathering in support of the production of the audit plan etc. Separate additional time allocations are given to individual staff to undertake these activities.

4. Reporting / Performance Monitoring

- 4.1 Through the year, progress updates will be provided to CLT and the Accounts and Audit Committee (through periodic updates and the Annual

Head of Internal Audit Report) which will refer to details of performance, impact of audit and progress against the plan. This will include details of:

- Actual chargeable audit days against planned days allocated.
- Number of audit opinion reports issued against that planned for the year (Target of 40 audit opinion reports to be issued in 2018/19 to final or draft stage, with any remaining opinion reports listed to be issued in the following year (See Appendix 2 for planned reports to be issued)).
- The impact of audit recommendations made in terms of both initial acceptance and also implementation (the latter identified through follow up audit work).
- A summary of feedback from managers in respect of client surveys, which is detailed in the Annual Head of Internal Audit Report.

4.2 Where reviews or other key areas identified in the 2018/19 Plan are not undertaken as scheduled, this will be reported in subsequent updates including the 2018/19 Annual Head of Internal Audit Report.

4.3 Updates through the year will also include commentary on Audit resources available if there are issues that may impact on completion of the plan.

5. Internal Audit Plan Coverage 2018/19

5.1 The plan is compiled to ensure coverage across a wide and diverse range of services, systems and thematic areas of coverage. Each of the main categories of work is described in the paragraphs below.

In Appendix 1, there is a summary of the planned work and an estimated time is allocated to each category. This includes an estimate of time profiled by quarter.

In Appendix 2, there is a listing of audit opinion reports to be issued. This also indicates reviews where reports are expected to be issued in quarter one of 2018/19. There is also an explanation of the audit opinion levels.

5.2 Fundamental Systems

These are the core financial systems that provide key inputs for the production of the material balances in the Council's accounts. Previous assurance obtained in earlier audits will be taken into account in planning the level of audit coverage within individual reviews.

Coverage will include review of the following systems during the year:

- Review planned to commence by the end of 2017/18 with work to be undertaken and reported on in 2018/19:
 - Accounts Payable.

- Review completed on annual basis, covering the financial year 2017/18:
 - Treasury Management.
 It is agreed that in undertaking this annual review, consideration will be also be given to future planned audit work in respect of the Council's investment strategy in respect of property investments.
- Further to the completion of an IT controls based audit review in respect of the HR/Payroll system, I-Trent (see 5.7), a wider review of the Payroll system and procedures will also be completed, in liaison with GM Shared Services.
- Audit reviews of systems in relation to Children's Services:
 - Liquid Logic/ContrOCC system
 - Direct Payments.
- Following work undertaken in 2017/18, final audit reports are expected to be issued by April 2018 in respect of the following reviews and further planned work in these areas will be considered in liaison with respective services.
 - A review of Income control procedures across the Council.
 - Adult Social Care Liquid Logic / ContrOCC system.
 - Direct Payments (Adults Services).
- For a number of other financial systems subject to regular review where final audit reports have previously been issued in 2017/18 and high opinion levels provided, towards the end of 2018/19 plans will be agreed in terms of timing for respective future reviews. These relate to:
 - Council tax
 - Business Rates
 - Housing Benefit/Council Tax reduction
 - Accounts Receivable/Debt Recovery.
- There will be an audit review of budgetary control processes, which will include a focus on the higher risk demand-led budgets.

Time will also be set aside for other issues and developments arising in respect of financial systems where further audit input or advice may be appropriate.

5.3 Governance

Audit and Assurance has previously led on collating supporting evidence and assurances for the completion and approval of the Council's Governance Statement (AGS). For the 2017/18 AGS, to be finalised by July 2018, Legal and Democratic Services will provide the lead. Audit will

allocate time in the first quarter of 2018/19 to provide support and advice as part of the completion of the handover of roles. In addition, Audit will complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance and feedback to Legal and Democratic Services on its findings. Further to the completion of the 2017/18 AGS, Audit will agree further governance review work as part of further plans.

Audit will also liaise with counterparts in other Greater Manchester (GM) Councils and will set time aside for any assurance required to be provided in relation to GM wide issues. This may include grant claim checks (See 5.10).

Time will be set aside in the plan to provide internal audit input to other governance issues across the Council, including issues within the Council and through partnerships. This may take the form of sharing guidance or providing comment / advice in respect of ongoing developments which may also inform future planned audit work. This may include, for instance, developments in relation to integration with the CCG, and the Service will liaise with the CCG's internal auditors to discuss future plans.

5.4 Risk Management

Time is allocated to review existing risk management arrangements across the Council and ensuring processes are evidenced. This will include continuing to facilitate the ongoing update of the strategic risk register. This provides assurance in respect of the highest strategic risks faced by the Authority in terms of the management and ongoing monitoring of those risks.

Audit will undertake a review of existing risk registers at Directorate level and will review existing practice and where applicable, in liaison with respective Corporate Directorates, consider any areas for development.

The Service maintains corporate risk management guidance, available on the Council's intranet, which where applicable will continue to be updated through the year.

5.5 Anti-Fraud & Corruption

Fraud and corruption risks are considered as part of audit planning for individual audit reviews and where appropriate recommendations are made to reduce risks.

Specific cases of suspected internal fraud or theft referred to the Audit and Assurance Service will be subject to investigation during the year.

The Service will also continue to support the National Fraud Initiative (NFI) and will liaise with other services to ensure the Council provides data in accordance with the requirements of the NFI 2018/19 exercise.

Audit and Assurance will continue to work with other relevant services within Transformation and Resources to consider any further updates required to individual policies and guidance supporting the Anti-Fraud and Corruption Strategy.

5.6 Procurement / Contracts / Value for Money

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.

As part of internal audit planning, the Service liaises with the STAR Shared Procurement Service and Internal Audit sections of the partner authorities (Stockport and Rochdale Councils). Audit plans are co-ordinated with relevant findings shared to ensure an efficient audit process.

Work previously identified for 2017/18 included six audit reviews to be undertaken in liaison with STAR (with two reviews each being covered by the respective Internal Audit teams with the lead Authority shown against each audit below). In part, coverage in 2018/19 will be informed by the progress of and findings from these reviews:

- Procedures in relation to the financial vetting of firms tendering for contracts across the authorities which have been established by STAR (Lead - Trafford Council): A final audit report was issued in 2017/18 and progress in implementing recommendations will be followed up in 2018/19.
- Chest Procurement Portal: A final report was issued in 2017/18 and findings from this work will be followed up in 2018/19 (Lead – Rochdale Council).
- Procedures for maintaining the Contracts Register by STAR which have been developed since its formation (Lead - Rochdale Council): Planning for this review commenced in the final part of 2017/18 so a final report is expected to be issued in early 2018/19. Any further work in this area during the year will be informed by the findings from this review.
- Given one set of Contract Procedure Rules (CPRs) is formally in place across all three authorities, a review to include adherence to the CPRs in practice was planned (Lead – Stockport Council): A final report is expected to be issued by the end of 2017/18 so further follow-up of developments following this review will be considered for 2018/19.

- An audit is to commence towards the end of 2017/18 covering Social Value in procurement (in accordance with the Public Services Social Value Act 2012), incorporating follow up of the previous audit undertaken and monitoring in place across contracts within the authorities. (Lead - Trafford Council). A final report will be issued in 2018/19.
- A review of the STAR Procurement Quality Management System (QMS), incorporating key procedures and systems operated by the Shared Service, is to commence towards the end of 2017/18 (Lead - Stockport Council). A final report will be issued in 2018/19.

Further to the issue of the final reports referred to above, further work to be completed in 2018/19 currently includes the following areas:

- Further to the completion of the QMS review referred to above, it was agreed that a review will be undertaken to include consideration and monitoring of Performance Indicators for STAR.
- Following proposals by STAR for changes to be made to the processing of new vendor requests, it was agreed that an audit will be completed in relation to this process. Processes for monitoring of spend with individual suppliers will be considered as part of this review.

Timing of the above reviews and consideration of any further work will be confirmed by the respective authorities in liaison with STAR and other relevant services during the year.

Towards the end of the year, Audit and Assurance plan to undertake an audit review of processes in relation to the commissioning of children's external residential placements.

Audit and Assurance will work with the EGEI Directorate to assist in monitoring levels of income due and received from the lease arrangement for Altrincham Market.

Audit and Assurance has worked with management to assist in reviewing performance monitoring arrangements established by the Council with its One Trafford Partnership with Amey. Time will be set aside to contribute further and also consider future audit work in this area.

5.7 Information Governance / Information, Communications and Technology (ICT)

This block of work covers both ICT auditing as well as the review of information governance processes across the Council.

The audit of ICT covers the review of procedures, processes and controls across a range of computer systems and technical solutions. Salford

Internal Audit Services undertake a significant part of this work and also contribute to audit planning in respect of this area. The following work has been planned to date:

- Review of cyber security as considered on an annual basis as an ongoing strategic risk.
- An assessment of how the council's Information Security Management System is aligned to the ISO 27001 standard.
- Follow up of previous audit review work completed in 2017/18 to assess progress in implementing recommendations which will include a follow up audit of software licensing.

In addition, work originally scheduled for the 2017/18 Plan will be completed. This relates to:

- Follow up of progress following the previous audit review completed in February 2017 of the Council's IT Change Management processes.
- An IT application review of the HR/Payroll system, iTrent, which is the system used as part of the shared service arrangement with Greater Manchester Police to jointly deliver transactional HR and payroll services.

Time will also be set aside to continue to review progress in managing risks relating to IT Disaster Recovery and Business Continuity.

This block of work may also cover, in liaison with Human Resources and other services, investigating cases of misuse of the Council's ICT facilities, ensuring members and staff are aware of responsibilities such as in adhering to the council's Acceptable Use Policy.

There may also be further time allocated for advice and consideration of other work in respect of developments relating to organisational or system changes.

Audit work also encompasses wider information governance aspects.

With the introduction of General Data Protection Regulations (GDPR) being effective from 25 May 2018, Audit will continue to contribute to the work of the Information Security Governance Board (ISGB) (See 5.11).

As completed in previous years, Audit will work in liaison with the Information Governance (IG) team to provide an independent review of the assessment completed for the NHS IG Toolkit by the IG team prior to its submission.

It is planned that an audit review is completed in relation to the Council's processes in relation to managing the risks of data breaches, taking into account the requirements of GDPR. This may include following up issues where appropriate in relation to individual breaches.

Audit will liaise through the year with the Information Governance team as part of the above work and also to consider planning further audit work.

5.8 Schools

As part of the Schools Financial Value Standard, schools are required to submit a declaration to show adherence to the Standard by 31 March each year. Information submitted is utilised by Audit and Assurance to assist in planning and undertaking school audits.

Based on a risk assessment, taking into account the information above and from previous work undertaken at each school and liaison with the CFW Directorate and Finance Services, it is planned that at least 14 school audits will be undertaken, which will include one follow-up audit review. Audit reports will be issued as part of each audit review. Follow up work includes further audit visits where a less than adequate audit opinion has been issued in the previous year.

In addition, Audit will continue to liaise with relevant services within CFW and Financial Management in relation to schools related issues including sharing findings and considering risk areas and future planned audit coverage.

5.9 Assurance – Other Business Risks

Time is allocated to reviewing risk areas derived from a number of sources not covered within other categories of the plan, including directors / senior managers' recommendations, risk registers and areas identified by the Audit and Assurance Service. Reviews may cover individual services, establishments, functions and authority wide issues and risks to ensure a broad coverage of audit work across the Council.

For service/establishment related reviews, risks reviewed may encompass a number of areas of control such as procedures and responsibilities, adherence to legislation, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), expenditure; income collection and recording, performance monitoring, information governance and other areas specific to the objectives of the service under review.

Audit reviews are included in the plan as follows (with the relevant Corporate Directorate(s) shown in brackets):

- Service / Establishment reviews:
 - Altrincham Library (T&R)

- Licensing (EGEI) which will include follow up of previous work undertaken in relation to taxi licensing.
 - Environmental Health (EGEI)
 - Pest Control (EGEI)
- Other reviews:
- Registration Service (T&R) – Review including controls in relation to income.
 - Energy Management (EGEI) – Processes in place as part of the One Trafford Partnership.
 - Statutory Homelessness Services (EGEI) - Considering how the Council is meeting new requirements on local authorities as part of the Homelessness Reduction Act coming into effect from April 2018.

For the above reviews, Audit and Assurance will contact individual services to discuss and agree the detailed scope of the reviews prior to any work being undertaken.

Follow up work in respect of previous audit work undertaken in 2017/18 will be completed. This will include further audit reviews of:

- Payments to Care Leavers (CFW - Children)
- Aids and Adaptations (CFW – Adult Services).

A number of other audit reviews completed in 2017/18 will be followed up. Further audits are not currently planned but managers will be asked to provide updates on progress made with previously agreed recommendations. These include the following:

- Corporate Health and Safety (T&R) - Review previously undertaken of this area of strategic risk covering corporate processes in place.
- Partington Children’s Centre (CFW - Children) – Establishment audit review.

In agreement with respective Directorates, some reviews have been rescheduled from commencing in 2017/18 to be included in the 2018/19 Plan. These are as follows:

- Client Finances system (T&R/CFW) - Review of the new system which was introduced in 2017/18, where the Council acts in the capacity of an Appointee or Deputy to manage the finances of vulnerable people.
- Planning Enforcement (EGEI) – Service review covering systems, procedures and controls to achieve the service objectives.
- Strategic Growth Team (EGEI) - Service review to include coverage of procedures, responsibilities and performance monitoring against service objectives.

- Flixton House (T&R) – This establishment is to be closed for refurbishment and it was agreed a review will be undertaken in 2018/19 to include coverage of income and expenditure control.

There will also be time allocated for the completion of any other work expected to be in progress or commencing by the end of March 2018. This will be reflected in the 2017/18 Annual Head of Internal Audit Report. This will include the following list of reviews previously detailed in the 2017/18 Internal Audit Plan:

- Altrincham Crematorium (T&R)
- Old Trafford Library (T&R)
- Trafford Town Hall Catering (T&R)
- Let Estates (EGEI)
- Music Service (T&R)
- Section 17 Payments (Children’s Act) (CFW)

There will also be time set aside to review other potential risk areas as raised through 2018/19.

5.10 Data Quality/Grant Claims

A block of time is included in the plan for review of grant claims and other data quality checks made through the year where the internal audit function is required as part of the review/sign off process.

Time allocated includes the Service continuing to provide a role in providing assurance as part of the Council’s Stronger Families programme. There will also be a requirement for Audit input to sign off the 2017/18 grant claim in respect of the Disabled Facilities Grant.

Audit is notified of grant claims and other returns to be checked at various stages during the year and work actually completed will be reported in Audit updates through the year and the in the Annual Head of Internal Audit Report.

5.11 Service Advice / Project support

The Audit and Assurance Service provides advice across the Council on governance and control issues. In addition to areas listed elsewhere in this report, time is set aside for the provision of ongoing service advice. This may take the form of responses to ad hoc queries, issuing guidance, and liaison with services.

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. This will be updated where appropriate through the year.

Audit and Assurance will continue to contribute to the work of the Information Security Governance Board through the year. This will include contributing to progressing the Action Plan in respect of the introduction of GDPR, including input to the review of policies and risk management arrangements.

Time will be set aside to contribute where agreed to projects relating to the Council's Transformation programme.

Audit will also include time to work with the Trafford Leisure Community Interest Company (CIC) in respect of advice on its financial controls.

Account will always be taken of the primary objective of Internal Audit to complete assurance work and approval would be sought from CLT and the Accounts and Audit Committee before any significant unplanned consultancy work is agreed which would impact on the Internal Audit Plan.

2018/19 Operational Audit Plan – Allocation in Days

Appendix 1

Category	Details	Impact of Audit and Assurance’s work	Planned Days (Profiled by each quarter of year – Q1/Q2/Q3/Q4)
Fundamental Systems	<p>Coverage, includes audits of fundamental financial systems reviews as described in section 5.2:</p> <p>Advice in relation to consideration of new systems.</p> <p>Audit Opinion Reports to be issued as listed in Appendix 2.</p>	<p>Assurance on the operation of material business critical systems. Improvements in control environment supporting the achievement of corporate priorities, effective financial management, good governance and supporting the Council’s position in respect of its external audit review.</p>	<p>180 (50/55/50/25)</p>
Governance	<p>Coverage as described in section 5.3:</p> <p>Corporate Governance / AGS - to provide support and advice to Legal and Democratic Services and consider further planned work.</p> <p>Complete a review of the content of the draft AGS with reference to the CIPFA/SOLACE Governance framework and guidance.</p> <p>Advice / assurance in respect of governance issues.</p>	<p>Provision of assurance on the effectiveness of governance arrangements in place within the Council to support the achievement of Council and Community objectives and priorities.</p> <p>The Annual Governance Statement provides assurance to the public on the effectiveness of governance arrangements and enables the establishment of corporate improvement priorities.</p>	<p>30 (15/4/3/8)</p>
Corporate Risk Management	<p>Coverage as described in section 5.4:</p> <p>Facilitating the updating of the Council’s strategic risk register.</p>	<p>Assisting the Council to effectively manage risks leading to improvements in service delivery, achievement of objectives and improvements in the allocation of resources. The work also supports the</p>	<p>35 (5/8/8/14)</p>

	<p>Review existing Corporate Directorate risk registers and, where applicable, consider areas for development.</p> <p>Actions to support the Council's Risk Management Strategy including provision of guidance.</p>	Council in evidencing good practice undertaken when subject to inspection and review.	
Anti-Fraud & Corruption	<p>Coverage as described in section 5.5:</p> <p>Investigation of referred cases of suspected theft, fraud or corruption.</p> <p>The Service will also continue to support the National Fraud Initiative (NFI) and will liaise with other services to ensure the Council provides data in accordance with the requirements of the NFI 2018/19 exercise.</p> <p>Other work to support the Ant-Fraud and Corruption Strategy, including where applicable working with other relevant services to review existing policies and guidance supporting the overarching strategy.</p>	<p>Contributes to the maintenance of high standards of conduct and governance. Provides assurance on the management of the risks of fraud and corruption.</p> <p>Advice to services on the improvement of controls in place to reduce potential risks, e.g. financial loss and reputational damage.</p>	<p>110 (20/30/30/30)</p>
Procurement / Contracts / Value for money	<p>Coverage as described in section 5.6:</p> <p>Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors).</p> <p>Audit Opinion Reports to be issued as listed in Appendix 2.</p>	<p>Assurance and challenge on the adequacy of procurement arrangements. Contributes to improvements in service delivery and the achievement of value for money for the Council.</p>	<p>80 (20/15/10/35)</p>

Information Governance / Information, Communications and Technology	<p>Coverage as described in section 5.7:</p> <p>ICT Audit reviews and advice conducted by Salford Internal Audit Services.</p> <p>ICT related investigations where applicable.</p> <p>Information Governance reviews</p> <p>Audit Opinion Reports to be issued as listed in Appendix 2.</p>	<p>Specialised technical advice and assurance on the adequacy of controls surrounding ICT systems.</p> <p>Assurance to managers who place significant reliance on ICT systems for the delivery of services.</p> <p>Contribution to the review and further development of the Council's information governance arrangements.</p>	<p>100 (25/20/20/35)</p>
Schools	<p>Coverage as described in section 5.8:</p> <p>Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard.</p> <p>Audit reviews of schools – at least 14 school audit visits to be undertaken during the year.</p> <p>Planned audits to date are listed in Appendix 2.</p>	<p>Supports improvements in standards of governance and control in schools and supports process to enable achievement of standards set by the DfE.</p>	<p>180 (50/40/50/40)</p>
Assurance – Other Business Risks	<p>Coverage as described in section 5.9:</p> <p>Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes:</p> <ul style="list-style-type: none"> - Audit reviews - Follow up reviews including further audits and gaining assurance from 	<p>This work enables Internal Audit to provide a breadth of assurance across the Council that there are adequate governance and control arrangements in place, that policies and procedures are being implemented, that risks are being managed, and outcomes delivered.</p>	<p>250 (49/61/61/79)</p>

	<p>service updates.</p> <p>Audit Opinion Reports to be issued as listed in Appendix 2.</p>		
Grant claims checks / Data Quality	<p>Coverage as described in section 5.10:</p> <p>Internal audit checks of grant claims / statutory returns as required:</p> <p>Audit and Assurance to be advised through the year of grant claims and other returns to be checked/signed off.</p>	Ensuring the Council adheres to requirements in submitting relevant grant claims where Internal Audit input is required, providing assurance regarding the accuracy of data and supporting information reviewed.	35 (5/17/7/6)
Service Advice / Projects	<p>Coverage as described in section 5.11:</p> <p>General advice, both corporately and across individual service areas.</p> <p>Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues. To Include:</p> <p>- contributing to work of the Information Security Governance Board;</p>	<p>Support to services, groups, project teams etc. around the relevance and application of corporate policies, procedure rules and good governance arrangements.</p> <p>Contributing to the delivery of effective project outcomes including input to the consideration of key risks and appropriate controls considered in the development of new systems, functions and procedures.</p>	80 (20/20/20/20)
		Total Allocated Days	1080 (259/270/259/292)
		Contingency (To cover additional / unexpected work and any unexpected reductions in available staff days).	60
		Total Planned Days	1140
		Available Days	1140
		Surplus/Deficit for Year	0

2018/19 Internal Audit Plan – Audit Opinion Reports

Category	Audit Opinion Reports
Fundamental Systems	<ul style="list-style-type: none"> - Income Control (T&R) * - Liquid Logic/ContrOCC system – Adult Services (CFW/T&R) * - Direct Payments (CFW - Adults) * - Treasury Management (T&R) - Accounts Payable (T&R) - Payroll (T&R) - Liquid Logic/ContrOCC system – Children’s Services (CFW/T&R) - Direct Payments (CFW – Children’s Services) - Budgetary Control (Authority-wide) <p>(Note – As per 5.2, planning for timing of other reviews to be considered towards the end of 2018/19 and timing of issue of subsequent reports will be reflected in future Audit and Assurance updates and plans).</p>
Procurement / Contracts / Value for money	<ul style="list-style-type: none"> - Contracts Register (STAR Authorities – Rochdale lead) (T&R) * - Contract Procedure Rules (STAR Authorities – Stockport lead) (T&R/Authority-Wide) * - Social Value in Procurement (including follow up) (STAR authorities – Trafford lead) (T&R/Authority Wide) * - STAR Quality Management System (STAR Authorities – Stockport lead) (T&R) * - Chest Procurement Portal (follow up) (STAR Authorities – Rochdale lead) (T&R) - Financial vetting of firms (follow up) (STAR Authorities – Trafford lead) (T&R) - STAR Performance Indicators (STAR Authorities – lead to be confirmed) (T&R) - New vendor requests / spend monitoring (STAR Authorities – lead to be confirmed) (T&R) - Commissioning of children’s external residential placements (CFW) <p>(Any further planned work re Procurement to be determined during the year.)</p>
Information Governance / ICT Audit	<ul style="list-style-type: none"> - IT Change Management follow-up audit (T&R) - ITrent System IT Application Controls (T&R) - Software Licensing - follow up (T&R) - Cyber Security (T&R) - Information Security Management (ISO 27001 Gap Analysis) (T&R)

	- Data breaches (T&R/Authority-Wide)
Schools	14 Opinion Reports to be issued. The full list of audits to be confirmed through 2018/19 but to include reports to be issued for: - 11 Primary Schools (including follow-up audit of English Martyrs' RC Primary School). - 2 Special Schools - 1 Secondary School. (CFW)
Assurance – Other Business Risks	<ul style="list-style-type: none"> - Old Trafford Library (T&R) * - Altrincham Crematorium (T&R)* - Trafford Town Hall - Catering Income (T&R)* - Let Estates (EGEI) * - Client Finances (Appointees and Deputyships) (T&R/CFW)* - Section 17 Payments – Children (CFW)* - Music Service (T&R)* - Altrincham Library (T&R) - Flixton House (T&R) - Registration Service (T&R) - Licensing (EGEI) - Planning Enforcement (EGEI) - Pest Control (EGEI) - Environmental Health (EGEI) - Strategic Growth Team (EGEI) - Statutory Homelessness Services (EGEI) - Energy Management (EGEI) - Payments to Care Leavers - follow up (CFW) - Aids and Adaptations - follow up (CFW)

*Denotes reviews where audit reports are expected to be issued in Quarter One of 2018/19, which includes some reviews carried forward from 2017/18. Planned completion of work in the remainder of the year to be advised in subsequent Audit and Assurance update reports.

(Note: A target number of 40 of the above reports is planned to be issued during 2018/19 with remaining reports to be issued in the following year – target excludes reports issued by other STAR partners).

Audit Opinion Levels

For the above reviews listed, an audit report will be issued and an audit opinion will be provided. Opinion levels are set as follows:

Audit Opinion Level	Description
High	Very good standard of control. All high risk areas are adequately controlled.
Medium/High	Good standard of control. A small number of high risk areas require control improvements.
Medium	Adequate standards of control. Control improvements are required for a number of high risk areas.
Low/Medium	Marginal standard of control. Some business risks are controlled effectively. Control improvements are required for a significant number of high risk areas.
Low	Unsatisfactory standard of control. Controls in place to address business risks are not adequate.

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TRAFFORD COUNCIL

Report to: Executive

Date: 19 March 2018

Report for: Information

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

Report Title:

Budget Monitoring 2017/18 – Period 10 (April 2017 to January 2018).

Summary:

The purpose of this report is to inform Members of the current 2017/18 forecast outturn figures relating to both Revenue and Capital budgets. It also summarises the latest forecast position for Council Tax and Business Rates within the Collection Fund.

Recommendation(s)

It is recommended that the Executive notes the report, in particular:

- a) the forecast revenue budget underspend of £404k;
- b) the changes to the Capital Programme as detailed in paragraph 19.

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 2017/18.
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 ClearanceNB.....

Legal Officer ClearanceDA.....

CORPORATE DIRECTOR'S SIGNATURE

REVENUE BUDGET

Budget Monitoring - Financial Results

1. The approved budget agreed at the 22 February 2017 Council meeting is £160.83m. In determining the budget an overall gap of £25.37m was addressed by a combination of additional resources of £9.80m, including projected growth in business rates, council tax and use of general reserve and £15.57m of service savings and additional income.
2. Based on the budget monitoring for the first 10 months the year-end forecast outturn is an underspend of £404k, a favourable movement of £188k since Period 8. This position takes into account planned additional investment in the Council's highways of £2.0m due to the positive position of the EGEI and C-W budgets (See Table 2). At this stage caution should still be exercised as the projections continue to be based on a number of assumptions including delivery of the remaining savings programme in year (see para. 8) and the stability of demographic pressures in social care.
3. 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	2017/18 Revised * Budget (£000's)	Forecast Outturn (£000's)	Forecast Variance (£000's)	Percentage
Children's Services	31,291	31,647	356	1.1%
Adult Services (Inc. Public Health)	57,792	59,837	2,045	3.5%
Economic Growth, Environment & Infrastructure	38,318	37,921	(397)	(1.0)%
Transformation & Resources	16,893	16,163	(730)	(4.3)%
Total Directorate Budgets	144,294	145,568	1,274	0.9%
Council-wide budgets	16,531	14,853	(1,678)	(10.2)%
Net Service Expenditure variance	160,825	160,421	(404)	(0.3)%
Funding				
Business Rates (see para. 14) **	(67,462)	(67,462)	-	
Council Tax (see para. 12)	(88,630)	(88,630)	-	
Reserves	(3,058)	(3,058)	-	
Collection Fund surplus	(1,675)	(1,675)	-	
Funding variance	(160,825)	(160,825)	0	0.0%
Net Revenue Outturn variance	0	(404)	(404)	(0.3)%
Dedicated Schools Grant	124,519	125,075	556	0.4%
Public Health	12,178	12,178	0	0.0%

* There have been no budget virements since the Period 8 Budget Monitoring Report.

** Additional one-off income relating to the Business Rate retention scheme of £0.413m due to a release of the share of funds retained by GMCA that is no longer required. This will be transferred to a new earmarked reserve to mitigate future business rates funding risks (in addition to the extra one-off income previously reported – see Para 17).

Main variances, changes to budget assumptions and key risks

4. Corporate Leadership Team are regularly reviewing the situation with regard to vacancies and are engaging a task and finish group to do some detailed work around resourcing and recruitment.
5. The main variances contributing to the projected underspend of £404k, a movement of £188k since Period 8, any changes to budget assumptions and associated key risks are highlighted in the table below.

Table 2: Main variances	Forecast Variance (£000's)	Explanation/Risks
Children's Services	356	<p>Outturn variance £356k adverse:</p> <ul style="list-style-type: none"> ➤ £1.267m overspend in Children's placements Budget (Note 1); ➤ savings of £911k from vacancies, restructures and additional income (Note 2). <p>Period movement £285k favourable:</p> <ul style="list-style-type: none"> ➤ additional savings of £226k from vacancies, restructures and additional income; ➤ reduction in the overspend on Children's placement costs of £59k. <p>Note 1 - An estimated gross overspend of £699k is partly offset by a one-off underspend of £180k on the Regional Adoption Agency resulting in a net overspend of £519k.</p> <p>Despite £1.78m being delivered in savings, £748k will not be delivered in 2017/18.</p> <p>This gives an overall variance of £1.267m, a decrease of £59k from that reported previously. The variance is as a result of delays in the implementation of some savings schemes.</p> <p>The area of most significant pressures continues to be for placements for children age 14+ who need specialist care. There is an ongoing lack of capacity in placements for young people age 14+ with in-house foster carers and external provision. The recruitment of more in-house carers is in hand but will take time.</p> <p>We are continuing to work with the Family Placement team and with Healthy Young Minds to develop comprehensive training and support interventions to increase our internal provision and capacity.</p> <p>The number of children in care as at the end of January 2018 is 373, a decrease of 14 from that last reported. Within this projection a contingency of £414k remains in the event of additional placements over the next two months.</p> <p>Note 2 - The above adverse variance has been offset by underspends and additional income within the overall service. These include vacancies of £334k, additional grant/income £337k, underspend due to restructures £182k, and general underspends across the service of £58k.</p>

<p>Adult Services / Public Health</p>	<p>2,045</p>	<p>Outturn variance £2.045m adverse:</p> <ul style="list-style-type: none"> ➤ £2.254m overspend in Adults Client budget (Note 1); ➤ £333k overspend on Deprivation of Liberties (DOLS) (Note 2); ➤ partly offset by £542k from vacancies and one-off savings (Note 3). <p>Period movement £247k adverse:</p> <ul style="list-style-type: none"> ➤ £135k increased projection on Adults Client budget; ➤ £76k increase In DOLS projection; ➤ £36k minor adverse movements. <p>Note 1 - The main budget pressure is in the Adult Client budget in which there is an estimated gross overspend of £1.721m, partly offset by one-off underspends on grant funding and Transition budgets totalling £896k, giving a net overspend of £825k.</p> <p>Estimated savings of £4.754m are forecast to be delivered in year, although this is £1.429m short against target; an increase of £135k from that reported previously.</p> <p>This overall position reflects an increase in the cost per person of care due to increased complexity of cases, an absence of Council rate homecare and residential & nursing care provision (to the extent required) in the borough which has also impacted on the savings programme.</p> <p>The lack of affordable nursing care beds in the borough is increasing the number of top-up fees payable by the Council, as is the higher rate of home care packages. The accelerated work on delayed transfers of care is also increasing the financial pressure in this area as residents are brought out of hospital quickly to assess their needs in the community.</p> <p>Within this forecast £250k remains within a contingency budget to help to offset potential pressures for the remaining 2 months.</p> <p>What is being done to address this?</p> <p>The service is actively undertaking a programme of reassessments to ensure that care packages are in line with client needs.</p> <p>Commissioners continue to increase the capacity of Homecare available to the council, and have brought another SAMS provider on board; this will ensure that some clients can increase/retain their independence in their own home therefore reducing demand for residential/nursing placements.</p> <p>The service are exploring alternative contracting arrangements particularly in the form of block contracting in order to achieve value for money and to provide security for both the Council and providers.</p>
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Adult Services / Public Health (cont.)		<p>Note 2 - Included within the forecast is a £333k overspend on Deprivation of Liberty fees due to activity well in excess of expected levels, an increase of £76k since last period.</p> <p>Note 3 - The overall position is partly mitigated by vacancies of £337k, a one-off VAT refund of £235k and minor adverse variations across the service of £30k.</p>
Economic Growth, Environment & Infrastructure	(397)	<p>Outturn variance £397k favourable:</p> <ul style="list-style-type: none"> ➤ staff cost savings of £185k; ➤ net income savings from property rents, planning, car park and other fees of £615k; ➤ partly offset by a net overspend in running costs of £403k across all services, including an increase in the Waste Disposal Levy of £248k and other areas of £155k, <p>Period movement £53k adverse:</p> <ul style="list-style-type: none"> ➤ additional income £58k (net); ➤ increased running costs £77k (including £60k on Waste Disposal Levy); ➤ reduced underspend on staff costs £34k. <p>The above figures exclude the new income from the garden waste collection service which has exceeded budgeted levels by £600k, as previously reported at Period 4. This money will be used to support additional investment in the Council's highways.</p>

Transformation & Resources	(730)	<p>Outturn variance £730k favourable:</p> <ul style="list-style-type: none"> ➤ staff cost savings of £864k (Note 1); ➤ additional income and reduced running costs saving a further £136k (Note 2); ➤ partly offset by a shortfall in the savings associated with school crossing patrols of £270k, albeit other funding sources will be pursued where available. <p>Note 1 - forecast staff costs are £864k less than budget across the Directorate based on actual and projected vacancies, which is 4.3% of the total staffing budget. This is a favourable movement since Period 8 of £80k, mainly within Finance Services. This is marginally lower than the average level experienced in 2016/17 of 4.6%, and reflects the ongoing efforts to fill outstanding vacant posts.</p> <p>Note 2 - Running costs are now projected to be £36k above budget, an adverse movement of £98k since Period 8 mainly in Bereavement Services and Waterside Arts Centre, but these are more than offset by projected income levels which have increased by a net £19k to £172k.</p>
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Council-wide budgets	(1,678)	<p>Outturn variance £1.678m favourable:</p> <ul style="list-style-type: none"> ➤ Treasury Management savings of £848k (mainly airport dividend above budget of £816k as previously reported); ➤ part release of Contingency budgets of £570k; ➤ Overpayment recovery of previous years' Council Tax Benefit, £65k; ➤ Members allowances and running cost savings, £20k and Apprenticeship Levy saving against budget of £31k; ➤ A final one-off rebate from the Public Sector Audit Appointments (PSAA) relating to historic external audit fees, £18k; ➤ partly offset by a projected shortfall in the savings associated with the 'Advance contributions to GM Pension Fund' project of £165k and an expected overspend in Coroners and Mortuary fees of £37k; ➤ Investment Strategy – new income from commercial properties £328k with full year impact supporting future years' budgets. <p>Period movement £202k favourable:</p> <ul style="list-style-type: none"> ➤ A number of Council-wide contingencies and provisions relating to service savings not being achieved and doubtful debts have been reviewed and it is considered appropriate at this stage of the year to release a further £190k, in addition to the £380k already released at Period 8. This leaves £188k remaining. ➤ Other minor changes of £12k.
Dedicated Schools Grant	556	<p>The decrease of £83k in the projected overspend from £639k to £556k relates mainly to a reduction in the projected overspend within the High Needs Block due to the recovery of 6th form grant funding from Brentwood School.</p> <p>This overspend will be financed from the DSG reserve.</p>

Progress against Locality Plan

6. 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.

7. Work is ongoing on the locality plan and it is anticipated that further work will be required in the coming months to understand how any budget gaps will be addressed. Financial performance against the locality plan is highlighted below in Table 3.

Table 3: Locality Plan Update	2017/18 Budget (£000's)	Outturn (£000's)	Variance (£000's)	Percentage
Public Health	12,178	12,178	0	0.0%
Adult Social Care	57,180	59,225	2,045	3.6%
Children and Families	31,960	32,316	356	1.1%
Total	101,318	103,719	2,401	2.4%

*The figures in the above table have been collated using a different rationale incorporating wider budget elements not included in the CFW budget.

MTFP Savings and increased income (Vision 2031 Portfolio)

8. The 2017/18 budget is based on the achievement of permanent base budget savings and increased income of £15.57m (see para. 1 above). In addition a number of savings initiatives which underachieved in 2016/17 have been rolled over to the 2017/18 programme totalling £1.36m, giving a total savings target of £16.93m.
9. The latest forecast indicates that total savings of £14.81m have been or are projected to be delivered by 31 March 2018. This represents an underachievement against target of £2.12m and includes £14.01m already achieved (94.6%) and £0.80m (5.4%) still to be achieved. At this stage the projected under-performance on savings can be financed from other savings and additional income across the rest of the revenue budget in 2017/18. The impact of the shortfall has been taken into consideration when setting the 2018/19 budget.

RESERVES

10. The audited General Reserve balance brought forward is £6.00m, the approved minimum level agreed by Council in February 2017.
11. Service balances brought forward from 2016/17 were a net £4.11m and are largely allocated to support Vision 2031 Portfolio projects in 2017/18 and later years, however before making firm commitments to utilise these resources consideration will be given to the overall projected outturn position in each directorate.

	b/f April 2017 (£000's)
Table 4: Service balances	
Communities, Families & Wellbeing	(793)
Economic Growth, Environment & Infrastructure	(1,205)
Transformation & Resources	(2,113)
Total (Surplus)/Deficit	(4,111)

COLLECTION FUND

Council Tax

12. The 2017/18 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%). The total surplus brought forward as at 1 April 2017 was £2.54m.
13. As at January 2018 the end of year surplus balance is forecasted to be £1.54m, after the application of £1.55m of brought forward surplus and addition of an in-year surplus of £549k. The Council's share of this is £1.30m, and is planned to support future budgets in the MTFP.
14. Council Tax collection rate as at 31 January 2018 was 95.48% compared to the targeted collection rate of 95.74%.

Business Rates

15. The 2017/18 budget included anticipated growth in retained business rates and related S31 grants of £5.46m and at this stage it is still anticipated that this will be achieved in year, albeit the risk of appeals still remains.
16. During the course of the year a number of additional benefits have already been reported to Executive:-
 - £1.276m being the Council's share from the 2016/17 Growth Pilot
 - £5.1m representing the share of benefits from the first year of the 100% Retention Pilot

17. In addition GMCA has indicated that it will redistribute £4.9m of its share of benefits it had received from previous years pooling arrangements. Trafford's element of the returned income is £413k. However given the overall risk faced by Trafford due to its large business rates baseline and volatility from business rate appeals, it is prudent that this amount be transferred to the business rate smoothing reserve and used to offset any fluctuation in the significant level of business rate income that will be supporting the budget in 2018/19 and later years. It will also provide a cushion in the event of any changes to business rate baselines when the system is reset in 2020/21.
18. Business Rates collection rate as at 31 January 2018 was 90.02% compared to a targeted collection rate of 90.70%.

CAPITAL PROGRAMME

19. The value of the indicative 2017/18 Capital Programme set in February 2017 was £65.74m which was updated as a result of 2016/17 outturn and reported in the P8 monitor at £355.22m. Taking into account the increase to the Highway Maintenance Programme and additional grants and contributions the budget is currently estimated at £355.16m. The changes are summarised as follows with details below:

Table 5 - Capital Investment Programme 2017/18	Period 8 Programme £m	Changes £m	Current Programme £m
Service Analysis:			
Children, Families & Wellbeing	15.62		15.62
Economic Growth, Environment & Infrastructure *	37.82	(0.06)	37.76
Transformation & Resources *	6.78		6.78
General Programme Total	60.22	(0.06)	60.16
Capital Investment Fund **	295.00	-	295.00
Total Programme	355.22	(0.06)	355.16

* The remaining £5m has been rephased to 2018/19.

20. Amendments to Capital Programme

Resourcing of the capital investment programme is made up of both internal and external funding. Details of this are shown in the table below.

Table 6 - Capital Investment Resources 2017/18	Period 8 Programme £m	Changes £m	Current Programme £m
External:			
Grants	20.14	-	20.14
Contributions	10.27	(0.06)	10.21
Sub-total	30.41	(0.06)	30.35
Internal:			
Receipts	16.42	-	16.42
Borrowing	10.50	-	10.50
Reserves & revenue	2.89	-	2.89
Sub-total	29.81	0.00	29.81
General Programme Total	60.22	(0.06)	60.16
Borrowing – Capital Investment Fund	295.00	-	295.00
Total Programme	353.22	(0.06)	355.16

General Programme - Status and progress of projects

21. This section aims to give certainty about delivery and the level of outturn performance that can be expected in 2017/18 on the general capital programme.
22. As part of the monitoring process a record of the “milestones” reached by each project is kept to show the progress of the scheme from inclusion in the programme through to completion. The table below shows the value of the programme across the milestone categories.

Table 7 - Status on 2017/18 Projects	Current Budget £m	Percentage of Budget
Already complete	22.17	37%
On site	21.71	36%
Programmed to start later in year	13.01	22%
Not yet programmed	3.27	5%
Total	60.16	100%

23. There are a number of schemes which, whilst they have started or are still due to start in year, are not now expected to complete until 2018/19. As a result the outturn projection is now estimated to be £51.44m (86%) in 2017/18. The table below provides a summary with scheme details shown in the following paragraph.

Table 8 – 2017/18 Outturn Projection	£m
Current General Programme	60.16
Actual spend to date	31.37
Expected spend for P11-P12	20.07
Outturn Projection	51.44
Variance to current budget	(8.72)
Major Areas which require re-phasing to 2018/19	
- Schools related projects	2.27
- Public Building Repairs	0.30
- City Cycle Ambition Grant	1.25
- Cycle Link schemes	0.52
- Altrincham – Library / Community Facility	1.74
- Additional Burial Land	0.44
- Flexible use of Capital Receipts	1.80
- SAP Development / Replacement	0.40
Total re-phasing requirement	8.72

24. For those schemes where delivery is not expected to either complete or commence in 2017/18 and budgets will be rephased as part of the budget setting report in February 2018, £7.90m of the £8.72m was explained in the previous monitoring report with the additional £0.82m being:

- **City Cycle Ambition Grant – £819k** : Transport for Greater Manchester have, with agreement from the Department of Transport, agreed that the deadline for using the grant can be extended to 2019/20. The major projects included are the Stretford Road / Talbot Road Cycleway scheme and the WestPoint Junction, Old Trafford and the opportunity has been taken to ensure that budgets are phased to ensure proper delivery of the proposed projects.

Capital Investment Fund

25. The Council's Investment Strategy was approved by the Executive in July 2017 when approval was given to increase the Capital Investment Fund to £300m, supported by prudential borrowing, to support the approach. To date five transactions have been agreed at a total capital cost of £90.68m with others currently under consideration. This investment will provide a net benefit to support the revenue budget in 2017/18 and later years.

Table 6 : Capital Investment Strategy	2017/18 £m	2018/19 £m	Total £m	
Total Investment Fund	295.00	5.00	300.00	
Activity to date :				Average 10 yr.net return (%)
Projected Cost				
K Site, Stretford (*)	1.13	11.38	12.51	n/a
Sonova House, Warrington	12.17		12.17	0.69
DSG, Preston	17.39		17.39	2.60
Grafton Centre incl. Travelodge Hotel, Altrincham	10.81		10.81	1.28
Provision of debt financing for residential development	37.80		37.80	6.00
Total investments	79.30	11.38	90.68	
Balance available			209.32	

(*): Projected costs include £450k for the capitalisation of temporary borrowing for the period covering the development of the site.

Issues / Risks

26. The main risk in the area of the capital programme is the timely delivery of the programme and this situation will continue to be closely monitored and any issues will be reported as and when they arise.

Recommendations

27. That the Executive notes the report, in particular:
- a) the forecast revenue budget underspend of £404k;
 - b) the changes to the Capital Programme as detailed in paragraph 19.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 27 March 2018
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Strategic Risk Register 2017/18 (March 2018 update)

Summary

The Accounts and Audit Committee is asked to consider this report which provides an update on the strategic risk environment, setting out developments relating to the management of each of the Council's strategic risks.

Recommendation

The Accounts and Audit Committee reviews this report.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit & Assurance Manager. **Extension:** 1323
Mike Sullivan – Senior Audit & Assurance Officer **Extension:** 1564

Background Papers:

None

1. **INTRODUCTION**

- 1.1 The Council's Strategic Risk Register (SRR) contains the strategic risks the Council is likely to face in achieving its high level corporate objectives.
- 1.2 In accordance with the Council's Risk Management Policy, the Corporate Leadership Team (CLT) provides regular periodic updates on the strategic risk environment and in particular performance in managing the specific risks incorporated within the SRR.
- 1.3 This report is based on information provided by risk owners in February 2018.

2. **THE STRATEGIC RISK ENVIRONMENT – RISK EXPOSURE AND PERFORMANCE MANAGEMENT**

- 2.1 The Council continues to review and monitor its strategic risks. Given the challenges faced by the Council going forward, it is acknowledged that it will need to continue to review its approach to risk and risk management as risks change and potentially higher risks arise. Progress has continued to be made in addressing the strategic risks as detailed in this report.
- 2.2 The Audit & Assurance Service requested current strategic risk owners to provide an update on the strategic risks that are under their remit including progress in managing these risks. Section 3 of this report contains an update on the strategic risks identified.
- 2.3 Since the previous strategic risk report update was reviewed in November 2017, all the risks have been reviewed and updated with developments.
- 2.4 The risk chart on page 3 shows an analysis of the current strategic risks. The chart analyses the levels of risk exposure in terms of impact and likelihood. The number of strategic risks for each risk level is shown. There are 15 strategic risks.
- 2.5 One new risk has been added since the previous update report (Medium level risk score of 15 in relation to the Investment Strategy).
- 2.6 The risk exposure score for the following risk has decreased:
 - Shortage of Burial Ground in Trafford (SR13) reduced from a medium risk score of 12 to a low risk score of 8.
- 2.7 The timing of future Strategic Risk Register update reports to CLT and the Accounts and Audit Committee in 2018/19 will be planned as part of agreeing the Accounts and Audit Committee work programme for the coming year.

Comparison of Risk Levels November 2017 and March 2018

IMPACT	Risk Levels – November 2017				
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)
Very High(5)		2	8		
High (4)			2		
Medium (3)					
Low (2)					
Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)

LIKELIHOOD

** Note: In November 2017 there were two new risks added re the integration between Trafford Council and the CCG (SR1) and 'University Academy 92 (SR7) - risk scores were to be confirmed as at Nov. 2017 and are therefore not shown on the table above but are now reflected in the table below.*

IMPACT	Risk Levels – March 2018 *				
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)
Very High(5)		2	11		
High (4)		1	1		
Medium (3)					
Low (2)					
Very Low (1)					
	Very Low (1)	Low (2)	Med. (3)	High (4)	Very High (5)

LIKELIHOOD

High Risk
Medium Risk
Low Risk

3. Strategic Risks (March 2018)

Red	Amber	Green
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Risk	Strategic Risk Title / (Directorate / Portfolio)	Risk Level	Management of Risk - Direction of Travel **	Comments
1	<p>Risks associated with the integration between Trafford Council and Trafford CCG.</p> <p>(Authority-wide - Chief Executive / Leader)</p>	<p>15 Medium</p> <p>(Initial risk score)</p>	N/a.	<p>The integration of Trafford Council and Trafford CCG is happening on 3rd April 2018.</p> <p>The integration will see the creation of a single management team, an integrated commissioning team and a single back office function. This fundamental organisational and service redesign provides both major opportunities and significant risks to both organisations.</p> <p>This integration requires a clear vision, strong leadership and clear accountability from the top, supported by both community and staff engagement. A single Accountable Officer / Chief Executive has been appointed to lead this integrated management team.</p> <p>Detailed work commenced last year and is continuing through a number of Transformation, Finance and HR working groups to ensure understanding of the current status before integration; to shape the proposed delivery models; and to design the staffing structures for the new organisational form.</p> <p>There are now nine Integration Domains established to co design the next iteration of the operating model. Each Domain has an individual risk register and quarterly action plan in place. The key risks contribute to an integrated Business Programme Risk Register. Regular meetings are arranged with the joint Executive Boards to review progress and mitigate any risks that arise.</p> <p>It is acknowledged that there are significant risks, including financial, reputational, technological and cultural attached to the integration. A period of due diligence will start in Q1 2018/19 to establish a clear understanding of the risks from a financial, capacity and capability perspective.</p> <p>The opportunities which are likely to be derived include:</p> <ul style="list-style-type: none"> • More effective commissioning;

				<ul style="list-style-type: none"> • Integrated service offering to the residents of Trafford; and • Financial cost savings.
2	<p>The Council does not fulfil its statutory duties and all accompanying policy requirements in terms of identifying and safeguarding vulnerable children.</p> <p>(CFW / Children, & Families)</p>	<p>15 Medium</p>		<p>There is a Transformation Process in place to change delivery models within Children's Social Care. Child Protection numbers have now stabilised to more manageable and there has also been a reduction in the number of families in Public Law Outline. Children in Care numbers continue to be high but have now levelled and are beginning to reduce, this will be a slow process and managing the care plans for these children must be done carefully and in line with legislation. We have had some churn in our system and delays in recruitment. This, along with the increases we have experienced, have put pressure on social worker caseloads and created pressures within the system generally. These increases are monitored and managed through moving staff or use of agency staff whenever possible.</p> <p>We have now appointed a temporary Multi-Agency Review and Improvement Team as part of our Transformation Bid to help the service review existing practice and drive improvements to our approaches to improve outcomes.</p> <p>A new set of Inspection Frameworks now apply to Children's Services. We will now be subject to three different unannounced inspection processes over the next 3 years.</p> <p>There are also changes for both the Children's and Adults Safeguarding Boards with a Joint Board Chair for both children and adults. The Safeguarding Board staff team have been through a formal Consultation to make them into one team and gaps are now being recruited to.</p> <p>Measures:</p> <ul style="list-style-type: none"> • Monthly meetings of the Director of Children's Services Safeguarding Group. • Biannual safeguarding children assurance meetings with the Chief Executive, Leader and Executive Member. • Rigorous Performance Management and Quality Assurance through Trafford Integrated Governance Group and internal Children's Integrated Governance Group.
3	<p>Demand for school places under-estimated and/ or</p>	<p>15 Medium</p>		<ul style="list-style-type: none"> • All children have been allocated places for the 2017/18 academic year. • The demand for primary and secondary school

	<p>additional school places are not delivered to satisfy increased demand.</p> <p>(CFW / Children, & Families)</p>			<p>places continues to be monitored and capital resources allocated to ensure sufficient places are provided to meet our statutory duty.</p> <ul style="list-style-type: none"> • All basic need funding has been allocated up to March 2018. • There is no basic need funding from the Department for Education (DfE) for 2018/19, the first year the LA has received a £0 allocation. Indicative basic need funding for 2019/2020 is £18m. • Public consultation is currently underway for how Special educational Needs and Disability (SEND) Provision Capital Funding allocation of £1m for 2018-2021 can be spent to create new places or improve facilities in existing provision.
4	<p>Continuing uncertainty regarding the Council's medium term financial position given the reliance that exists on support from Central Government, cost pressures within the existing budget and major changes in the administration of Business Rates resulting in a greater risk being transferred to local government.</p> <p>(T&R / Corporate Resources)</p>	<p>15 Medium</p>		<ul style="list-style-type: none"> • The 2017/18 budget was agreed on 22nd February 2017, the Council agreed the 2017/18 budget of £160.83m. The latest in year monitoring position (P8) is forecasting a small underspend of £0.2m and the impact of the in-year monitoring position has been acknowledged in setting the budget for 2018/19. • The 2018/19 budget and MTFS was approved by Council on 21st February 2018. The report identified a funding gap over the next three years of £40.6m, split £22.9m in 2018/19 and £8.9m in 2019/20 and £8.8m in 2020/21. • The budget gap for 2018/19 caused by overall cost pressures of £13.3m and funding reductions of £9.6m have contributed to the gap and these include additional client demand pressures in social care services. • The budget gap in 2018/19 was met by a combination of new funding and income of £17m, including:- <ul style="list-style-type: none"> ○ A 4.99% increase in the council tax (2.99% general increase and 2% for adult social care) and increase in tax base £6m; ○ Additional business rate revenues (mainly from the 100% GM pilot) £5.4m; ○ Net income from investment properties £1.2m; ○ Additional MAG dividends and shareholder loan returns £1.6m; ○ Use of Budget Support Reserve £1.6m; ○ Other £1.2m, and; ○ continuation of savings programmes of £6m. • The level of business rate revenues now supporting the budget give rise to a significant risk in 2020/21 when the national reset of business rate baselines will take place and

				<p>therefore part of our reserves strategy over the next two years reflects this risk and where possible resources will be retained to mitigate this.</p> <ul style="list-style-type: none"> • An amount of £2.2m will be left in the Budget Support Reserve to support the MTFS in later years. • The remaining budget gap after the current round of budget proposals is £6.25m and £8.85m in 2019/20 and 2020/21 respectively. • Additional risks following the Brexit decision include reduced interest rates and impact on investment interest, cost of supplies and services and business rate risk.
5	<p>Loss / absence and retention of senior managers to the organisation.</p> <p>(T&R / Corporate Resources)</p>	<p>15 Medium</p>		<ul style="list-style-type: none"> • A new organisational structure is in place for the all-age integrated health & social care service. • A number of interim internal 'act-up' arrangements are in place, again aiding succession planning, pending permanent appointments. • A new leadership development programme is in development for all managers/senior managers across the organisation, to support them in leading and engaging their staff through transformational change and Vision 2031. • A succession planning strategy is being rolled out 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 we are equipped to flex our workforce to react to resource and skills gaps. Each successor will have access to a coach. • Leadership behaviours are being developed in line with Leading GM expectations and Trafford's Vision 2031. • Pro-active attendance management strategy developed and will be rolled out across Trafford with refreshment training for managers. • A Health & Well-being strategy is in place with actions to maintain and improve employee morale and well-being. • Strengthening of the senior leadership team-introduction of new roles and new appointments made to Corporate and Directorate level vacancies.
6	<p>Trafford Council must ensure that information held about</p>	<p>15 Medium</p>		<ul style="list-style-type: none"> • Citizens and businesses have a right to expect data held about them to be treated in a secure manner and only shared on a need to know

	<p>citizens, employees, partners, contractors, members and organisations in Trafford is safe in their hands. To be able to assure its partners and the public that this is the case they need to demonstrate that they are handling personal/ sensitive and commercial data securely both in technology and physical terms. They also need to ensure that 3rd parties acting on their behalf are handling their data sets in accordance with Trafford Council's policies and procedures. This is a corporate risk and the risk to the Council is reputational, financial, adverse publicity and could ultimately be a breach of the Data Protection Act.</p> <p>(T&R / Corporate Resources)</p>	<p>15 Medium (Initial risk score)</p>		<p>basis.</p> <ul style="list-style-type: none"> • Employees, Partners, Contractors and members have the right to expect data held about them to be treated in a secure manner. • Trafford Council have a responsibility to protect their data and information. • The Council has a dedicated Corporate Information Governance (IG) team which provides advice and guidance in relation to compliance with Data Protection and Freedom of Information legislation as well as with data sharing. It also investigates data security breaches and reports these on a monthly basis to the ISGB and quarterly to CLT and provides services concerned with recommendations to improve their working practices. • The Council has an Information Security Governance Board (ISGB), which meets monthly and is comprised of senior officers across the council who lead on IG matters within their Directorates .The ISGB has a terms of reference which provides a direct reporting line to the CLT, underlining the importance of information governance and information security within the Council. The ISGB takes the corporate lead on all data protection related matters and in progressing the embedding of information governance into the Council's day to day activities. Progress on the ISGB's information governance work plan is reported fortnightly to CLT. • The Council achieved "reasonable assurance", the second highest level awarded, in the, voluntary information governance audit performed by the Information Commissioner's Office (ICO) during January 2017. • The Council's responses to their best practice recommendations have been approved by the ICO. • Work is underway with implementing the various procedural changes to be introduced in May 2018 by General Data Protection Regulations (GDPR) and revised Data Protection Act 2018. • The Council has appointed a Data Protection Officer, a mandatory requirement under GDPR.
7	<p>University Academy 92: failure to implement programme and achieve possible benefits this may bring in terms of</p>	<p>15 Medium (Initial risk score)</p>	N/a.	<p>University Academy 92 (UA92) was launched in September 2017 to establish a new model of university by bringing together the best of academia, business and sport. It is a unique collaboration involving the Class of 92, Lancaster University, Microsoft, Trafford College and Bruntwood as well as Trafford Council. Other</p>

	<p>regeneration around Stretford and Old Trafford.</p> <p>(Authority wide - EGEI) / (Authority-wide)</p>			<p>supporters of UA92 and the regeneration in the Trafford area include Lancashire County Cricket Club and Manchester United Football Club.</p> <p>Trafford Council believe UA92 will help regenerate the area around Stretford and Old Trafford as it presents a fantastic opportunity to revitalise and support local communities to maximise their potential. UA92 aims to create jobs and attract 6,500 students by 2028.</p> <p>This programme comprises of a number of facets including the university campus, student accommodation, Stretford leisure centre and Turn Moss. Each of these aspects are being considered individually as well as part of the overall programme. Mitigation arrangements are in place in the event of failure of any part of the programme. For example, Stretford Leisure refurbishment will continue regardless of the university as this is also a community asset.</p>
8	<p>A successful Cyber Security Attack could lead to sensitive data being compromised, denial of access to the Council's computing services or severe degradation or loss of control of those services.</p> <p>(T&R / Corporate Resources)</p>	<p>15 Medium</p>	<p>← →</p>	<ul style="list-style-type: none"> • Trafford will continue to operate in an assumed state of compromise in that there should always be a presumption that our network boundaries both internal and external are vulnerable. • All information sources and systems within the Council should have an identified owner. • The Council will continually address issues that may affect our ability to detect and respond to threatening cyber activity e.g. continually review our Internet Service Providers and their effectiveness. • Trafford will create a culture in which the security of technology, information and business process is assessed and verified from the point of inception through to delivery use and disposal. • We will not restrict innovation in the Council by managing rather than avoiding all risk. • We will seek expert guidance when appropriate and collaborate with central and local government bodies to benefit from tried and tested approaches, knowledge, wisdom and learned experience. We will continue to be members of associations such as North West Warning, Advice & Reporting Point (WARP). • In addition a full review of the Trafford Information and Communications Technology (ICT) Security Policies is taking place to bring them up to date and to identify and complete any policy gaps. Additional Firewalls have been implemented to secure the HR Shared Services network from the main Trafford network and to

				<p>protect the Sale Waterside data centre network used for backups and recovery of data. The Council via a competitive procurement has appointed an established security partner, The Network People (TNP) to help manage, monitor and develop Trafford's Security defences via Firewall management and professional services design. This arrangement will be extended in line with Procurement rules for a further two years.</p> <ul style="list-style-type: none"> • Trafford is maintaining its compliance with Public Service Network (PSN) through annual vulnerability penetration testing of both the internal and external networks. This is also the case regarding the PCI compliance required for financial services. • Trafford Council ICT department are proposing that the business undertakes an awareness campaign that focuses on the potential threats and vulnerabilities that could possibly lead to Council data and systems being compromised.
9	<p>Failure of the Adult Safeguarding Service. (CFW/Adult Social Care)</p>	<p>12 Medium</p>	<p>← →</p>	<ul style="list-style-type: none"> • Refreshed Safeguarding Policies and procedures and completed new policy live from May 2017 and available as an app for all staff. • An Interim Clinical Commissioning Group chief nurse has been appointed and a Designated Nurse for Adults has been in post for some time. • A new Health Safeguarding Team (Pennine) has been designed but it is currently facing significant staffing challenges and is on the Pennine Risk Register – the social care arm of the Integrated Service is supporting the health practitioners with safeguarding matters in the meantime. • The Director of Safeguarding and Professional Development is in role and the standard of safeguarding for adults and children is managed centrally through this role. • Serious Case Review Panel (Adults) reviewed and in place, has completed several Learning Reviews, a Safeguarding Adults Review (SAR) has been published, 2 more SAR's have now been commissioned and Independent Authors procured. Learning from these processes will be rolled out to staff. • One Senior Practitioner is in post and overseeing safeguarding decision making with the Community Screening Team. A Senior Practitioner role is currently vacant and the function is being reviewed. • The Screening Team is the first point of contact for Safeguarding referrals – referrals on open cases are now sent directly to the

				<p>neighbourhood teams who have better knowledge and understanding of the individuals concerned and can offer a quicker and more comprehensive response.</p> <ul style="list-style-type: none"> • All referrals into Screening are immediately risk assessed and Safeguarding referrals are prioritised. • There is a discrete Adult Protection Line for members of the public to directly contact social care to raise safeguarding concerns. • There are advanced plans for Greater Manchester Police (GMP) officers to co-locate with the Screening Team to enhance our response to safeguarding referrals. • Self-assessment underway for a Peer Review of Adult Safeguarding due in April 2018. • Mental Capacity Act (MCA) and Deprivation of Liberty Safeguards (DoLS) e-learning available for all staff and use is monitored.
10	<p>Breach of health and safety legislation leading to prosecution under the Corporate Manslaughter Act and other Health and Safety Regulations.</p> <p>(T&R / Corporate Resources)</p>	<p>10 Medium</p>		<ul style="list-style-type: none"> • Current Health & Safety Policy and comprehensive arrangements in place. Subject to periodic review as required and available to the workforce via the intranet. • Health and Safety Audit programme in place across all Directorates and schools. This programme includes proactive monitoring of compliance with health & safety law and internal H&S management arrangements. • Policy, arrangements, protocols and guidance for Directorates and schools updated to reflect legislative or organisational changes and any new or emerging risks (in addition, a targeted rolling programme is ongoing). • Health & Safety Unit (HSU) support in the comprehensive assessment and investigation, where required, of health and safety issues or incidents. Facilitates the effective management of risk and statutory compliance. • HSU support in responding to occupational health and workforce referrals to ensure the health, safety and welfare of staff. • Staff consultation processes in place to report and liaise on Health and Safety performance issues. • Competent HSU advisory service with advisors subject to continuing professional development requirements. • Employee Health and Wellbeing Strategy in place which incorporates ill health reduction and mental wellbeing support. • Training calendar in place and online training available to support managers and schools in

				<p>ensuring staff are competent to undertake tasks/role.</p> <ul style="list-style-type: none"> • Arrangements in place for the health and safety assessment of providers/contractors prior to approval and for subsequent monitoring of performance.
11	<p>Joint Venture partner fails to deliver services to the required standard or fails to deliver required efficiency savings.</p> <p>(EGEI / Highways, Parks & Environment Services)</p>	<p>15 Medium</p>		<ul style="list-style-type: none"> • Second year of contract completed, and part way through third. Increasing number of service issues identified and public perception became increasingly negative. Additional staffing has been brought into the client team to enhance contract management. • New measures put in place by Amey with additional resources. Independent validation of KPI and Job records by Trafford Council on-going. This has been done across the contract but with a particular focus on domestic waste, greenspace and highways maintenance services. • KPIs monitored on a monthly basis, and control and auditing mechanisms reviewed. • Capital programme delivery is broadly on target for highways, with agreed variations.
12	<p>The Transformation /Vision 2031 Programme savings are not delivered in full.</p> <p>(T&R / Corporate Resources)</p>	<p>15 Medium</p>		<ul style="list-style-type: none"> • Portfolio savings targets are reviewed and monitored bi-monthly. • Robust governance is in place, greater scrutiny at theme level, with progress reported through CLT, the Place Shaping Board and the Integration Board. • The Programme Management Office (PMO) support process monitors delivery plans to ensure projects are delivered to time. • The CLT continue to support understanding of and engagement in the programmes, to secure support for it and to continue to the original plan with minimal disruption. Working closely with Senior Responsible Officers to identify risks and dependencies to the projects at the earliest opportunity and identify appropriate and considered mitigations plans. • Exceptions to plan are escalated to the CLT/Vision Board at the earliest opportunity. • Currently, the Vision 2031 portfolio is forecast to achieve a saving of £8.939m which is a forecasted shortfall of £2.174m. Project work continues to address this shortfall.
13	<p>Inability to meet Trafford residents' requests to have burials within the local area due to</p>	<p>8 Low</p> <p>(Previously risk score 12)</p>		<ul style="list-style-type: none"> • Planning approval granted. • Agreement in principle reached to purchase additional land. • Sale of land approved by National Trust (NT) Board in December 2017.

	insufficient land. (T&R / Corporate Resources)			<ul style="list-style-type: none"> • NT undertaking due diligence on proposed offer for land (Charity requirement). On conformation Legal & NT solicitors will undertake completion of transfer. • Outline infrastructure and landscape design complete and costed. • Negotiations with Tenant Farmers on land can commence on purchase of land. • The new proposal will ensure the authority has sufficient burial space for 8-10 years.
14	Failure to complete the Business Continuity (BC) Programme Project, resulting in an increased risk that the Council may fail to deliver Council services in the event of significant disruption. (T&R / Corporate Resources)	10 Medium	← →	<ul style="list-style-type: none"> • The Emergency Planning Manager maintains a RAG rating for Business Impact Analysis (BIA) completion across all services which is reported to Directors quarterly. There are still gaps in completion. At its last meeting TPR agreed that an annual staggered programme for BIA review and refresh should be devised so that they are not all due at once and so it is easier for Directors to maintain an overview of performance across their services. • Contractual requirements on external providers have business continuity plans in place. • In respect of ICT, Trafford has produced an ICT Architecture Landscape which is being used to influence infrastructure sharing strategies with other LA's including adopting Cloud Services if there is a compelling business case to do so. • Trafford will continue to use its existing investment in High Availability solutions using the existing Sale Waterside location for Data and potentially other recovery services. • A Terms of Reference has been agreed with Salford ICT Internal Audit to review the Trafford Town Hall Data Centre. This review will focus on auditing the level of resilience within the Data Centre as well as the plans to expand the use of Sale Waterside as a recovery site. • A Data Centre strategy paper was presented to the TPR Group on 25th April 2017. This paper included reference to a recommended approach to Cloud computing. • Mobile Telephone Privileged Access Scheme (MTPAS) – Priority access to telecommunications has been reviewed to ensure capability during incidents. • Underuse of Resilience Direct, is a national web based portal endorsed by the Cabinet Office. Emergency Planning Manager to increase usage. <p><i>Refer also to the comments regarding Risk 8.</i></p>
15	Investment Strategy	15	N/a.	<ul style="list-style-type: none"> • In July 2017 the Executive agreed an Investment

(New risk)	(T&R&Authority-wide/Investment)	Medium (Initial risk score)		<p>Strategy and subsequent growth to the Capital Programme to cover future investments involving either the acquisition of revenue generating commercial property or the provision of debt funding for new developments. The returns from this approach to be sufficient to repay borrowing costs and provide a net return to support the remaining budget gap.</p> <ul style="list-style-type: none"> To mitigate the risks of the approach nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets. Further risk mitigation is being undertaken through the creation of a “Risk Reserve” through the ring-fencing of an element of the returns and an allowance for debt repayment (in accordance with national regulations). All investments are scrutinised by an Investment Management Board which includes cross-party representation. To date a number of acquisitions have been made:- <table border="1" data-bbox="917 861 1534 1218"> <caption>Table 6 : Capital Investment Strategy</caption> <thead> <tr> <th></th> <th>2017/18 £m</th> <th>2018/19 £m</th> <th>Total £m</th> <th></th> </tr> </thead> <tbody> <tr> <td>Total Investment Fund</td> <td>295.00</td> <td>5.00</td> <td>300.00</td> <td></td> </tr> <tr> <td>Activity to date :</td> <td></td> <td></td> <td></td> <td rowspan="2">Average 10 yr.net return (%)</td> </tr> <tr> <td>Projected Cost</td> <td></td> <td></td> <td></td> </tr> <tr> <td>K Site, Stretford (*)</td> <td>1.13</td> <td>11.38</td> <td>12.51</td> <td>n/a</td> </tr> <tr> <td>Sonova House, Warrington</td> <td>12.17</td> <td></td> <td>12.17</td> <td>0.69</td> </tr> <tr> <td>DSG, Preston</td> <td>17.39</td> <td></td> <td>17.39</td> <td>2.60</td> </tr> <tr> <td>Commercial property in Altrincham (**)</td> <td>10.81</td> <td></td> <td>10.81</td> <td>1.34</td> </tr> <tr> <td>Provision of debt financing for residential development</td> <td>37.80</td> <td></td> <td>37.80</td> <td>6.00</td> </tr> <tr> <td>Total investments</td> <td>79.30</td> <td>11.38</td> <td>90.68</td> <td></td> </tr> <tr> <td>Balance available</td> <td></td> <td></td> <td>209.32</td> <td></td> </tr> </tbody> </table> <ul style="list-style-type: none"> When evaluating potential opportunities extensive legal and property due diligence is undertaken which places a significant emphasis on security and liquidity and includes for example an assessment of the financial strength of the tenants and market sector, length of unexpired lease, location, asset condition and residual land value. Each year there will be performance monitoring of each investment to ensure it is still consistent with the investment strategy. In addition an annual valuation will be undertaken to assess the current capital value of the asset and this will be used to determine whether the right level of debt repayment is being made. It is inevitable there will be changes in valuation year on year but the risks of downward movements in value are being mitigated through a diversified portfolio of assets. 		2017/18 £m	2018/19 £m	Total £m		Total Investment Fund	295.00	5.00	300.00		Activity to date :				Average 10 yr.net return (%)	Projected Cost				K Site, Stretford (*)	1.13	11.38	12.51	n/a	Sonova House, Warrington	12.17		12.17	0.69	DSG, Preston	17.39		17.39	2.60	Commercial property in Altrincham (**)	10.81		10.81	1.34	Provision of debt financing for residential development	37.80		37.80	6.00	Total investments	79.30	11.38	90.68		Balance available			209.32	
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** Note: This indicates the direction of travel in respect of performance in managing the risk and not direction of travel of the risk level.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 27 March 2018
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2017/18

Summary

This report sets out the work plan for the Committee for the 2017/18 municipal year i.e. items covered during the year in addition to the agenda for the March 2018 meeting.

It outlines areas considered by the Committee at each of its meetings, over the period of the year. The work programme has assisted in ensuring that the Committee has met its responsibilities under its terms of reference and maintained focus on key issues and priorities as defined by the Committee.

Recommendation

The Accounts and Audit Committee is asked to note 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
10 July 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	(Budget Monitoring 2017/18 Period 2 report sent to Committee Members in August 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 - 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 – Insurance (Provided outside of the Committee meeting)					
	- Q2 Internal Audit monitoring report	- Annual Audit Letter - Audit 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: External Assessment	- Audit Update (including Grant Claims summary)		- Report on arrangements for 2017/18 Annual Governance Statement.	(National Fraud Initiative update within Q3 Internal Audit monitoring report).	- Treasury Management Strategy - Budget Monitoring Report
27 March 2018						
	- 2018/19 Internal Audit Plan - Internal Audit Charter and Strategy	- Audit Plan / update	- Strategic Risk Register Monitoring Report			- Budget Monitoring Report.

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