

ACCOUNTS AND AUDIT COMMITTEE

30 JULY 2018

PRESENT

Councillor B. Brotherton (in the Chair).
Councillors C. Boyes, J. Dillon, A. Mitchell and J. Slater

In attendance

Chief Finance Officer	(N. Bishop)
Head of Governance	(P. Forrester) (present for minutes 12-16)
Audit and Assurance Manager	(M. Foster)
Finance Manager	(D. Muggeridge)
Counter Fraud and Enforcement Manager	(D. Wright) (present for minutes 12-13)
Democratic & Scrutiny Officer	(C. Gaffey)

Also in attendance

M. Heap, Grant Thornton UK LLP
K. Murray, Mazars
T. Rooney, Grant Thornton UK LLP

APOLOGIES

Apologies for absence were received from Councillors E. Patel and P. Lally.

12. MINUTES

RESOLVED: That the Minutes of the meeting held on 20 June 2018, be approved as a correct record and signed by the Chairman.

13. COUNTER FRAUD AND ENFORCEMENT TEAM: 2017/18 ANNUAL REPORT

The Committee received a report of the Counter Fraud and Enforcement Manager, outlining the Council's fraud prevention and detection performance and activities in 2017/18, as well as the team's plans for 2018/19.

Members discussed the council tax discount review conducted by the Counter Fraud and Enforcement Team. Of the 5,500 households which were canvassed as part of the review, approximately 600 households had contacted the Council to advise that they no longer qualified for the discount. Approximately 400 households were yet to respond, but the team would continue their investigation and follow up on these non-respondents. The review had generated an additional circa £350k for the Council this year, and would provide further income for the Authority as the amount of council tax discount awarded would be reduced for future years.

It was noted that the £6.7k in relation to Employee Related Enforcement in Table 5 of the report related to continued salary payments to a member of staff for a short period after they left the Authority in 2013. The ex-employee did not make the Council aware of the continued payments at the time, but the funds had now been recovered in full. It was noted that safeguards were in place to ensure this did not happen in future, and the Internal Audit Team also covered this area as part of their work programme.

Accounts and Audit Committee
30 July 2018

Committee Members and the Chief Finance Officer congratulated the Team on their excellent work.

RESOLVED: That the report be noted.

14. EXTERNAL AUDIT 2017/18 FINDINGS REPORT

The Committee received a report of Trafford's External Auditor, Grant Thornton LLP, highlighting the key matters arising from their audit of Trafford Council's financial statements for the year ending 31 March 2018. The report highlighted audit findings against significant risks, accounting policies, estimates and judgements, internal controls, misclassifications and disclosure changes.

Members were advised that the audit was not yet complete due to an issue concerning the Council's LOBO loan. Although a formal opinion could not be provided due to the outstanding issue with the loan, the External Auditor felt that the issue statement had been completed to a good standard and had been completed by the new deadline. The query relating to the LOBO loan also meant that a Value for Money (VfM) conclusion could not be provided, but the External Auditor emphasised there were no other issues in relation to VfM. No changes had been made to the financial bottom line as a result of the audit adjustments.

The Chief Finance Officer provided further information in relation to the LOBO loan, which meant that the annual statement of accounts for the year could not be approved at this time. The issue related to a £20m loan taken by the Council in 2010, which had been accounted for in the same way annually with no issues since that time. This year it had been suggested that the loan should be re-categorised, which would change its status from a loan to a financial instrument. This was a national issue, affecting 10 Local Authorities in the country. This re-categorisation would require for the loan to be accounted for differently, and the Council would need to set aside £23.5m in the budget – funds already allocated to offset other risks.

The Council disagreed with the assessment of the LOBO loan and had sought external advice. Of the three external auditors involved with the 10 authorities who had encountered this issue, two had disagreed with the assessment and had provided an audit opinion for the respective Authorities', which in turn allowed for their accounts to be approved. Grant Thornton were yet to take a decision, but had also sought external technical advice. The Chief Finance Officer did not plan on adjusting the accounts at this time until advice had been received.

In the event that the advice received by Grant Thornton was favourable and a satisfactory audit opinion was given, the Chief Finance Officer asked that the Accounts and Audit Committee delegate the approval of the accounts to the Chairman of the Committee. The Committee were also asked to delegate the signing of the letter of representation to the Chief Finance Officer if the issue was resolved.

In the event that the advice received was not favourable, meaning the Council would be asked to re-categorise the LOBO loan as a financial instrument, the Council would then approach central government to apply for a statutory override (i.e. to request that the

Accounts and Audit Committee
30 July 2018

Council be exempt from this situation). Members were advised that this could take a considerable amount of time to obtain. If this was unsuccessful and all avenues had been explored, the accounts would need to be qualified. In this event an emergency meeting of the Accounts and Audit Committee would need to be convened to consider the statement of accounts.

The Committee recognised that the situation was unfortunate, but all Members agreed to the proposed pathway.

RESOLVED:

- 1) In the event that the accounting issue was resolved and the LOBO loan could be accounted for in the usual way, the Committee agreed to delegate the approval of the annual statement of accounts to the Chairman of the Committee, and to delegate the signing of the letter of representation to the Chief Finance Officer.
- 2) In the event that the accounting issue is not resolved, with the LOBO loan considered a financial instrument and a statutory override not obtained from central government, an emergency meeting of the Accounts and Audit Committee be convened to consider qualification of the accounts.

15. CORPORATE GOVERNANCE CODE

The Committee received a report of the Head of Governance setting out the Council's updated Corporate Governance Code. A draft version of the Code had been presented to the Committee at their meeting on 20 June 2018, and no further changes had been made. The Committee were asked to approve the Corporate Governance Code.

RESOLVED: That the updated Corporate Governance Code be approved.

16. ANNUAL GOVERNANCE STATEMENT - 2017/18

The Committee received a report of the Head of Governance providing the final version of the 2017/18 Annual Governance Statement (AGS), which had been signed by the Leader and the then Interim Chief Executive. No substantial changes had been made to the draft 2017/18 AGS presented to the Committee on 20 June, 2018.

The report asked the Committee to approve the 2017/18 AGS. However, due to the issue identified as part of the External Audit 2017/18 Findings Report in relation to the accounting of the LOBO loan (see minute 14), it was requested that the final approval of the Statement be delegated to the Chairman once a resolution had been found.

RESOLVED: That the approval of 2017/18 Annual Governance Statement be delegated to the Chairman of the Accounts & Audit Committee following the resolution of the accounting query in relation to the LOBO loan.

**Accounts and Audit Committee
30 July 2018**

17. APPROVAL OF ANNUAL STATEMENT OF ACCOUNTS 2017/18

As per the discussion in minute 14, the approval of the annual statement of accounts would be delegated to the Chairman of the Accounts & Audit Committee following a resolution to the accounting issue concerning the LOBO loan.

RESOLVED: That the approval of the Final Accounts for 2017/18 be delegated to the Chairman of Accounts and Audit Committee, with approval required as soon as practically possible following a resolution to the accounting query in relation to the LOBO loan.

18. BUDGET MONITORING 2018/19 - PERIOD 2 (APRIL TO MAY 2018)

The Committee received a report of the Executive Member for Finance and the Chief Finance Officer informing Members of the current 2018/19 forecast outturn figures relating to both Revenue and Capital budgets. It also summarised the latest forecast position for Council Tax and Business Rates within the Collection Fund. The report was presented to the Executive on 23 July 2018.

When discussing the Education, Health and Care Plan (EHCP) backlog on page 81 of the agenda, it was clarified that the sentence stating 'Finance will work with the service to recover the projected overspend throughout the financial year' referred to Children's Services as a whole, not just EHCPs, and EHCP services would not be adversely affected.

Members discussed how Special Education Needs (SEN) budgets were set. The Chief Finance Officer explained that funding for SEN fell into multiple budgets. Parts of the spend for Home to School Transport was funded from the main budget, but the Dedicated School Grants (DSGs) were ring-fenced to pay for schools, with part of this grant used for SEN. The high needs block amount was decided by central government. Members suggested this might be a useful area for additional training for the Committee.

RESOLVED: That the report be noted.

19. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2018/19

The Committee received a report of the Audit and Assurance Manager setting out the proposed work plan for the Committee for the 2018/19 municipal year. Members were reminded that a training session on Treasury Management would be provided for Members before the next Committee meeting scheduled for 31 October 2018. Members would be contacted to discuss potential dates for this training following the meeting.

Members were reminded that Cllr Chris Boyes was Trafford's representative on the GMCA Audit Committee. If Members had any issues they wished to raise at the GMCA Audit Committee meetings, Cllr Boyes would be happy to raise these on Members' behalf.

RESOLVED: That the report be noted.

The meeting commenced at 6.30 pm and finished at 7.13 pm