

## TRAFFORD COUNCIL

**Report to:** Accounts and Audit Committee  
**Date:** 27 June 2013  
**Report for:** Information  
**Report of:** Cllr Whetton and Cllr Mrs Evans – Chair and Vice - Chair  
Accounts & Audit Committee (2012/13)

### Report Title

**Accounts and Audit Committee Annual Report to Council 2012/13.**

### Summary

**The report sets out the 2012/13 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:**

2012/13 Accounts and Audit Committee minutes  
Accounts and Audit Committee terms of reference



# Accounts & Audit Committee Annual Report To Council

2012-2013



**TRAFFORD**  
**COUNCIL**

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

*Trafford Council's Accounts & Audit Committee has been operating since the start of the 2005-06 municipal year, the Council being one of the first Local Authorities to introduce such a committee.*

*We believe that the Committee should be and is central to the provision of effective corporate governance. It is independent of the Executive and has a key role in providing both challenge across the organisation, and independent assurance to the Council, and the public, on how well the Council is being managed. We believe this is fundamental to good corporate governance.*

*By the effective fulfilment of its role the Committee should help to ensure public confidence in the objectivity and fairness of financial and other reporting. It also helps to deliver improved services and ensure the Council aims to achieve better value for money, the importance of this being highlighted given the current national economic climate.*

*Continuous improvement is a focus for this Committee. This is both in supporting the ongoing improvement and transformation of the Council as a whole but also in being proactive in continually improving the way the Committee operates, and in developing the skills and knowledge of its members.*



**Councillor Michael Whetton**  
**Chairman, Accounts & Audit Committee 2012-13**



**Councillor Mrs. Laura Evans**  
**Vice-Chair, Accounts & Audit Committee 2012-13**

## **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 the Audit and Assurance Service and Financial Management), and External Audit (provided by the Audit Commission for the first part of 2012/13 and then by Grant Thornton for the latter part). 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 2012/13 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.

<b>Accounts &amp; Audit Committee Membership</b>	
<b>2012/13</b>	<b>2013/14</b>
Cllr Michael Whetton (Chair)	Cllr Michael Whetton (Chair)
Cllr Laura Evans (Vice Chair)	Cllr Laura Evans (Vice Chair)
Cllr Barry Brotherton	Cllr Barry Brotherton
Cllr Jane Baugh	Cllr Jane Baugh
Cllr Chris Boyes	Cllr Chris Boyes
Cllr Paul Lally	Cllr Tom Ross
Cllr Tom Ross	Cllr Patrick Myers

## **ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF ASSURANCES TO COUNCIL**

The Committee derives its independent assurance from the work of External Audit, Finance (including Internal Audit and Financial Management), Council managers and external inspection agencies.

During the year, these sources of assurance were reported to the Committee on a regular basis across a wide spectrum of the work of the Council encompassing all the themes identified in the Committee's Terms of Reference. The Committee was able to both receive information and provide challenge and feedback to officers and external auditors. The Committee has therefore effectively fulfilled its responsibilities during 2012/13.

The Committee can provide the Council with assurance that its arrangements for:

- 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;
- are operating effectively.

The above areas were covered through the Committee's meetings during the year. A work programme was agreed by the Committee at the start of the year to ensure it met its responsibilities. This included reviewing regular updates on the work of internal audit, external audit, approval of draft and final accounts, updates of the Council's strategic risk register, review of anti-fraud and corruption arrangements, and regular updates on treasury management activity.

Through the year a number of further items were added to the programme at the request of the Committee which included updates / presentations on the use of Council reserves, insurance arrangements and developments in governance arrangement relating to the Trafford Partnership.

The current economic climate and associated pressures to achieve savings highlights the need for organisations to ensure effective systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised. The Committee has gained assurance that the governance framework, and within that the internal control environment, of the Council is considered to be operating effectively, providing assurance that principal risks to the achievement of the authority's policies, aims and objectives are adequately managed. Where areas for improvement / development have been identified, action plans to address these have been established.

Further assurance in terms of the outcome of the 2012/13 External Audit of the Council's Financial Statements and a conclusion on the Council's Value for Money arrangements will be reported later in 2013 to the Committee in the External Auditor's 2012/13 Annual Audit Letter. In November 2012, the Committee had gained assurance through the 2011/12 Annual Audit Letter that an unqualified opinion was given on the 2011/12 financial statements and the report also confirmed that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources.

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

**Accounts and Audit Committee – Work Completed During 2012/13**

**Internal Audit**

Role of the Committee in relation to Internal Audit:

- Review and approve (but not direct) the terms of reference for Internal Audit, an 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 is reported to the Committee on a quarterly basis. This includes the results of individual 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 2012, November 2012 and February 2013.</b></p> <p><b>June 2012</b> The Annual Internal Audit Report was submitted, providing an opinion on the standard of internal controls during 2011/12 and a summary of work undertaken during the period.</p>	<p>The Committee maintained an effective overview of the control environment through 2012/13 and also obtained assurance that internal audit coverage and performance was satisfactory.</p> <p>The Committee gained assurance that based on Internal Audit work undertaken in 2011/12, overall, the Council’s control environment was deemed to be operating to a satisfactory standard. Improvement plans were produced for those areas where improvements were recommended and will be followed up as part of future internal audit work.</p>
<p><b>March 2013</b></p> <p>A report was submitted incorporating the 2013/14 annual internal audit plan.</p>	<p>Assurance that internal audit coverage for the coming year was satisfactory, that key business risks are considered and adequate internal audit resources were available.</p>



<p><b>March 2013 (continued)</b></p> <p>The Committee was provided with findings from the annual review of the effectiveness of the Council's internal audit.</p> <p>In addition, a briefing was provided in respect of the new Public Sector Internal Audit Standards, to be introduced from April 2013. This stated that the Audit and Assurance Service will be reviewing existing procedures and protocols to report to the Committee on adherence to the Standards as required by June 2014.</p>	<p>The report, based on information provided to the Committee through the year, together with details of the self assessment undertaken of Internal Audit against the Chartered Institute for Public Finance and Accountancy (CIPFA) best practice, concluded that Trafford Council operates an effective internal audit function in line with the CIPFA Code of Practice.</p> <p>(It should be noted that future annual reviews will be undertaken against the new Public Sector Internal Audit Standards).</p>
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## **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 2012</b> The Committee received a report from the Audit Commission on the progress made against planned work in its role as the Authority’s external auditor. The report, which included an update on the externalisation of the Audit Practice, also highlighted key emerging national issues and developments which could be of interest to members of the Committee.</p>	<p>The Committee was able to monitor progress in respect of Audit Commission work.</p>
<p><b>September 2012</b> The Audit Commission submitted the Annual Governance Report for the Council summarising the findings from the 2011/12 audit. It includes the audit of the Council’s financial statements for 2011/12 and an assessment of how well the Council uses and manages its resources to secure value for money.</p> <p>The Audit Commission also gave a presentation to the Committee on the role of External Audit.</p>	<p>An unqualified opinion on the financial statements was expected per the draft report presented. An unqualified conclusion was also expected in relation to arrangements for securing economy, efficiency and effectiveness in the use of resources. Some areas for improvement in controls within the payroll system were identified, which the external auditor confirmed (in its Annual Audit Letter of November 2012) that the Council were addressing.</p> <p>The Committee was able to gain information on the role and responsibilities of the external auditor.</p>
<p><b>November 2012</b> The Committee received the Audit Commission’s Annual Audit Letter summarising the findings from the 2011/12 audit of the Council, broadly comprising the audit of financial statements and an assessment of arrangements to achieve value for money in the use of resources. (In line with arrangements following the planned abolition of the Audit Commission, future external audit activity is to be provided by Grant Thornton – See February 2013).</p>	<p>It was reported that the Authority presented to the external auditors a good set of financial statements and supporting working papers. The report confirmed that an unqualified opinion was given on the financial statements.</p> <p>The report also confirmed that overall the Council has adequate arrangements to secure economy, efficiency and effectiveness in its use of resources.</p>

<p><b>February 2013</b> The Council's new External Auditor, Grant Thornton, submitted a progress report detailing external audit work completed and planned and also details of its audit fee for 2012/13. It also included reference to a number of national publications and issues for the Accounts and Audit Committee to consider.</p> <p><b>March 2013</b> A report was received from the external auditors summarising the findings from the certification of the Council's 2011/12 claims for funding from government grant-paying departments.</p> <p>The Committee received the External Audit Plan which sets out the work Grant Thornton plans to undertake for the audit of financial statements and the value for money conclusion for 2012/13.</p>	<p>The Committee was able to monitor progress in respect of external audit work and was also provided with guidance to assist in it undertaking its role.</p> <p>The Committee noted the findings which overall had proven positive. Some recommendations have been made which the Authority has considered and agreed to implement.</p> <p>The report provided the Committee with details of work Grant Thornton is required to undertake as the council's external auditor.</p>
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## **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 2012</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 and identified further improvement actions to manage the strategic risks.</p>	<p>The Committee received assurance on the arrangements for managing key strategic risks and provided comments to be taken into account for future updates of the Strategic Risk Register.</p>
<p><b>March 2013</b>                      The Committee was provided with a further update report on the Strategic Risk Register.                       The Committee was also presented with the Council’s updated Risk Management Policy Statement and Strategy and were advised of ongoing work to further develop existing risk management guidance available to officers and members.</p>	<p>The Committee received assurance that there is ongoing monitoring of strategic risks with details provided for each risk of control / monitoring arrangements in place and where applicable further improvements planned.</p> <p>The Committee approved the Council’s Risk Management Policy Statement and Strategy.</p>

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

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

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

Work Completed	Outcome/ Impact
<p><b>June 2012</b> A report of the Committee’s review of the 2011/12 draft Annual Governance Statement was presented.</p>	<p>The Committee noted that the Members were satisfied with the robustness of the process followed in generating the Annual Governance Statement and were satisfied that the statement itself is robust.</p>
<p><b>September 2012</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 approved the 2011/12 Annual Governance Statement.</p>
<p><b>February 2013</b> A report setting out a proposed action plan to ensure compliance with the production of an Annual Governance Statement for 2012/13 was presented.</p> <p>A report was submitted to provide an update on work undertaken to date and further work planned in respect of the introduction of an effective electronic records management solution across the Council, as identified as an ongoing development action in the 2011/12 Annual Governance Statement.</p>	<p>Procedures and responsibilities of members and officers in the process for producing and approving the 2012/13 Annual Governance Statement were agreed.</p> <p>Assurance was provided that the organisation is taking action to strengthen areas highlighted for further development in the previous year’s Annual Governance Statement.</p>
<p><b>March 2013</b> A report was presented by Human Resources to provide an update on progress in delivering planned improvements, referred to in the 2011/12 Annual Governance Statement, in respect of workforce planning and development. The report covered an overview of current projects and a range of initiatives that are underway or in development.</p> <p>A presentation was given by the Partnerships and Performance Service covering governance arrangements for the Trafford Partnership.</p>	<p>Assurance was provided that the organisation is taking action to strengthen areas highlighted for further development in the previous year’s Annual Governance Statement.</p> <p>Following a request by the Committee, members were able to gain information to understand arrangements in place / planned developments.</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 2012</b> The Fraud Investigation Team 2011/12 Annual Report was presented outlining the Council’s responsibilities towards tackling benefit fraud and detailing the team’s performance during the period and plans for the year ahead.</p>	<p>In respect of benefit fraud, assurance was obtained through the year on the adequacy of the Council’s anti-fraud and corruption arrangements and ongoing developments.</p>
<p><b>November 2012</b> The Committee received a report which set out the Council’s proposed updated Anti-Fraud and Corruption Strategy, including associated policies and guidance and plans to raise awareness of anti-fraud measures.</p>	<p>The Committee provided feedback on the content of the Anti-Fraud and Corruption Strategy and Policy documentation and this was taken into account in finalising the Strategy and Policy.</p> <p>The Committee gained assurance that updated anti-fraud guidance will be shared across the Council.</p>
<p><b>March 2013</b> The Audit and Assurance Service provided a report on anti-fraud and corruption work undertaken during the year. This included a summary of fraud investigation work undertaken by the Service, anti-fraud awareness raising activity completed and an update on work undertaken to support the National Fraud Initiative.</p>	<p>The Committee was provided with assurance that anti-fraud work by the Audit and Assurance Service continues to include both investigative work and awareness raising activity to aim to reduce the risk of possible fraud.</p>

## **Accounts**

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 2012</b> The pre-audited Annual Statement of Accounts for 2011-12 was presented along with copies of the 2011-12 Revenue Budget Outturn and Capital Investment Programme Outturn reports.</p> <p>A report was submitted on the outcome of the review of treasury management activities for the past financial year. (In addition, in <b>November 2012</b>, a report was presented which provided an update on the progress of the treasury management activities undertaken for the first half of 2012/13).</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>It was also agreed at the June 2012 meeting that a Treasury Management training session was to be held for members. This was held as a separate session from the Committee meetings (in October 2012) and assisted members in gaining knowledge and understanding their role).</p>
<p><b>September 2012</b> The final accounts were presented following the audit of the 2011-12 draft accounts.</p>	<p>The Committee reviewed and approved the changes to the accounts that had been agreed with the external auditor (the Audit Commission) following its audit. (A further amendment to the accounts was subsequently agreed by the Chairman, Vice-Chairman and Opposition Spokesperson).</p> <p>The Committee thanked Finance Services for the work undertaken in preparing the accounts and also the external auditors for their input.</p>
<p><b>November 2012</b> The Committee was provided with a report providing background to the Council’s arrangements for the creation and use of provisions and reserves. The report provided details of the Council’s current reserves, estimated value at the end of 2012/13 and an estimate of future commitments. It also provided definitions for different categories of</p>	<p>In addition to the work programme established at the start of the year, during the year the Committee added further items to planned work. This included requesting and receiving assurance in respect of arrangements in respect of the use of reserves and also arrangements for insurance.</p>

<p>reserves to clarify their purpose.</p> <p>A report was submitted providing a summary of insurance performance for 2011/12 for all non-school activity. This covered activity relating to claims; the insurance budget and premium costs; future issues and further planned work. It was noted that a number of savings have been made, including reduced premium costs through greater self insurance.</p>	
<p><b>February 2013</b></p> <p>A Treasury Management report was submitted setting out the Council's strategy for 2013/14 – 2015/16. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy.</p>	<p>The Audit Committee recommended that the Council approve the various elements of the Strategy.</p>



## **DEVELOPMENT OF THE ACCOUNTS & AUDIT COMMITTEE**

### **Training and development**

The members of the Accounts & Audit Committee are all very aware of the important role they have as the Council's members charged with responsibility for governance.

Discussions on training and development needs have taken place through the year, and to support members in effectively delivering their role, the Committee have embraced an ongoing programme of training and awareness raising. This has included presentations at Committee meetings and separate sessions.

During the year the following training areas were covered:

- **June 2012 - Financial Accounts**  
Training session on the draft accounts, held in advance of the June Committee meeting.
- **September 2012 - Treasury Management**  
Training session on Treasury Management, held outside of the Committee meetings.
- **September 2012 – Role of External Audit**  
Presentation at the September Committee meeting.
- **November 2012 - Insurance**  
Presentation at the November Committee meeting
- **February 2013 - Benefit Fraud Investigation**  
Presentation at the February Committee meeting
- **March 2013 – Partnership Working**  
Presentation at the March Committee meeting