

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 28 June 2016  
**Report for:** Information  
**Report of:** Cllr Mitchell and Cllr Butt – Chair and Vice - Chair  
Accounts & Audit Committee (2015/16)

### Report Title

**Accounts and Audit Committee Annual Report to Council 2015/16.**

### Summary

**The report sets out the 2015/16 Annual Report of the Accounts and Audit Committee to be submitted to Council.**

### Recommendation

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

### Contact person for access to background papers and further information:

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

### **Background Papers:**

2015/16 Accounts and Audit Committee minutes



Accounts & Audit Committee  
Annual Report  
To Council

2015-2016



TRAFFORD  
COUNCIL

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

*Continuing developments and challenges, including financial pressures, faced by local authorities highlight the need for the Council to ensure that there are effective governance, risk management and internal control arrangements in place in order that resources are managed effectively. The Accounts and Audit Committee is independent of the Executive and plays a key role in providing challenge across the organisation. It provides independent assurance to the Council and the public on how effectively the Council is being managed. We believe that the work of the Accounts and Audit Committee should be and is central to the provision of effective corporate governance.*

*The Committee has covered a broad range of work during the year. In addition to coverage of its work plan which was agreed at the start of the year, the Committee has sought assurance through the year as issues arise. This report sets out detail of how we have ensured the Committee has met its responsibilities through the year.*



**Councillor Alan Mitchell  
Chairman, Accounts & Audit Committee 2015-16**



**Councillor Dylan Butt  
Vice-Chair, Accounts & Audit Committee 2015-16**

## **INTRODUCTION**

### **Role of the Committee**

The role of the Accounts and Audit Committee is to:

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

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

### **Purpose of the Report**

The purpose of this report to Council is to:

- Summarise the work undertaken by the Accounts & Audit Committee during 2015/16 and the impact it has had.
- Provide assurance to the Council on the fulfilment of the Committee's responsibilities.

### **Membership of the Committee**

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

Accounts & Audit Committee Membership	
2015/16	2016/17
Cllr Alan Mitchell (Chair)	Cllr Jonathan Coupe (Chair)
Cllr Dylan Butt (Vice Chair)	Cllr Paul Lally (Vice Chair)
Cllr Tom Ross	Cllr Alan Mitchell
Cllr Barry Brotherton	Cllr Chris Boyes
Cllr Mrs Jane Baugh	Cllr Tom Ross
Cllr Chris Boyes	Cllr Mrs Jane Baugh
Cllr Nathan Evans	Cllr Barry Brotherton

## **ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED**

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

During the year, these sources of assurance were reported to the Committee on a regular basis encompassing all the themes identified in the Committee's Terms of Reference. The Committee received information at each meeting and provided challenge and feedback to officers and external auditors, therefore fulfilling its responsibilities during 2015/16.

Accounts & Audit Committee Members are very aware of the important role they have as the Council's Members charged with responsibility for governance. The need for the Council to achieve financial savings whilst ensuring effective service delivery highlights the need to ensure effective governance arrangements, systems and controls are in place.

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

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

An established arrangement is in place whereby a work programme is agreed by the Committee at the start of each year to ensure it met its responsibilities. For 2015/16, the work programme included reviewing regular updates on the work of external audit, internal audit, approval of draft and final accounts, updates of the Council's strategic risk register, review of anti-fraud and corruption arrangements, and updates on treasury management and insurance activity. The programme also covered consideration of training and awareness for Committee Members which included a workshop on the Council's accounts.

Further to the establishment of the agreed meeting timetable and work programme at the start of the year, the Committee reviewed the programme through the year and where needed, agenda items were added as required. This included a presentation on the One Trafford Partnership which was established during the year.

Assurance in terms of the outcome of the 2015/16 External Audit of the Council's Financial Statements and a conclusion on the Council's Value for Money arrangements will be reported later in 2016 to the Committee in the External Auditor's 2015/16 Annual Audit Letter. In November 2015, the Committee had gained assurance through the 2014/15 Annual Audit Letter that an unqualified opinion was given on the 2014/15 financial statements. The report also concluded that, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

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

**Accounts and Audit Committee – Work Completed During 2015/16**

**Internal Audit**

Role of the Committee in relation to Internal Audit:

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

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p>The progress of internal audit work conducted by the Audit and Assurance Service was reported to the Committee on a quarterly basis. This included summary findings from individual audit reviews, responses to audit reports, progress in implementing the annual audit plan and performance of the Audit and Assurance Service. Update reports were presented in <b>September 2015, November 2015 and February 2016.</b></p> <p><b>June 2015</b> The Annual Internal Audit Report was submitted, providing an opinion on the standard of internal controls during 2014/15 based on Internal Audit work undertaken during the period.</p>	<p>The Committee maintained an overview of the control environment reviewed by Internal Audit and also obtained assurance in respect of Internal Audit performance.</p> <p>Updates included details of areas reviewed where controls were found to be operating to a satisfactory standard and others within the Council where improvements were identified and audit recommendations made accordingly.</p>

<b>(Internal Audit continued)</b>	
<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>March 2016</b>                      The Committee reviewed the updated Internal Audit Charter and Strategy. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service, and the Internal Audit Strategy describes the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Service are met.</p> <p>A report was submitted incorporating the 2016/17 Annual Internal Audit Plan.</p>	<p>The Accounts and Audit Committee approved the updated Internal Audit Charter and Strategy.</p> <p>Assurance that Internal Audit coverage for the coming year covered a wide range of key business risks and plans were in place to make adequate internal audit resources available to complete the planned work.</p>

**External Audit**

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

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

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>June 2015</b> The Committee received a report from Grant Thornton on the progress made in delivering its responsibilities as the Authority’s external auditor. The report also highlighted key emerging national issues and developments which could be of interest to members of the Committee. Other such updates were provided at meetings in <b>November 2015 and February 2016</b>.</p>	<p>The Committee was able to monitor progress in respect of external audit work.</p>
<p><b>September 2015</b> The Committee receive a report on the findings to date from the External Auditor in respect of the audit of the Council’s accounts for the year ended 31 March 2015 and its work to provide a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money conclusion).</p>	<p>Members were advised that it was anticipated that an unqualified opinion on the financial statements would be provided.</p> <p>Based on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources, an unqualified Value for Money conclusion was proposed.</p>
<p><b>November 2015</b> The Committee received the Council’s Annual Audit Letter for the year ended 31 March 2015, summarising the key findings arising from the work of the External Auditor, Grant Thornton.</p>	<p>The Annual Audit Letter confirmed that an unqualified opinion was given on the financial statements.</p> <p>It was also concluded that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.</p>
<p><b>February 2016</b> As part of the February update report, Grant Thornton presented a letter summarising its overall findings from the certification of the Council’s 2014/15 Housing Benefits subsidy claim.</p>	<p>The Committee noted the findings including agreement that further audit testing work was to be completed by the end of March 2016.</p>

<b>(External Audit continued)</b>	
<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>March 2016</b></p> <p>The Committee received the External Audit Plan from Grant Thornton which outlined its audit approach and plan to deliver the audit for the year ended 31 March 2016. The report also set out the External Audit fees and assumptions supporting these.</p>	<p>The report submitted provided the Committee with details of work Grant Thornton is required to undertake as the council’s external auditor.</p>

**Risk Management**

The role of the Committee in relation to risk management:

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

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>September 2015</b>                      The Committee was provided with a report setting out the Council’s Strategic Risk Register. The report provided an update on the strategic risk environment which included details of risks that had been removed as well as changes in risk levels.</p>	<p>The Committee received assurance on the arrangements for reviewing key strategic risks. The Committee provided feedback regarding the detail provided relating to some risks and requested further information on some areas which was provided following the meeting.</p>
<p><b>March 2016</b>                      The Committee was provided with a further update report on the Strategic Risk Register including risks added, removed or where risk levels had changed.</p> <p>The highest risks identified reflected risks relating to the Council’s medium term financial and risks in relation to the departure of, and retention of, senior managers within the Council. A further updates on this latter risk was requested for the June 2016 meeting.</p>	<p>The Committee received assurance that there is ongoing monitoring of strategic risks with details provided for each risk of control / monitoring arrangements in place and where applicable further improvements planned.</p>

**Corporate Governance, Internal Control and the Annual Governance Statement**

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

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

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>June 2015</b> A report including the 2014/15 draft Annual Governance Statement, details of the Committee’s review of the Statement and also the updated Corporate Governance Code were presented.</p>	<p>The Committee noted that the Members were satisfied with the process followed in generating the Annual Governance Statement and were satisfied that the statement itself is robust. The Committee also agreed the updates the Council’s Corporate Governance Code.</p>
<p><b>September 2015</b> The final version of the Annual Governance Statement, signed by the Chief Executive and Leader, was submitted to the Committee.</p> <p>The Committee received a report summarising the actions and improvements made to the Council’s budget monitoring arrangements in line with the Action Plan produced in the previous year.</p>	<p>The Committee approved the 2014/15 Annual Governance Statement.</p> <p>The Committee was able to note continued progress in improving budget monitoring arrangements which was highlighted as a significant governance issue for 2015/16 within the 2014/15 Annual Governance Statement.</p>
<p><b>November 2015</b></p> <p>The Committee received a report providing an update on work undertaken to date, as well as further work planned in respect of Leisure Services within the Borough.</p> <p>The report updated the Committee on the position of Trafford Leisure CIC Limited and their operation of Trafford’s leisure services.</p>	<p>Members were able to gain information to understand arrangements in place and planned developments in respect of Leisure Services which had been identified as a significant governance issue in the Annual Governance Statement.</p>
<p><b>February 2016</b> A report setting out a proposed approach / timetable to ensure compliance with the production of an Annual Governance Statement for 2015/16 was presented.</p> <p>Reports were presented in respect of two significant governance issues highlighted in the Annual Governance Statement. These related to Information Governance across the Council and</p>	<p>Procedures and responsibilities of Members and officers in the process for producing and approving the 2015/16 Annual Governance Statement were agreed.</p> <p>Assurance was provided that the organisation is continuing to take action to address significant governance issues highlighted in the previous year’s Annual Governance Statement.</p>

<b>(Governance Continued)</b>	
<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p>secondly in relation to Locality Working. The reports highlighted progress made in respect of work undertaken and further work planned in these respective areas.</p> <p><b>March 2016</b></p> <p>A report was presented in respect of another significant governance issue highlighted in the 2013/14 Annual Governance Statement. This related to the progress made in respect of the Council's Reshaping Trafford programme.</p> <p>A presentation was given in respect of governance arrangements in respect of the Council's One Trafford Partnership.</p>	<p>Assurance was provided that the organisation is taking action to continue to progress a key area highlighted in the previous year's Annual Governance Statement.</p> <p>The Committee was able to gain an update and ask questions in relation to the partnership which had been established in July 2015. Committee Members had agreed at the previous meeting (February 2016) that this item should be added to the Committee's work programme.</p>

**Anti - Fraud & Corruption Arrangements**

The role of the Committee is to:

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

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>September 2015</b>                      The Benefit Fraud Investigation Team 2014/15 Annual Report was presented outlining the Council’s responsibilities towards tackling benefit fraud and detailing the team’s performance during the period.</p> <p>The Committee was also advised of future changes with the transfer of existing benefit fraud investigation staff to the Department for Work and Pensions (DWP) on 1 March 2016 as part of the establishment of a national Single Fraud Investigation Service. The Committee was advised that work was underway in reviewing Counter Fraud arrangements at the Council in place after the transfer.</p>	<p>In respect of benefit fraud, assurance was obtained on the adequacy of the Council’s anti-fraud and corruption arrangements and ongoing developments.</p> <p>The Committee was provided with assurance that the Council was working to ensure fraud investigation capacity is in place going forward.</p>
<p><b>March 2016</b>                      The Audit and Assurance Service provided a report on anti-fraud and corruption work undertaken during the year. This included a summary of investigation work undertaken by the Service and an update on other work undertaken including an update on activity to support the National Fraud Initiative.</p> <p>The report also provided an update on developments within the Council in light of the recent transfer in March 2016 of Fraud investigation staff to the DWP. A new Counter-Fraud and Enforcement Team within the Council’s Exchequer Services has been established with the aim to initially focus primarily on revenues related fraud which the Council would continue to be responsible for. Particular areas of focus initially are on Council Tax and Business Rates.</p>	<p>The Committee gained a further update on developments in relation to anti-fraud and corruption work.</p> <p>Given the recent formation of the Counter Fraud and Enforcement team following the transfer of Benefit Fraud Investigation staff to the DWP, the Committee was advised that Members would receive an update later in 2016 in respect of the new team’s progress and future plans.</p>

**Accounts / Financial Management**

The role of the Committee is to:

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

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>June 2015</b></p> <p>The pre-audited Annual Statement of Accounts for 2014/15 was presented along with the 2014/15 Revenue Budget Outturn and Capital Investment Programme Outturn reports.</p> <p>(In advance of the June Committee meeting, a training session was arranged for Committee Members on the Council’s Accounts).</p> <p>A report was submitted on the outcome of the review of treasury management activities for the past financial year.</p> <p>A report was submitted providing details of the Council’s insurance arrangements and activity in 2014/15. This included details in respect of the major classes of insurance.</p> <p>A presentation was given to the Committee on schools funding, providing an overview of the Dedicated Schools grant for Trafford.</p>	<p>In accordance with best practice, the Committee was able to review the accounts prior to submission to the external auditor and public inspection.</p> <p>Assurance was obtained that treasury management activities adhere to the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance.</p> <p>Assurance was obtained that insurance arrangements are monitored and regularly reviewed.</p> <p>Members had previously requested information on schools funding at an earlier meeting and this presentation was held to provide the Committee with more details.</p>
<p><b>September 2015</b></p> <p>The final accounts were presented following the audit of the 2014/15 draft accounts.</p>	<p>The Committee approved the final accounts for 2014/15.</p>
<p><b>November 2015</b></p> <p>A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2015/16.</p> <p>The Committee received a presentation from the Director of STAR Shared Procurement Service.</p>	<p>The Committee was able to monitor treasury management performance during the year in line with the CIPFA Code of Practice on Treasury Management.</p> <p>The Committee was able to gain an update on current corporate procurement arrangements.</p>

<b>(Accounts/Financial Management continued)</b>	
<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p>This included reference to actions completed over the last year including the introduction of a new set of Contract Procedure Rules implemented across Trafford, Stockport and Rochdale Councils.</p>	
<p><b>February 2016</b>  A Treasury Management report was submitted setting out the Council’s strategy for 2016/17 – 2018/19. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy. (Strategy update reports had also been presented to the June and November meetings).</p> <p><b>All meetings</b></p> <p>The Accounts and Audit Committee received the most recent available monthly budget monitoring report at each meeting.</p>	<p>The Audit Committee recommended that the Council approve the various elements of the Strategy.</p> <p>The Committee had the opportunity to review information and raise queries on budget monitoring information submitted through the year.</p>