

The Annual Audit Letter for Trafford Council

Year ended 31 March 2017

October 2017

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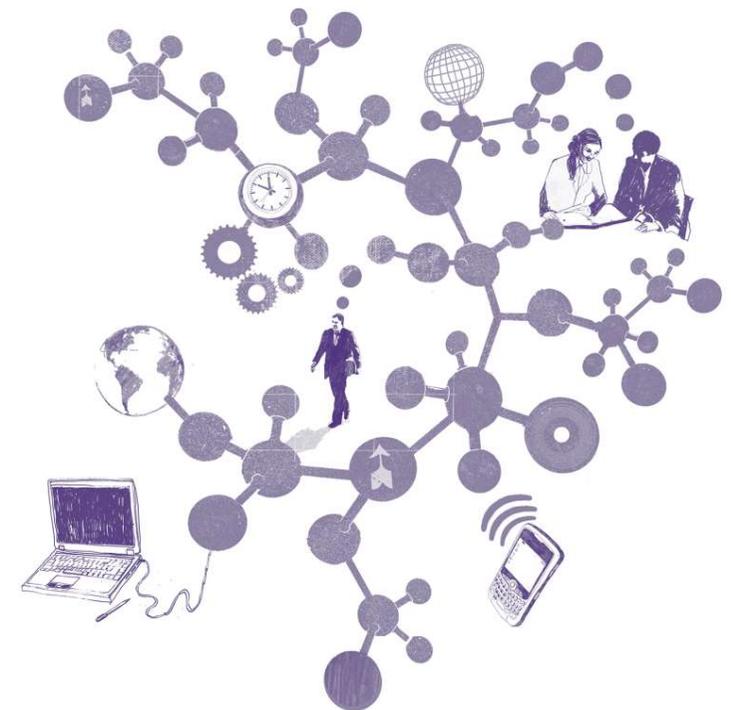
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Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Trafford Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Accounts and Audit Committee (as those charged with governance) in our Audit Findings Report on 6 September 2017.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 25 September 2017.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 25 September 2017.

Whole of government accounts

We completed work on the Council's consolidation return following guidance issued by the NAO and issued an unqualified report on 28 September 2017.

Certificate

We certified that we had completed the audit of the accounts of Trafford Council in accordance with the requirements of the Code on 29 September 2017.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2017. We will report the results of this work to the Accounts and Audit Committee in our Annual Certification Letter.

Working with the Council

We are really pleased to have worked with you over the past year. We have worked with you by:

Providing an efficient audit – we delivered the accounts audit before the deadline and in line with the timescale we agreed with you. We liaised on technical issues to ensure that appropriate accounting and audit implications are identified.

Sharing our insight – we provided independent external audit commentary and insight in your key issues through senior attendance at every Accounts and Audit Committee. We have also shared with you our insights on various accounting issues.

Providing training – we provided your teams with training on financial accounts and annual reporting. The courses were attended by members of your finance team.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2017

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we applied the concept of materiality to determine the nature, timing and extent of our work, and to evaluate the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £8.143 million, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We set a lower level of specific materiality for cash and also senior officer remuneration of £10,000.

We set a lower threshold of £407,000 above which we reported errors to the Accounts and Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Chief Finance Officer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

We identified areas of risk and set out overleaf the work we performed in response to key risks and the results of this work.

Audit of the accounts – Trafford Council

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Table 1: Audit risks

Risks identified	How we responded to the risk	Findings and conclusions
<p>Changes to the presentation of local authority financial statements</p> <p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 CIPFA Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • examined the process for the recording the required financial reporting changes to the 2016/17 financial statements • reviewed the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure • reviewed the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS) • tested the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES • tested the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger • tested the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements • reviewed the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice. 	<p>Our audit work did not identify any significant issues in relation to the risk identified</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 25 September 2017, in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Accounts and Audit Committee on 6 September 2017.

Our audit did not identify any material errors or uncertainties in the Council's financial statements.

We noted a school building valued at £3.1million in the accounts which should be impaired to nil. The land for the school is recorded as an asset for sale at a value of £1million and a new school was built on a different site in September 2016. Management did not adjust for the impairment of the school in the final accounts.

The Chief Finance Officer amended the accounts for various minor disclosure changes identified during the audit.

Annual Governance Statement and Narrative Report

We are required to review the Council's annual governance statement and narrative report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Whole of Government Accounts (WGA)

We carried out work on the Council's consolidation schedule in line with instructions provided by the NAO . We issued a group assurance certificate which did not identify any issues for the group auditor to consider on 28 September 2017.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

We did not identify any issues that required us to apply our statutory powers and duties under the Act.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the 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.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work. We identified the Council's future medium term financial position as a key risk and completed the following risk based work as part of our assessment:

- monitored the Council's progress in updating its medium term financial strategy and projected savings and efficiencies requirements
- examined financial and budget reporting to Members
- assessed the out-turn position for 2016/17 and the budget plans from 2017/18 onwards
- met with key officers to discuss key strategic challenges and the Council's proposed response.

In addition we reviewed the project management and risk assurance frameworks established by the Council to establish how it is identifying, managing and monitoring its risks.

The key risk and the findings from the work we performed are set out in table 2 overleaf.

We were satisfied from completing this work that the Council has proper arrangements to plan and monitor finances effectively to support the delivery of its strategic priorities.

Overall VfM conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Medium term financial position</p> <p>Future budgets remain challenging with further austerity reductions and increasing demand and costs.</p> <p>The Council's 3 year budget strategy to 2019/20 identifies the need to address a gross budget deficit of £47.7m.</p>	<p>We assessed the out-turn position for 2016/17 and examined the Council's arrangements for putting together and agreeing its budget plans from 2017/18 onwards.</p> <p>This included considering savings and efficiency plans, mitigating actions and contingencies.</p>	<p>The Council achieved a £4.32 million underspend for 2016/17 with general fund and earmarked reserves of £45.6 million at 31 March 2017. It delivered savings of £15.5 million against a revised target of £16.10 million.</p> <p>The Council has projected total earmarked reserves of £18 million by 2019/20 which include a budget support reserve of £3.5 million to help smooth future budget reductions.</p> <p>The 2017/18 budget requires the Council to balance a budget gap of £25.4 million with a combination of further income and transformational savings (£15.6 million) and additional funding and use of reserves (£9.8 million).</p> <p>The 2017/18 budget forms the first year of medium term planning through to 2019/20 using latest economic projections on funding and cost pressures. The MTFs to 2019/20 requires the Council to make savings and efficiencies in excess of £47.7 million over the three years from 2017/18 to 2019/20.</p> <p>The Council continues to review its strategy and is developing a longer term vision for Trafford. During 2016/17 the Council and partners agreed a number of major programmes and projects within its 'Together Trafford Vision 2031' which aim to create a place where people want to live, work and invest. This Vision reflects local and national changes including devolution, future financial challenges, Greater Manchester Public Service Reform and integration. It is underpinned with a number of key priorities which have been aligned to the Council's Annual Delivery Plan.</p> <p>The Council is also developing an Investment Strategy to fund projects that will deliver economic development and regeneration and generate additional income streams to support the revenue budget. This will help support and maintain the provision of services in future years</p> <p>We concluded from our review of medium term financial and strategic planning that the Council has proper arrangements to plan and monitor finances effectively to support the delivery of its strategic priorities.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Proposed fee £	Actual fees £	2015/16 fees £
Statutory audit of Council	118,192	118,192	118,192
Housing Benefit Grant Certification	11,498	11,498	11,498
Total fees (excluding VAT)	129,690	129,690	129,690

The proposed fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA).

Reports issued

Report	Date issued
Audit Plan	February 2017
Audit Findings Report	September 2017
Annual Audit Letter	October 2017

Fees for other services

Service	Fees £
Audit related services:	
• Teachers pension grant claim	4,200

Non- audit services

- For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The table above summarises all other services which were identified.
- We have considered whether other services might be perceived as a threat to our independence as the Council's auditor. We concluded that due to the prescribed nature of the grant work and small fee value that this work is appropriate for us to deliver.



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