

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 20 June 2018
Report for: Information
Report of: Cllr Nathan Evans and Cllr Chris Boyes - Chair and Vice -
Chair Accounts & Audit Committee (2017/18)

Report Title

Accounts and Audit Committee Annual Report to Council 2017/18.

Summary

The report sets out the 2017/18 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:

None



TRAFFORD
COUNCIL

Accounts & Audit Committee
Annual Report
To Council

2017-2018

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

The Accounts and Audit Committee continues to provide independent assurance to the Council and the public on the effectiveness of the Council's governance, financial management, risk management and internal control arrangements.

It is independent of the Executive and aims to provide a key role in providing challenge across the organisation.

The Committee has continued to cover a broad range of work and has gained information and assurance from a number of sources through the year. This report sets out how we have ensured the Committee has met its responsibilities in 2017/18.



Councillor Nathan Evans
Chair, Accounts & Audit Committee 2017-18



Councillor Chris Boyes
Vice-Chair, Accounts & Audit Committee 2017-18

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 mainly from the work of Finance Services (including Financial Management and the Audit and Assurance Service), and External Audit (provided by Grant Thornton in 2017/18). 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 2017/18 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	
2017/18	2018/19
Cllr Nathan Evans (Chair) Cllr Chris Boyes (Vice-Chair) Cllr Alan Mitchell Cllr Paul Lally Cllr Barry Brotherton Cllr Mrs Jane Baugh Cllr James Wright	Cllr Barry Brotherton (Chair) Cllr Liz Patel (Vice-Chair) Cllr Jayne Dillon Cllr Jane Slater Cllr Chris Boyes Cllr Alan Mitchell Cllr Paul Lally

ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED

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.

The Committee derives its independent assurance from a number of sources including the work of External Audit, Finance (including Financial Management and Internal Audit) 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 2017/18.

The Committee agreed its work programme at the start of the year to ensure it met its responsibilities. For 2017/18, the work programme included reviewing regular updates on the work of external audit; internal audit; approval of the final accounts; updates of the Council's strategic risk register; review of anti-fraud and corruption arrangements; and updates on treasury management, insurance and procurement activity.

As part of reviewing strategic risks, the Committee requested and received an update on the Council's approach for managing cyber security risks.

The programme also covered consideration of training and awareness for Committee Members which included a workshop on the Council's accounts and a presentation on insurance arrangements.

In December 2017, the Committee had gained assurance through the 2016/17 Annual Audit Letter by the External Auditors (Grant Thornton), that an unqualified opinion was given on the 2016/17 financial statements. In terms of the Value for Money conclusion, the report stated 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 2017. Assurance in terms of the outcome of the 2017/18 External Audit of the Council's financial statements and a conclusion on the Council's value for money arrangements will be reported later in 2018 to the Committee in the External Auditor's 2017/18 Annual Audit Letter.

The Committee noted that the Council's External Auditors for the 2018/19 financial year and up to and including 2022/23 will be Mazars LLP.

Details of the work undertaken by the Committee at each of its meetings through the year are set out in the rest of this report.

Accounts and Audit Committee – Work Completed During 2017/18

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 Head of Internal Audit report and opinion.

Work Completed	Outcome/ Impact
<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 September 2017, December 2017 and February 2018.</p> <p>July 2017 The Annual Head of Internal Audit Report was submitted, providing an opinion on the adequacy and effectiveness of the Council’s control environment during 2016/17 based on Internal Audit work undertaken during the period.</p>	<p>The Committee maintained an overview of the control environment (encompassing governance, internal control and risk management) 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>

(Internal Audit continued)	
Work Completed	Outcome/ Impact
<p>February 2018 The Committee received a report by the Chartered Institute of Public Finance and Accountancy (CIPFA) setting out the findings and opinion from its external assessment of the Council’s Internal Audit function against the Public Sector Internal Audit Standards (PSIAS). CIPFA has 3 possible opinion levels (Generally conforms; Partially conforms and Does not conform). Within the overall opinion and conclusion, the report concludes that the Audit and Assurance Service generally conforms to PSIAS.</p>	<p>The Committee gained independent assurance that the Audit and Assurance is undertaking its work in line with expected standards.</p>
<p>March 2018 The Committee reviewed the Internal Audit Charter and Strategy which were updated to ensure continued conformance with the Public Sector Internal Audit Standards.</p> <p>A report was submitted setting out the 2018/19 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.

Work Completed	Outcome/ Impact
<p>July 2017 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 December 2017, February 2018 and March 2018.</p>	<p>The Committee was able to monitor progress in respect of external audit work.</p>
<p>September 2017 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 2017 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>In addition, based on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources, the Council had proper arrangements in all significant respects to ensure it delivered value for money.</p>
<p>December 2017 The Committee received the Council’s Annual Audit Letter for the year ended 31 March 2017, 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. It also confirmed 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 2017.</p>
<p>February 2018 In addition to the February update report, Grant Thornton presented a letter summarising its overall findings from the certification of the Council’s 2016/17 Housing Benefits subsidy claim.</p>	<p>The Committee was able to continue monitoring progress in respect of external audit work.</p>

2017/18 Accounts and Audit Committee – Annual Report to Council

(External Audit continued)	
Work Completed	Outcome/ Impact
<p>March 2018 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 2018. The report also set out the External Audit fees and assumptions supporting these.</p> <p>(Note: The Council's External Auditors for the 2018/19 financial year and up to and including 2022/23 will be Mazars LLP).</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.

Work Completed	Outcome/ Impact
<p>July 2017 The Committee received a presentation on the Council’s cyber security systems and approach taken to manage associated risks.</p>	<p>Assurance was received on measures taken and action in progress to mitigate the risks highlighted.</p>
<p>December 2017 In advance of the December Committee meeting, Members received a presentation on the Council’s insurance arrangements.</p> <p>The Committee was provided with a report on the Council’s Strategic Risk Register. The report provided an update on the strategic risk environment, including updates on each of the risks on the strategic risk register.</p>	<p>Members were able to gain an overview of the Council’s existing insurance arrangements.</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 which was taken into account for the subsequent update.</p>
<p>March 2018 The Committee was provided with a further update report on the Strategic Risk Register.</p>	<p>The Committee continued to receive assurance that there is ongoing monitoring of strategic risks.</p>

Corporate Governance, Internal Control and the Annual Governance Statement

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

- Review effectiveness of corporate governance and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
- Conduct a review of the draft Annual Governance Statement, which is a key assurance statement required to be completed each year in accordance with the Accounts and Audit Regulations 2015.
- Approve the final version of the Annual Governance Statement.

Work Completed	Outcome/ Impact
<p>July 2017 A report setting out the 2016/17 draft Annual Governance Statement (AGS) was presented to give Members the opportunity to review the content of the AGS prior to it being finalised.</p> <p>The Committee also received a report setting out the Council’s updated Corporate Governance Code for approval.</p>	<p>The Committee agreed to consider the draft version of the AGS and noted timescales for finalising the document in accordance with the Accounts and Audit Regulations 2015.</p> <p>The Committee agreed the updates to the Council’s Corporate Governance Code which ensured the Code was amended in line with the updated framework and guidance provided by CIPFA and the Society of Local Authority Chief Executives (SOLACE).</p>
<p>September 2017 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 2016/17 Annual Governance Statement.</p>
<p>February 2018 A report setting out a proposed approach / timetable to ensure compliance with the production of an Annual Governance Statement for 2017/18 was presented (noting a final version is due to be approved by 31 July 2018 in line with new requirements).</p>	<p>Procedures and responsibilities of Members and Officers in the process for producing and approving the 2017/18 Annual Governance Statement were agreed.</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.

Work Completed	Outcome/ Impact
<p>September 2017 The Committee received a report of the Counter Fraud and Enforcement team outlining the Councils’ fraud prevention and detection performance and activities in 2016/17, as well as the team’s plans for 2017/18.</p> <p>An Audit and Assurance Service update was provided setting out details in relation to investigation work carried out during quarter one of 2017/18.</p>	<p>The Committee was provided with assurance that the Council is continuing to investigate suspected fraud and support both fraud prevention and detection.</p> <p>The Committee was provided with an update on investigation work completed by Audit (following an Exclusion Resolution that the public be excluded from the meeting during consideration of this item of business because of the likelihood of disclosure of “exempt information” which falls within Paragraph 7 of schedule 12A of the Local Government Act 1972, as amended).</p>
<p>February 2018 As part of the quarterly Audit and Assurance Service update report, this included an update on progress made by the Council in contributing to the National Fraud Initiative. This is a nationwide data matching exercise, designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse. A summary of outcomes from this exercise was provided.</p>	<p>The Committee gained assurance that the Council was playing an active role in supporting the National Fraud Initiative</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.

Work Completed	Outcome/ Impact
<p>July 2017 The 2016/17 Revenue Budget Outturn and Capital Investment Programme Outturn reports were presented.</p> <p>A report was submitted on the outcome of the review of treasury management activities for the previous financial year.</p>	<p>The Committee had the opportunity to review budget outturn information, ask questions and requested further details on particular issues.</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>September 2017 In advance of the September Committee meeting, a training session was provided for Committee Members on the Council’s Accounts.</p> <p>The final accounts were shared with the Committee at its 6 September meeting. It was noted that the audit of the accounts would be completed before the end of September in line with statutory requirements.</p> <p>A report was submitted providing details of the Council’s insurance arrangements and activity in 2016/17.</p> <p>The Committee received a presentation of the Director of the STAR Shared Procurement Service. The presentation provided Members with information on STAR’s Business Plan, their Key Work Streams, and planned internal audit reviews in 2017/18.</p>	<p>Members were able to review information and ask questions relating to the Accounts prior to approving the final audited 2016/17 accounts in September 2017.</p> <p>The Committee viewed the final accounts (as they stood at the time of the meeting) and it was agreed that following the completion of the audit, the Accounts and Audit Committee Chair and Chief Finance Officer would sign the accounts (Further to the meeting, the Accounts were signed on 25 September 2017).</p> <p>Assurance was obtained that insurance arrangements are monitored and regularly reviewed.</p> <p>The Committee was able to gain an update on current corporate procurement arrangements.</p>

(Accounts/Financial Management continued)	
<p>December 2017 A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2017/18.</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>
Work Completed	Outcome/ Impact
<p>February 2018 A Treasury Management report was submitted setting out the Council’s strategy for 2018/19 – 2020/21. 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>
<p>All meetings The Accounts and Audit Committee received the most recent available monthly budget monitoring report either at each meeting or in advance of meetings.</p>	<p>The Committee had the opportunity to review information and raise queries on budget monitoring information submitted through the year.</p>