



**TRAFFORD
COUNCIL**

**AGENDA PAPERS FOR
ACCOUNTS AND AUDIT COMMITTEE**

Date: Thursday, 26 June 2014

Time: 6.30 p.m.

**Place: Committee Rooms 2 and 3, Trafford Town Hall,
Talbot Road, Stretford, M32 0TH**

A G E N D A	PART I	Pages
1.	ATTENDANCES To note attendances, including Officers and any apologies for absence.	
2.	MEMBERSHIP OF THE COMMITTEE 2014/15, INCLUDING CHAIRMAN, VICE-CHAIRMAN AND OPPOSITION SPOKESPERSON To note the Membership of the Committee for the 2014/15 Municipal Year, as appointed at the Annual Meeting of the Council held on 11 June 2014, namely: Councillors Baugh, Boyes, Brotherton (Opposition Spokesperson), Butt, Mrs. Evans (Vice-Chairman), Ross and Whetton (Chairman).	
3.	TERMS OF REFERENCE To note the Committee's Terms of reference as agreed at the Annual Meeting of the Council held on 11 June 2014.	1 - 4
4.	MINUTES To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 25 March 2014.	5 - 8

5. PRE-AUDITED ACCOUNTS 2014

To consider the following reports of the Executive Member for Finance and the Director of Finance: To Follow

- (a) Accounts 2014 - Statutory Financial Accounts for the Year 2013/14 (Pre-Audit);
- (b) Revenue Budget Monitoring 2013/14 - Period 12 Pre-Audit Outturn (April 2013 to March 2014 Inclusive); and
- (c) Capital Investment Programme 2013/14 Outturn.

6. TREASURY MANAGEMENT ANNUAL PERFORMANCE 2013/14 REPORT

To consider a joint report of the Executive Member for Finance and the Director of Finance. 9 - 20

7. INSURANCE PERFORMANCE REPORT 2013/14

To consider a report of the Director of Finance. 21 - 32

8. GRANT THORNTON: AUDIT COMMITTEE UPDATE

To receive a report from the Council's External Auditor. 33 - 48

9. ANNUAL INTERNAL AUDIT REPORT 2013/14

To note a report of the Audit and Assurance Manager. 49 - 92

10. 2013/14 DRAFT ANNUAL GOVERNANCE STATEMENT

To consider a report of the Audit and Assurance Manager. To Follow

11. ACCOUNTS AND AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL 2013/14

To receive a report of the Chairman and Vice-Chairman of the Committee. 93 - 110

12. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2014/15

To consider a report of the Audit and Assurance Manager. 111 - 114

13. URGENT BUSINESS (IF ANY)

Any other item or items which by reason of special circumstances (to be specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency.

Accounts and Audit Committee - Thursday, 26 June 2014

Membership of the Committee

Councillors M. Whetton (Chairman), Mrs. L. Evans (Vice-Chairman), J. Baugh, C. Boyes, B Brotherton, D. Butt and T. Ross.

Further Information

For help, advice and information about this meeting please contact:

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This agenda was issued on **Tuesday, 17 June 2014** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

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ACCOUNTS AND AUDIT COMMITTEE

Statement of Purpose

The purpose of the committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, 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 to oversee the financial reporting process.

Composition

Membership of the Audit and Accounts Committee shall comprise 7 Members, be politically balanced and shall not include any Members of the Executive. A non voting member, with appropriate skills and experience, may be co-opted on to the Committee with the approval of the Council.

Terms of Reference

Internal and External Audit

- a) Review and approve (but not direct) the terms of reference for Internal Audit, an Internal Audit strategy and internal audit resourcing.
- b) Review and approve (but not direct) the annual Internal Audit work programme. Consider the proposed and actual Internal Audit coverage and whether this provides adequate assurance on organisations main business risks, review the performance of Internal Audit.
- c) Receive summary internal audit reports and seek assurance on the adequacy of management response to internal audit advice, recommendations and action plans.
- d) Review arrangements made for cooperation 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.
- e) Receive the Annual Internal Audit report and opinion.
- f) Review and consider proposed and actual External Audit coverage and its adequacy and consider the reports of external audit and inspection agencies.
- g) Receive updates from External Audit on External Audit findings, opinions and seek assurance on the adequacy of management response to External Audit advice, recommendations and action plans.

Risk Management

- a) Review the adequacy of arrangements for identifying and managing the organisation's business risks, including partnerships with other organisations. This includes review of the Council's risk management policy and strategy and their implementation.
- b) Review the robustness of the strategic risk register and the adequacy of associated risk management arrangements.
- c) Receive and consider regular reports on the risk environment and associated management action.

Internal Control Arrangements, Corporate Governance and the Annual Governance Statement

- a) Review the effectiveness of corporate governance arrangements and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
- b) Conduct a critical review of the proposed Annual Governance Statement (AGS), which is a key assurance statement required to be completed each year in accordance with the Accounts and Audit Regulations 2011. The review includes the procedures followed in its completion and the content of the Statement to consider:
 - how meaningful the AGS is;
 - the robustness of the evidence and assurances on which the AGS is based; and
 - whether the AGS discloses adequately the organisations actions for addressing any significant internal control weaknesses disclosed within the statement.
- c) Make recommendations for amendment of the AGS and the associated procedures.

Anti - Fraud and Corruption Arrangements

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

Accounts

- a) Approve the annual Statement of Accounts, including subsequent amendments.
- b) Consider the External Auditor's report on the audit of the annual financial statements.

- c) Be responsible for any matters arising from the audit of the Council's accounts, including the auditor's opinion on the accounts, identification of any misstatements, comments on the accounting and internal control systems and qualitative aspects of accounting practices and financial reporting.

Access and Reporting

- a) To have the right of access to senior officers and all committees of the Council.
- b) To report directly to the Executive or Council, as appropriate, on matters within these terms of reference.

Delegation

In exercising the power and duties assigned to the Committee in its terms of reference, the Audit and Accounts Committee shall have delegated power to resolve and to act on behalf of and in the name of the Council.

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ACCOUNTS AND AUDIT COMMITTEE

25 MARCH 2014

PRESENT

Councillor M. Whetton (in the Chair).

Councillors Mrs. L. Evans (Vice-Chairman), J. Baugh, C. Boyes, B Brotherton, P. Myers and T. Ross.

In attendance

Director of Finance (Mr. I. Duncan),

Director of Human Resources (Ms. J. Hyde),

Joint Director Children, Young People and Families (Social Care) (Ms. C. Ramsden),

Head of Human Resources Business Partnering (Ms. D. Lucas),

Audit and Assurance Manager (Mr. M. Foster),

Technical Finance Manager (Mr. G. Bentley),

Democratic Services Officer (Mr. I. Cockill).

Also in attendance: Mr. M. Waite and Ms. H. Stevenson, Grant Thornton UK LLP.

45. MINUTES

RESOLVED: That the Minutes of the meeting held on 11 February 2014 be approved as a correct record and signed by the Chairman.

46. ANNUAL GOVERNANCE STATEMENT 2012/13 - UPDATE ON SIGNIFICANT GOVERNANCE ISSUE: PUBLIC SERVICE REFORM IN TRAFFORD

The Joint Director Children, Young People and Families (Social Care) submitted a report providing a progress update on Public Service Reform in Trafford, one of the significant governance issues identified in the 2012/13 Annual Governance Statement for further development through 2013/14. The report outlined the Public Service Reform agenda both organisationally for the Council, locally working with Partners and regionally within the wider context of the Association of Greater Manchester Authorities.

Members enquired about the realities of working in partnership to transform justice for young offenders; the methods used to demonstrate the number of families turned around in terms of outcomes as a result of the interventions offered; and funding arrangements for troubled families.

In terms of Early Years and the number of children assessed in reception class each year as not being ready for school, the Joint Director advised that Trafford was engaging at a higher rate than Association of Greater Manchester Authorities levels and would seek to provide feedback on the figures for Trafford.

RESOLVED: That the report and update be noted and that the Joint Director Children, Young People and Families (Social Care) be thanked for providing excellent coverage of an in depth area.

47. ANNUAL GOVERNANCE STATEMENT 2012/13 - UPDATE ON SIGNIFICANT GOVERNANCE ISSUE: TERMS AND CONDITIONS

The Director of Human Resources submitted a report providing a progress update on implementation of the new terms and conditions which would be effective from 1 April 2014, one of the significant governance issues identified in the 2012/13 Annual Governance Statement for development through 2013/14.

Further to the report, the Director of Human Resources reported that 92% of the workforce had now voluntarily accepted the changes to terms and conditions, leaving 214 staff yet to sign up. The Committee was assured that every effort was being made to contact these employees and that business continuity plans would be in place should a significant number refuse to sign up by the deadline.

Members noted that a number of Councils were pursuing similar changes to staff terms and conditions to achieve savings. Trafford's savings target had been revised given the changes to the original proposals and the Director of Finance confirmed that this had been accommodated in the budget.

RESOLVED: That the report and update be noted.

48. RESERVES AND PROVISIONS

The Director of Finance submitted a report on the position of the Council's reserves and provisions at 1 April 2013. The report also advised on planned commitments between 2013/14 and 2015/16.

The Director of Finance responded to questions on specific components of the reserves and indicated he would inquire about the court decision regarding VAT on car parking since the matter was still outstanding.

RESOLVED: That the report be noted.

49. AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT CHARTER AND STRATEGY

The Audit and Assurance Manager submitted a report providing the Internal Audit Charter and Internal Audit Strategy documents for approval following their recent review. The review took into account the requirements of the Public Sector Internal Audit Standards introduced in 2013.

RESOLVED: That the updated Internal Audit Charter and Strategy be approved.

50. AUDIT AND ASSURANCE SERVICE - INTERNAL AUDIT OPERATIONAL PLAN 2014/15

The Audit and Assurance Manager submitted a report providing, at a high level, the proposed Internal Audit Operational Plan for 2014/15 and provided assurances to the Committee on Operational Plan coverage for the year.

RESOLVED: That the 2014/15 Internal Audit Operational Plan, be approved.

51. THE AUDIT PLAN FOR TRAFFORD COUNCIL

The Council's external auditor, Grant Thornton, submitted the Audit Plan for Trafford Council for the year ended 31 March 2014 which outlined its audit strategy and plan to deliver the audit.

Mick Waite, Engagement Lead responded to the Committee regarding the valuation of Council assets, one of the other risks identified in the Plan and explained how recent years of austerity had affected the audit approach.

RESOLVED: That the external auditor's Audit Plan for the year ended 31 March 2014, be noted.

52. ANTI-FRAUD AND CORRUPTION UPDATE

The Audit and Assurance Manager submitted a report providing an update on actions underway and planned to support the Council's Anti-Fraud and Corruption Strategy.

The Audit and Assurance Manager stated that, through 2014/15, the Audit and Assurance Service would continue to promote completion of the mandatory "Fraud Awareness for Local Government" e-learning course for relevant staff.

The Audit and Assurance Manager also provided more information to the Committee regarding investigations into the disposal of ICT assets.

RESOLVED: That the report be noted.

53. STRATEGIC RISK REGISTER - 2013/14 QUARTER 4

The Audit and Assurance Manager submitted a report providing an update on the strategic risk environment for quarter four, 2013/14, including the arrangements in place to manage each of the strategic risks.

The report highlighted changes since the last update to Committee on 26 September 2013 (Minute No. 19 refers), including the inclusion of two additional risks relating to the governance of personal, commercial and sensitive information and the ability to support schools in delivering the new national requirement in supplying Free School Meals.

RESOLVED: That the updated Strategic Risk Register be noted.

54. REVENUE BUDGET MONITORING 2013/14 - PERIOD 9 (APRIL TO DECEMBER 2013)

The Committee received, for information, a joint report of the Executive Member for Finance and Director of Finance detailing the outcomes of the monitoring of the

**Accounts and Audit Committee
25 March 2014**

Council's revenue budget for the first nine months of the financial year which was presented to the Executive on 24 February 2014.

RESOLVED –

- (1) That the revenue budget monitoring information for the period April to December 2013, be noted.
- (2) That Revenues and Benefits staff be commended for this year's Council Tax collection performance, particularly given the regulatory changes that have impacted on collection.

55. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2013/14

The Audit and Assurance Manager submitted a report outlining the work of the Committee over the past Municipal Year. The work programme had been flexible and as well as covering all the items planned at the start of the year, other items had been added through the year.

RESOLVED: That the 2013/14 work programme be noted.

The meeting commenced at 6.00 p.m. and finished at 8.02 p.m.

TRAFFORD BOROUGH COUNCIL

Report to: Accounts & Audit Committee 26 June 2014
Council Meeting 7 July 2014
Report for: Information
Report of: The Executive Member for Finance and the Director of Finance

Treasury Management Annual Performance 2013/14 Report

Summary

In accordance with the CIPFA Code of Practice, as adopted by the Council, this report has been prepared to review treasury activities for the past financial year.

During 2013/14 the Council complied with its legislative and regulatory requirements, including compliance with all treasury management prudential indicators.

In 2013/14 the Council's external debt decreased by £3.1m to £97.4m through maturing debt and the level of investments fell by £1.3m to £50.9m.

At 31 March 2014 the average rate for borrowings was 5.95% an increase of 0.70% from the previous year resulting from low rate debt maturing together with the switch of a Market loan going from fixed to variable rate interest. The average rate for investments as at 31 March 2014 was 0.79% representing a reduction of 0.09% from the same position reported at 31 March 2013, of 0.88%.

Recommendations

That the Accounts & Audit Committee advise the Council;

1. of the Treasury Management activities undertaken in 2013/14,
2. that no prudential limits were breached during 2013/14,
3. that both the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance were fully complied with.

Contact person for background papers:
Graham Perkins – Technical Accountant - Extension: 4017

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	In 2013/14 the Council paid loan interest of £5.2m and received £0.5m from money market investments, both of which are in line with that budgeted for.
Legal Implications:	No legal implications arising from this report
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities. The main risks are of adverse or unforeseen fluctuations in interest rates and security of capital sums.
Health and Safety Implications	Not applicable

Other Options

This report has been produced in order to comply with Financial Regulations and relevant legislation and provides an overview of the treasury management transactions undertaken during 2013/14.

Consultation

Advice has been obtained from Capita, the Council's external advisors.

Reasons for Recommendation

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

1. INTRODUCTION AND BACKGROUND

- 1.1 In accordance with regulations issued under the Local Government Act 2003, the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code), the Council is required to produce an annual treasury report reviewing treasury management activities and the actual prudential and treasury indicators for 2013/14. This report meets these requirements.
- 1.2 In 2013/14, the Accounts & Audit Committee together with the Executive and Full Council received the following reports:
- annual treasury strategy for the year ahead (February 2013)
 - mid-year update report (November / December 2013)
 - annual outturn report describing the activity undertaken compared to the strategy (June 2014 i.e. this report)
- 1.3 The figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.
- 1.4 The report comprises of the following sections;
- Economic background & impact on the Strategy (Section 2),
 - Treasury Position (Section 3),
 - Borrowing Position (Section 4),
 - Investment Position (Section 5),
 - Related Treasury Issues (Section 6),
 - Prudential and Performance indicators (Section 7),
 - Appendices.

2. ECONOMIC BACKGROUND & IMPACT ON 2013/14 STRATEGY

- 2.1 The financial year of 2013/14 continued the challenging investment environment of previous years, namely low investment returns, although levels of counterparty risk did subside. A brief summary of the main events which occurred during the year are highlighted below;

UK: -

- economic growth (GDP) surged at its fastest rate in 6 years registering positive growth in all 4 quarters of 2013-14;
- there was no additional quantitative easing undertaken by the Bank of England during 2013/14;
- Bank Rate ended the year unchanged for the fifth successive year at 0.5%,
- CPI inflation fell from 2.8% in April 2013 to below the Government's target rate of 2.0% to 1.7% by March 2014;
- unemployment rate fell from 7.8% in April 2013 to 6.9% in March 2014, its lowest level in 5 years;
- the Funding for Lending Scheme, introduced by the Bank of England in July 2012, continued to provide cheap credit to the banks resulting in low money market investment rates being available. However that part of the Scheme which supported the provision of credit for mortgages was terminated in the first quarter of 2014 as concerns rose over resurging house prices;
- the Government announced in both its Autumn Statement & March budget that the forecast for total borrowing over the next 5 years was to fall by £97bn, culminating in a £5bn surplus in 2018-19.

EU:-

- sovereign debt crisis subsided during the year;
- confidence in the ability of the Eurozone to remain intact increased substantially.

- 2.2 The expectation for interest rates was that the first Bank Rate rise would not occur until quarter 3 2015 at the earliest. However at the recent annual Mansion House dinner, the Bank of England Governor Mark Carney hinted that a rise in rates could happen sooner than markets expected. This will be kept under review.
- 2.3 The actual movement in interest rates when compared to the expectations in the strategy are shown below and a more detailed analysis detailing how investment rates moved during the course of the year is provided at Appendix A;

	2013/14	1 April 2013	31 March 2014	2013/14
	Forecast Average	Actual	Actual	Actual Average
	%	%	%	%
UK Bank Rate	0.50	0.50	0.50	0.50
Investment Rates				
3 month	0.50	0.51	0.53	0.52
1 Year	1.00	0.91	0.94	0.89
Loan Rates				
5 Year	1.65	1.75	2.87	2.46
25 Year	3.80	4.07	4.51	4.43

For reference, the 2013/14 budget assumed an average investment rate of 1.00% and that no new borrowing would be undertaken.

3. TREASURY POSITION

- 3.1 The Council's debt and investment position is controlled in order to ensure that security of funds and adequate liquidity for revenue and capital activities are maintained at all times. This function is undertaken by the Council's Treasury Management team. Procedures and controls to achieve these objectives are well established both through Member reporting and officer activity.
- 3.2 At the beginning and end of 2013/14 the Council's treasury position was as follows:

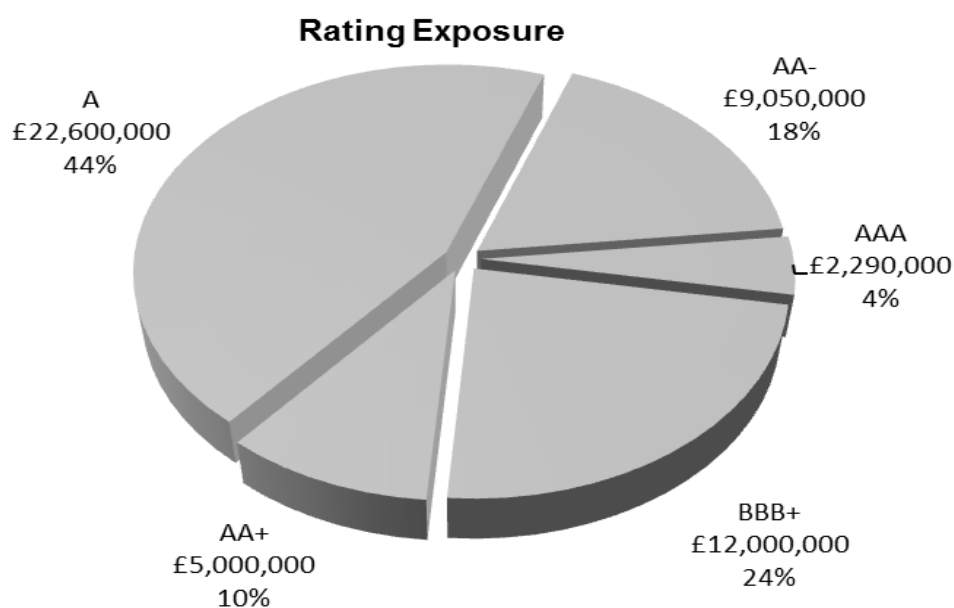
	31 March 2014 Principal	Total	Interest Rate	31 March 2013 Principal	Total	Interest Rate
DEBT						
Fixed rate:						
-PWLB	£41.4m			£44.5m		
-Market	£5.0m	£46.4m	6.83%	£25.0m	£69.5m	5.55%
Variable rate:						
-PWLB	£0m			£0m		
-Market	£51.0m	£51.0m	5.14%	£31.0m	£31.0m	4.58%
Total debt		£97.4m	5.95%		£100.5m	5.25%
Capital Financing Requirement (to finance past capital expenditure)		£143.2m			£147.6m	
Over/ (under) borrowing		(£45.8m)			(£47.1m)	
INVESTMENTS						
- Fixed rate	£26.9m			£32.4m		
- Variable rate	£24.0m			£19.8m		
Total investments		£50.9m	0.79%		£52.2m	0.88%

4. BORROWING POSITION

- 4.1 During the year the Council's external debt levels reduced by £3.1m to £97.4m, following repayments made to the Public Works Loan Board for annual and maturing debt. Of the debt outstanding of £97.4m, £1.0m is administered on behalf of Greater Manchester Probation Service which leaves £96.4m in respect of the Council's own long term requirement.
- 4.2 A maturity profile of the Council's debt can be found at Appendix B & C for reference.
- 4.3 During 2013/14 and in response to the continuing interest rate differential between the cost of long term debt (3.9% to 4.7%) compared to the levels of return available from short term investments (under 1%) together with investment counterparty risk, the Council continued with its the strategy, adopted since 2010, of borrowing internally (using cash backed reserves) to fund its long term borrowing requirement and maturing debt. This course of action continues to be widely followed by Councils nationally and was undertaken in conjunction with advice obtained from the Council's external advisers Capita.
- 4.4 Due to the high breakage costs (premium) payable no rescheduling on any of the Council's loans was undertaken in the year.

5. INVESTMENT POSITION

- 5.1 The Council's investment policy is governed by CLG guidance issued in March 2010 and which was implemented in the annual investment strategy approved by Council on 20 February 2013. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.). The table below provides a breakdown of the Council's investments placed as at 31 March 2014 by long term credit rating and further information detailing the make-up of this can be found at Appendix C & D;



- 5.2 The in-house treasury management team manages the investments using the institutions listed in the Council's approved lending list and funds can be invested for a range of periods from overnight to 3 years dependant on cash flow requirements, duration and counterparty limits set out in the approved investment strategy, its interest rate view and the interest rates on offer. Investment activity during the year conformed to the approved strategy, and the Council had no liquidity difficulties.

- 5.3 The in-house team also continually monitors the markets and during the year there was very little movement in both credit ratings and interest rates highlighting the continuing movement by financial institutions to realign their balance sheets following the economic downturn.
- 5.4 The Council's main bank account, held with the Co-operative Bank, is non-interest bearing and consequently if no investments were undertaken by the Council's in house treasury management team, the Council would miss the opportunity to generate a substantial amount of income.
- 5.5 During 2013/14 an investment rate of return was 0.74% was achieved through proactive investment management generating £(0.5m) of interest, which was 0.38% or £(0.3m) above the comparable performance indicator of the average 7-day London Interbank BID (LIBID) rate, of 0.35% and in-line with the original budget assumption. Though the rate of interest earned of 0.74% was below that originally budgeted for of 1.00%, the level of investment interest received was not affected as a result of balances invested being higher than originally forecasted due to external grants / contributions / monies being received ahead of spend requirement.
- 5.6 A maturity profile of the Council's temporary investments can be found at Appendix C together with a further breakdown at Appendix D which details the historic risk of default.

6. RELATED TREASURY ISSUES

- 6.1 The Co-operative bank - Since 2002 the Council has used the services of The Co-operative Bank for its day to day banking requirements. During April and May 2013, two of the three main credit rating agencies, Fitch and Moody's, both revised down their credit ratings assigned to the bank to that of sub-investment grade. In response to this downgrade the Council undertook to place no further investments with the bank and remove it from the authorised lending list of institutions with whom investments could be placed. This is the normal course of action adopted in this scenario. However the Council did continue to use the bank for its day to day banking requirements. During the course of the year, The Co-operative Bank announced it was, over the next few years, to withdraw from the Local Authority banking market and in order to ensure that the banking requirements for the Council were met, it is participating in the current AGMA Procurement exercise taking place seeking a replacement bank, the results of which will be produced in August 2014.
- 6.2 Local Authority Mortgage Scheme – In 2012/13, the Council participated in the national Local Authority Mortgage Scheme using the cash backed option with Lloyds bank by advancing £2m for a period of 5 years at an interest rate of 4.41%. Due to the success of this scheme, a further £1m was advanced to Lloyds bank in 2013/14 at an interest rate of 2.7% again for a period of 5 years. These deposits provide an integral part of the mortgage lending, and are classified as being a service investment, rather than a treasury management investment, and is therefore outside of the specified / non specified investment categories.

7. PRUDENTIAL AND PERFORMANCE INDICATORS

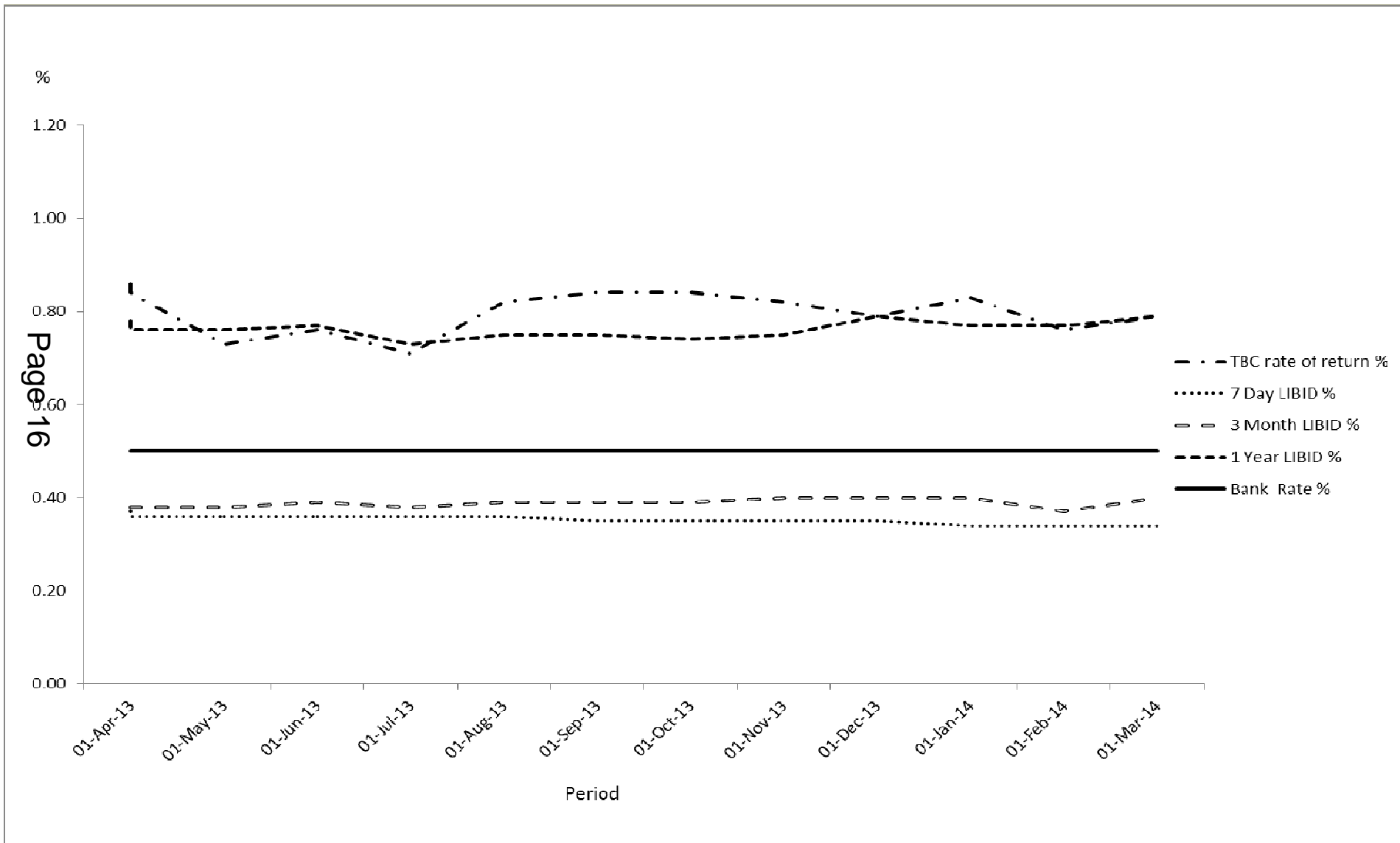
- 7.1 Within the Treasury Management Strategy for 2013/14, approval was given to the treasury management prudential & performance indicators for the period 2013/14 – 2016/17. All indicators and benchmarks set for 2013/14 were complied with and details of these are shown in Appendix E.

Finance Officer Clearance ...GB.....

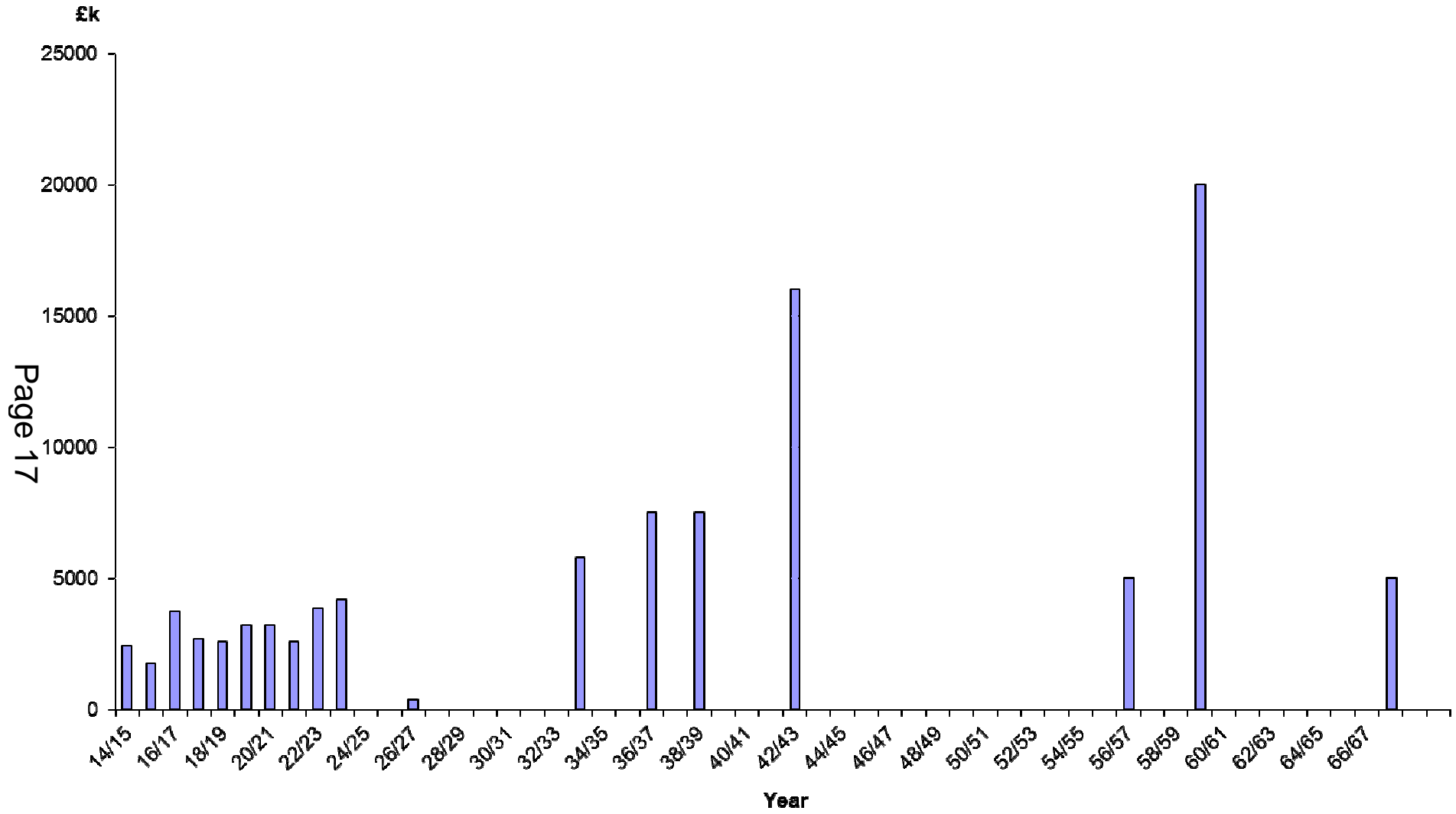
Legal Officer Clearance ...JL.....

Director of Finance Signature

Investment Interest rate movements in 2013-14



Profile of debt outstanding as at 31.03.2014



Maturity Profile

Debt portfolio:

	31 March 2014 Actual	31 March 2013 Actual
Under 12 months	£2.4m	£3.1m
12 months and within 24 months	£1.8m	£2.4m
24 months and within 5 years	£9.0m	£8.2m
5 years and within 10 years	£17.1m	£15.5m
10 years and above	£67.1m	£71.3m
Total	£97.4m	£100.5m

Investment portfolio:

	31 March 2014 Actual	31 March 2013 Actual
Instant Access	£24.0m	£19.4m
Up to 3 Months	£3.5m	£14.0m
3 to 6 Months	£2.3m	£3.0m
6 to 9 Months	£2.2m	£5.6m
9 to 12 months	£13.9m	£10.2m
Over 1 year	£5.0m	£0.0m
Total	£50.9m	£52.2m

Breakdown of Investments as at 31 March 2014

Counterparty	Amount £	Interest rate	Lowest Long Term Credit Rating*	Historic Risk of Default**
Barclays Bank – call account	5,000,000	0.65%	A	0.000%
Greater Manchester Waste Disposal Authority	5,000,000	1.60%	AA+	0.080%
Federated Investors – Money Market Fund	1,930,000	0.41%	AAA	0.000%
Ignis – Money Market fund	80,000	0.42%	AAA	0.000%
Lloyds Bank	1,500,000	0.65%	A	0.005%
Lloyds Bank	2,500,000	0.95%	A	0.076%
Lloyds Bank	1,600,000	0.95%	A	0.079%
Lloyds Bank	2,700,000	0.94%	A	0.080%
Lloyds Bank	2,600,000	0.95%	A	0.083%
Lloyds Bank	2,500,000	0.95%	A	0.084%
Lloyds Bank	2,000,000	0.95%	A	0.087%
Morgan Stanley - Money Market Fund	280,000	0.37%	AAA	0.000%
Nationwide BS	2,200,000	0.69%	A	0.058%
Royal Bank of Scotland – call account	10,000,000	0.60%	BBB+	0.001%
Royal Bank of Scotland – 60 day notice	2,000,000	0.70%	BBB+	0.035%
Total UK	41,890,000	0.84%		
Svenska Handelbanken – call account	6,750,000	0.55%	AA-	0.000%
United Overseas Bank	2,300,000	0.51%	AA-	0.008%
Total Non UK	9,050,000	0.54%		
Grand Total	50,940,000	0.79%		

* The minimum Long term credit rating required by the Council is A- unless the bank is part nationalised.

**Historic Risk of Default – this is an average % risk for each investment based on 30 years of data provided by Fitch, Moody's & S&P. It simply provides a calculation of the possibility of average default adjusted for the time period within each year according to the maturity of the investment.

Appendix E

Prudential Indicators for 2013/14

Figures are for the financial year	2013/14 Forecast	2013/14 Actual
<p style="text-align: center;">Authorised Borrowing Limit</p> <p>(Maximum level of external debt & other long term liabilities (PFI & leases) that the Council requires – this is a statutory limit under Section 3(1) of the Local Government Act 2003).</p>	£126m	£104m
<p style="text-align: center;">Operational Boundary</p> <p>(This is calculated on a similar basis as the authorised limit & represents the expected level of external debt & other long term liabilities (PFI & leases) may reach during the year, it is not a limit).</p>	£107m	£104m
<p style="text-align: center;">Upper limits on fixed interest rates</p> <p>(Maximum limit of net fixed interest rate exposure - debt less investment)</p>	£3.6m	£3.4m
<p style="text-align: center;">Upper limits on variable interest rates</p> <p>(Maximum limit of net variable interest rate exposure – debt less investment)</p>	£1.9m	£1.5m
<p style="text-align: center;">Gross debt and Capital Financing Requirement</p> <p>(A new indicator implemented from 1 April 2013 highlighting that all gross external borrowing is prudent, for capital purposes only and does not exceed the capital financing requirement – figures reflect amount capital financing requirement exceeds gross external borrowing).</p>	£37m	£40m
<p style="text-align: center;">Maturity structure of fixed rate borrowing</p> <p>(These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing – these are required for upper, as shown and lower limits which were set at 0%).</p>		
Under 1 year (this includes the next call date for Market loans)	70%	54.8%
1 year to 2 years	25%	1.8%
2 years to 5 years	25%	14.4%
5 years to 10 years	25%	17.5%
10 years to 20 years	25%	6.3%
20 years to 30 years	25%	0.0%
30 years to 40 years	25%	0.0%
40 years and above	25%	5.2%
<p style="text-align: center;">Maximum principal funds invested exceeding 364 days (excluding Manchester International Airport shares)</p> <p>(These limits are set to reduce the need for early sale of an investment)</p>	£50m	£5m

Performance Indicators for 2013/14

Indicator	Target	Actual
Security – potential default rate of the Council's investment portfolio based on default rates from the 3 main credit rating agencies – inclusion is recommended by CIPFA.	Max 0.09%	Max 0.03%
Liquidity – investments available within 1 week notice	£20m min.	Achieved
Liquidity – Weighted Average Life of investments	6 months	6 months
Yield – Investment interest return to exceed 7 day London Interbank BID rate	0.35%	0.74%
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Min 71% Max 29%

TRAFFORD COUNCIL

Report to: Accounts & Audit Committee

Date: 26 June 2014

Report for: Information

Report of: Director of Finance

Report Title

Insurance Performance Report 2013/14

Summary

This report provides a summary of insurance performance for 2013/14.

The gross cost of the insurance activity (excluding schools) for 2013/14 is £1.437m, comprising £0.380m of premium costs and £1.057m provision for claims. The overall liability claims provision was £3.759m representing an increase on budget of £0.252m due to an updated assessment in respect of claims from previous years.

The Council's entire insurance portfolio was tendered for 2014/15 onwards. An insurance package that fell within budget was secured despite a hardening insurance market and fewer insurers wishing to tender for the complete range of Council insurance requirements.

A premium rebate of £32,287 was received to reflect a good claims experience in respect of policy year 2010/11.

Overall liability claim numbers decreased in 2013/2014 with 321 new claims compared to 427 in 2012/2013. A mild winter contributed to the decrease in claims for the last year.

Repudiation rates on liability claims improved on 2012/13 with highway repudiation levels increasing to 79% from 74%.

Recommendations

That the report be noted.

Contact person for access to background papers and further information:

Name: Graeme Bentley

Extension: 4336

Background Papers: None

1. Introduction

1.1 This report concerns the Council's non-schools insurance activities for 2013/14 and the purpose is to update the Committee on:-

- Performance in respect of the major classes of insurance.
- The current budget position.
- Insurance tender and initiatives.

2. Performance Update

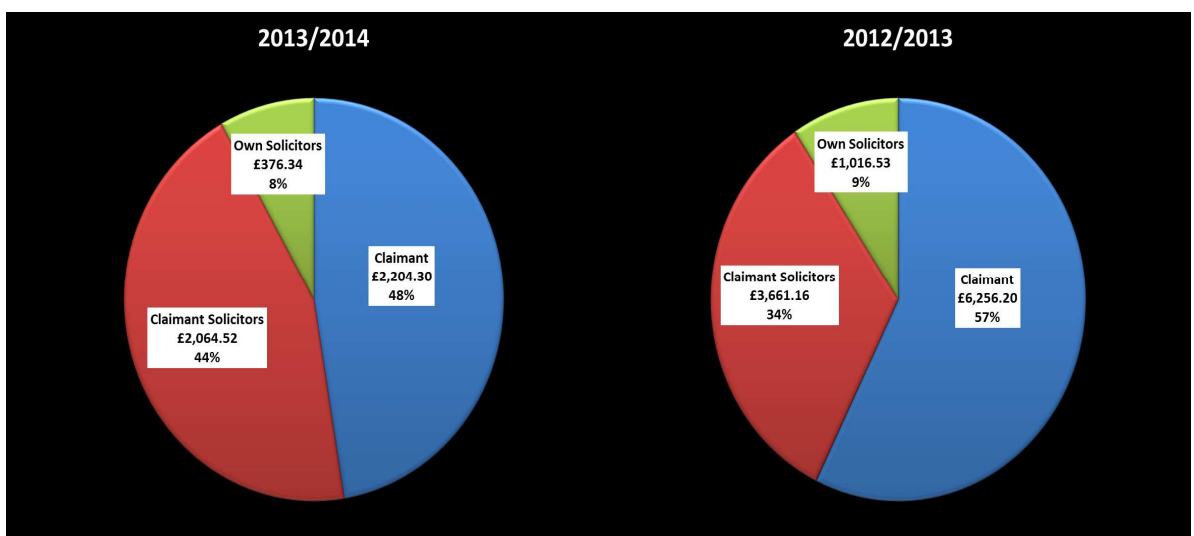
2.1 During 2013/14 the Council received 321 new insurance claims compared to 427 in 2012/13. The majority of these, 73%, were highway related claims.

Annex 1 provides information on the level of activity in 2013/14 compared to the previous year across the major insurance areas. It also provides information on the cost of claims settled in the year regardless of policy year.

2.2 Claim numbers have reduced by 25% which is due to fewer highway claims being received following the milder winter in 2013 in contrast to 2012.

	2013/14	2012/13
Live Claims b/f	430	374
New Claims Received in Year	321	427
Settled Claims in Year	415	371
Live Claims c/f	336	430

2.3 The average cost of settled claims in 2013/14 was £4,645 and shows a large reduction from the 2012/13 average of £10,934. Two large historic claims were settled during 2012/13 and allowing for these the average cost reduces to £6,388. The reduction in 2013/14 reflects the large number of low value vehicle claims which were received during the winter 2012 and were settled in 2013/2014, the majority of which were successfully defended. The following chart provides a breakdown of the average costs of claims.



2.4 **High value claims** are claims which carry a reserve of £50,000 and above. As at 31 March the Council had 9 outstanding high value claims with an estimated total value of £918,459 and is reflected within the current insurance

provision. This compares with 7 outstanding claims with an estimated total value £756,443 as at 31/03/2012. High value claims which have been received in year are summarised in the commentaries below. The claims range across a number of policy years and are managed by specialist claim handlers/solicitors and monitored by the insurance team.

- 2.5 Detailed within **Annex 2** is the claims information relating to policy years for the main classes of insurance for the last five years which shows the trends in claims costs and claim numbers. The following paragraphs provide a commentary for the major insurance classes.

3. Public Liability – Highway Claims

- 3.1 Highway claims represent the largest risk to the Council both in terms of cost and volume. Over the five year period to 2013/14 the average annual cost of claims was £530,875. This figure is inflated due to 2012/13 and 2013/14 being immature years due to the number of outstanding claims which all carry a reserve. It is expected that the greater majority of these claims will be repudiated.
- 3.2 There are still 10 outstanding claims for 2010/2011 with a reserve of £233,758; many of the claims have been litigated and are with the Council's external solicitors who are either repudiating the claim or negotiating settlement on best terms possible for the Council. Also a large claim was made in 2013/2014 with a reserve of £230,000 which is due to be repudiated as it occurred on a private road which is not the Council's responsibility. When this is successfully repudiated the reserve figure will reduce accordingly. (See Para 7.1).
- 3.3 The majority of highway claims are repudiated, a result of a positive approach in defending claims and effective internal claim handling processes between the Council's Highways and Insurance teams and with the Insurers. The Law relating to highway maintenance is governed by the Highways Act 1980. In particular, Section 41 of this Act imposes a duty on the Council as Highway Authority to maintain the highway network for which it has responsibility for. For there to be a breach of Section 41 of the Act, there must have been a failure to maintain or a failure to repair.
- 3.4 A defence to claims against the Council is provided by Section 58 of the Act. This may be used to defend Highways claims where the Council can demonstrate that it took all reasonable steps to ensure the highway was safe, for example by means of a scheduled inspection and repair system. Therefore, if the Council can prove that it had in place adequate policies and procedures to maintain the highway, that these were being performed, a claim can be repudiated.
- 3.5 The ability to defend an insurance claim is based on the effectiveness of the highway inspection regime and the subsequent repair of any defects that are identified. The table below shows the reasons why claims were settled in 2013/14 compared to 2012/13.

Reason for Settlement	Number of Claims 2013/14	Number of Claims 2012/13
Defect not picked up in carriageway	2	4
Defect not picked up in footway	8	9
Failure to repair carriageway	36	29
Failure to repair footway	0	2
No inspection of carriageway	9	13
No inspection of footway	3	8
Tree damage	5	4

3.6 There has been an increase in the number of cases of “failure to repair” which is currently under review. There are currently a large number of actionable defects that are programmed for repair as a result of:-

- An increase in the number of defects from the winter period identified on inspection.
- Competing demands on the revenue budget in respect of the range of highway activity.

3.7 To assist local authorities the Government made available £140m at the end of 2013/14, of which the Council received £235k, with a further bid fund of £200m available in 2014/15. A bid has been made by the Council and a decision is awaited soon. Any grant secured will be utilised to cover this backlog of defects, with any capital element used to supplement the planned maintenance programme. It is a priority that these outstanding actionable defects are repaired in order to reduce the Council’s exposure to future claims. It is important that planned structural maintenance programmes continue to be supported in future year’s capital programme bidding rounds in order to avoid further deterioration in the highway network.

4. Public Liability – Other Claims

4.1 Other public liability claims across all other services in the Council are not as common as Highway claims but can be a significant cost to the Council. Examples of these types of claims are incidents in parks, libraries and other community buildings or involving social services.

4.2 Claim numbers are consistent; in 2013/14 we received 74 new claims compared with 67 in 2012/13. Repudiation rates are not as high as Highways because claims are spread out amongst various service areas which may not have the same level of systems in place to defend claims as Highways.

4.3 In 2013/14 the Council received a high value claim relating to social services for an incident which occurred in 2011/12; the case is a very sensitive one and carries a reserve of £250,000. This one case accounts for the high value in that year.

5. Employers' Liability Claims

- 5.1 Employers' Liability claims represent the smallest claims in terms of volume but represent a significant cost to the Council. In 2013/14 we received 14 new claims compared with 18 in 2012/13. These claims are usually more complex than public liability claims and can take many years to resolve.
- 5.2 Claims are received across the entire range of services within the Council from office based staff to Groundforce operatives, from school cooks to librarians.
- 5.3 The value of claims by employees can quickly escalate so additional procedures are in place with the insurers to investigate these claims to mitigate costs. (for further details see Section 9 Ministry of Justice Reforms)

6. Motor Vehicle (Fleet) Claims

- 6.1 The fleet is insured on a comprehensive policy. For damage to fleet vehicles there is a deductible (excess) of £5,000, with the first £1,000 being met by the relevant service department. Third party damage is paid in full by the insurers.
- 6.2 Motor claims continue to decrease in number commensurate with the decrease in fleet size. In 2013/14 only 22 claims were received, this is down one third when compared with 2011/12; the fleet has also reduced approximately one third since then.
- 6.3 In 3 of the last 5 years our claims experience has exceeded £100,000 and this limits the number of insurers willing to tender as currently we are not an attractive risk, This was evident in the recent tender process.
- 6.4 Claims costs for 2013/14 have reduced with a total incurred of £37,066 compared with £102,293 in 2012/13. If future costs can be maintained to this level then it will present the Council as a more attractive customer to potential insurers.

7. Insurance Budget

- 7.1 The cost of non-schools insurance in 2013/14 is £1.437m, compared to a revised budget of £1.201m, comprising premiums of £0.380m and provision for the cost of liability claims of £1.057m. The increase in insurance costs of £0.236m is explained by:-
- Net increase in provision for claims £0.252m - The provision amount set aside to cover liability claims is based on an independent actuary report. Following the latest report there has been an increase in the provision levels. This is due to a number of high value claims being received in the last year. (See sections 3 and 4 for details).

- Reduction in premium costs £0.016m - reflecting the Council's reduced risk exposure on casualty and property premiums, in part due to a reduction in sums insured and staff salaries.

	2012/13 Actual £000	2013/14 Projected £000	2013/14 Actual £000	Estimate/ Actual Variance £000
Premiums:	392	396	380	(16)
Casualty	179	182	172	(10)
Property	79	80	74	(6)
Fleet	125	125	125	0
Money, Fraud	9	9	9	0
Provision:	1,203	805	1,057	252
Liability Highway	633	538	790	
Liability Other	151	267	267	
MMI Provision	419			
Gross Expenditure	1,595	1,201	1,437	236
Less Income (Non Schools DSG and DSO)	(239)	(239)	(239)	0
Planned transfer to/(from) reserve	(659)	(145)	(381)	(236)
Rebates	(50)	(32)	(32)	0
Net Expenditure	647	785	785	0

8. Tender

- 8.1 The Council's current insurance arrangements with Travelers ceased on 31 March 2014 so a procurement exercise was undertaken. A number of tenders were evaluated across various insurance "lots".
- 8.2 Only two insurers bid for the full portfolio of policies, Zurich Municipal and Risk Management Partners. The current insurer, Travelers, did not bid for all lots and for some major policies put high tender figures in reflecting a possible lack of appetite for local authority business going forward.
- 8.3 Bids were evaluated based on price (50%), cover (40%) and support (10%) and summary scores are shown below. Zurich Municipal offered a discounted package price which proved to be the best option for the Council apart from the motor policy which remained with the current insurer, Summit and the engineering inspection policy which was placed with a company called HSB.

Lot / Policy	Provider	Score
Lot 1 Property	Zurich Municipal	85.09%
Lot 2 / 11 Liability & Claims Handling	Zurich Municipal	90.88%

Lot 3 Motor	Summit	90.36%
Lot 4 Contract Works	Zurich Municipal	92.00%
Lot 5 Computers	Zurich Municipal	100.00%
Lot 6 Personal Accident / Travel	Zurich Municipal	96.36%
Lot 7 School Journeys	Zurich Municipal	97.82%
Lot 8 Fidelity Guarantee / Crime	Zurich Municipal	95.08%
Lot 9 Engineering Inspection	HSB	96.31%

8.4 The overall premium costs (including schools) for 2014/15 is £765,000 and exceeds budget provision by £2,000 which will be met from reserves.

9. Ministry of Justice Reforms

9.1 The Ministry of Justice reforms came into full effect during 2013/14. Whilst this is good news for the Council as these reforms will control third party legal costs it does place more restrictive timescales in investigating claims for the Council. To comply with these timescales the Council has:

- Arranged with the insurers that all employers' liability claims are now investigated by an inspector from the insurers and a member of the insurance team within two weeks of receiving the claim.
- All public liability claims are monitored weekly to ensure they fall within prescribed timescales as set out in the new reforms.

9.2 These reforms are in their infancy and we are still waiting for a claim to be settled through the portal process. The insurance team's procedures will continue to evolve as the reforms develop.

9.3 Self-represented claims fall outside of these protocols but will still be handled in the same efficient manner as represented claims are.

10 Initiatives

10.1 In response to a number of thefts of IT equipment from schools a support document was produced and sent to all schools providing practical guidance to protect their property. A winter maintenance guidance sheet was also sent to schools to assist site managers.

10.2 From the summer of 2013 a Highway Property Claim Form was sent to all claimants who have damaged their vehicle due to the highway. The form captures all the details we need to investigate the claim thoroughly and advises the claimant of the claims procedure and the Council's legal duty in maintaining the highway under Highways Act 1980. To date 96 forms

have been sent and 58 have been returned. This reflects a “drop-out” rate of 40% and compares to 47% since the last report in February 2014. .

- 10.3 The maintenance for Sale Water Park was brought back in house on 1 January 2014. To assist Partnerships and Communities / Environmental Strategy in managing the risks at Sale Water Park the Insurance team co-ordinated a number of site visits with a Risk Management advisor from AON, who provided a report which is used a basis for managing risk at the park.

11 Future Issues and Plan

- 11.1 Our brokers, AON, have recommended the Council seriously considers extending their insured perils to include terrorism cover. The Council does not currently take out terrorism cover, in view of the recent development of the town hall and subsequent rationalisation of administrative buildings it is a consideration we need to make.
- 11.2 With the Council’s current review of operating model to meet reduced governmental funding there will be on going changes in way we operate. The insurance team will monitor these changes and adjust and adapt the Council’s insurance package accordingly. This has been the case with the current Joint Venture exercise.
- 11.3 As part of the agreement with the new insurers a risk management fund of £10,000 has been made available to the Council. The purpose of the fund is to protect the Council from insurable risk so in the forthcoming year we will be:
- Providing fire assessment training for Health & Safety officers.
 - Arranging a cyber-risk review.
 - Conduct a risk management survey of Trafford Town Hall.

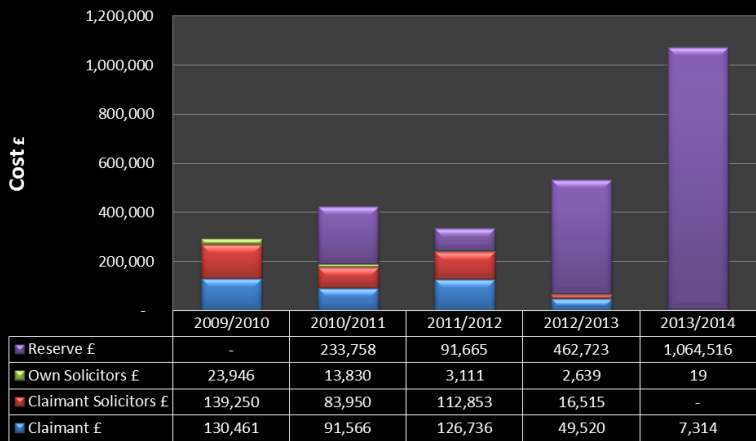
Claims Activity Report

	2013/2014						2012/2013					
	Highway	PL	EL	Liability Total	Motor	Total	Highway	PL	EL	Liability Total	Motor	Total
Claim Numbers												
Live Claims b/f	326	75	29	430	53	483	253	87	34	374	110	484
New Claims Received	233	74	14	321	24	345	342	67	18	427	32	459
Settled Claims	330	76	9	415	9	424	269	79	23	371	89	460
Claims c/f	229	73	34	336	68	404	326	75	29	430	53	483
Net Change in Claim Numbers	(97)	(2)	5	(94)	15	(79)	73	(12)	(5)	56	(57)	(1)
Cost of Settled Claims	£000	£000	£000	£000			£000	£000	£000	£000		
Claimant Costs £	99	89	17	205			370	90	297	757		
Claimant Solicitor Costs £	97	65	30	192			171	174	98	443		
Own Solicitor Costs £	9	26		35			48	9	66	123		
Total £	205	180	47	432			589	273	461	1,323		
No of Claims Settled at Nil	262	56	4	322			200	43	7	250		
Repudiation Rate of Settled Claims	79%	74%	44%	78%			74%	54%	30%	67%		
Average Cost of Settled Claims	3,014.71	9,000.00	9,400.00	4,645.16			8,536.23	7,583.33	28,812.50	10,933.88		

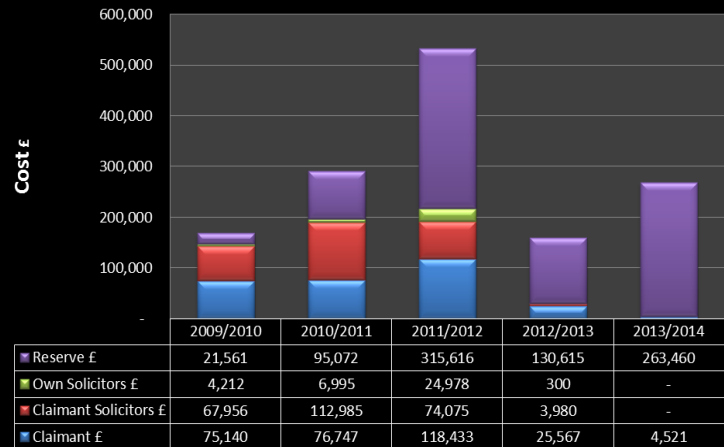
- This represents the on-going claims activity carried out within the year, irrespective of when the claim occurred.
- The costs and key statistics relate only to claims settled within the relevant financial year.
- Does not include for a small number of property and other claims.

Claims Activity Report by Policy Year

Highway Claims



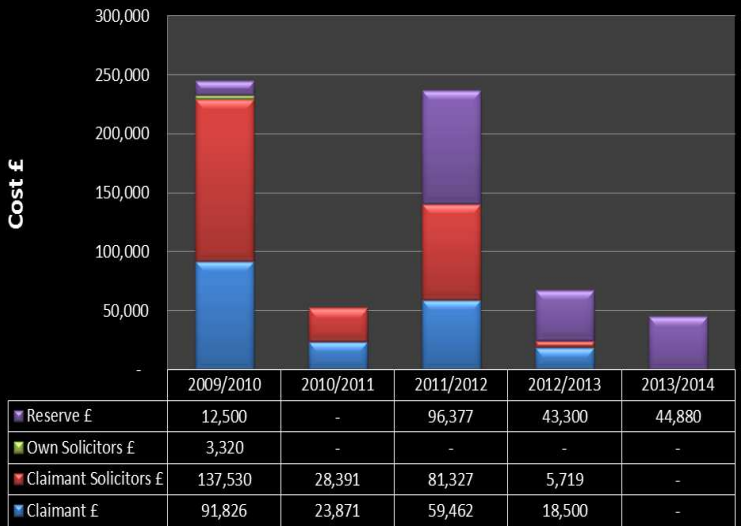
Public Liability Claims



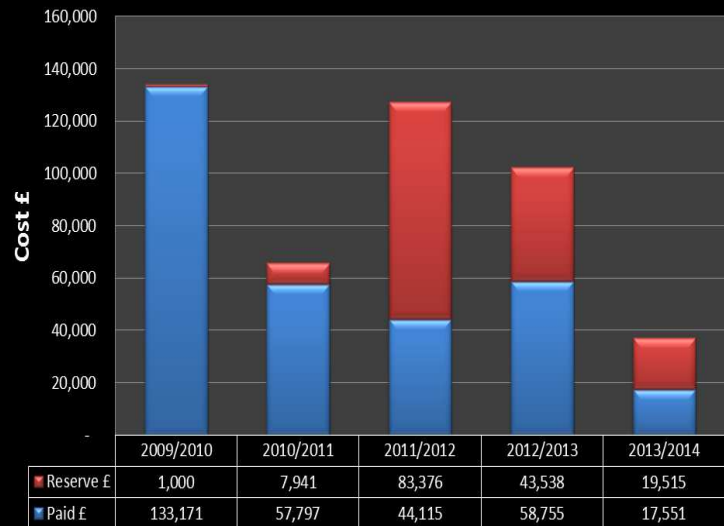
Policy Year	No of Claims	Open	Closed	No Settled at Nil	No of Claims Paid	Repudiation Rate
2009/2010	220	0	220	176	44	80%
2010/2011	211	10	201	160	41	80%
2011/2012	241	8	233	172	61	74%
2012/2013	344	44	300	246	54	82%
2013/2014	207	143	64	58	6	91%

Policy Year	No of Claims	Open	Closed	No Settled at Nil	No of Claims Paid	Repudiation Rate
2009/2010	78	3	75	45	30	60%
2010/2011	65	6	59	30	29	51%
2011/2012	66	5	61	37	24	61%
2012/2013	67	11	56	43	13	77%
2013/2014	62	46	16	14	2	88%

Employers' Liability Claims



Motor Claims



Policy Year	No of Claims	Open	Closed	No Settled at Nil	No of Claims Paid	Repudiation Rate
2009/2010	19	2	17	7	10	41%
2010/2011	10	0	10	4	6	40%
2011/2012	18	6	12	4	8	33%
2012/2013	8	5	3	3	0	100%
2013/2014	5	5	0	0	0	0%

Policy Year	No of Claims	Paid £	Reserve £	Total Incurred £
2009/2010	45	133,171	1,000	134,171
2010/2011	41	57,797	7,941	65,737
2011/2012	30	44,115	83,376	127,491
2012/2013	23	58,755	43,538	102,293
2013/2014	22	17,551	19,515	37,066

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Audit Committee Update for Trafford Council

Year ended 31 March 2014

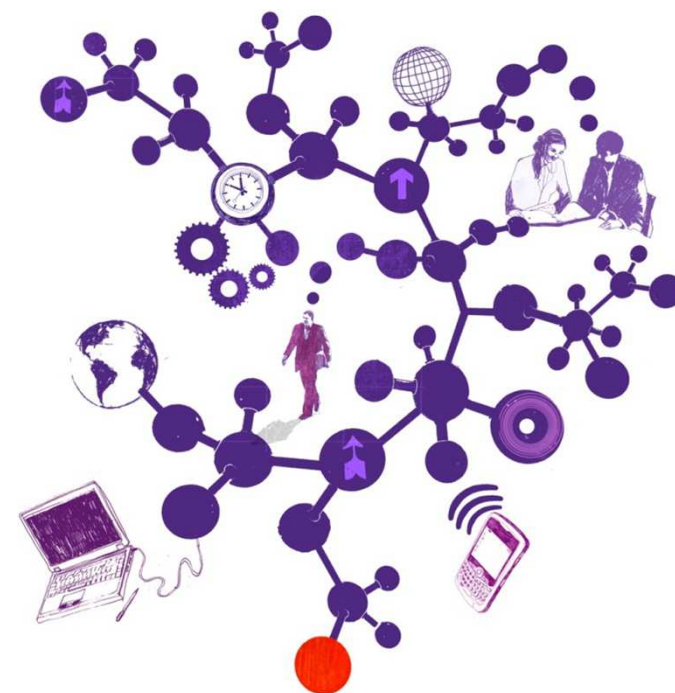
June 2014

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Agenda Item 8

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at June 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	March 2014	Yes	We discussed the detailed Audit Plan in March 2014 at the Accounts and Audit Committee meeting.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • initial Value for Money planning. 	January to April 2014	Yes	We have completed planned work to date on your fundamental financial systems.

Progress at June 2014

Work	Planned date	Complete?	Comments
<p>2013-14 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council 's accounts and Whole of Government Accounts return • proposed Value for Money conclusion. 	July to September 2014	Not started	We will prepare an Audit Findings Report and present this to the Audit and Accounts Committee prior to issuing our audit report
<p>Value for Money (VfM) conclusion 2013-14</p> <p>We will give our statutory VFM conclusion on the arrangements to secure economy, efficiency and effectiveness based on two criteria, specified by the Audit Commission, related to the Council's arrangements for:</p> <ul style="list-style-type: none"> • securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future • challenging how it secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency. 	September 2014	On track	<p>We will update our risk assessment and set out a planned programme of VFM work to inform our 2013-14 conclusion.</p> <p>We will report our detailed findings within our Audit Findings Report in September 2014.</p>

Understanding your accounts – member guidance

Accounting and audit issues

Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements [decluttering](#)
- approving the minimum revenue provision [MRP guidance](#)

Copies of these are available from your engagement lead and auditmanager [Guide to local authority accounts](#)

Challenge question

Have members referred to this guidance?

Accounts – our top issues

Accounting and audit issues

Top issues for the 2013/14 closedown

Based on the queries we have received from practitioners and auditors, here is a list of the top issues to consider for the 2013/14 closedown.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations is sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
4. Have you accounted for provisions in accordance with IAS 37?
 - Have you considered provisions for business rates, equal pay and restoration and aftercare of landfill sites?
 - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
 - Is there a robust evidence based methodology to support the estimate?
 - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, Is their robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
5. Is your PFI accounting model up to date? Do your accounts disclose:
 - the fair value of PFI liabilities?
 - information on the impact of inflation on PFI commitments?
6. Have you addressed the new accounting requirements in 2013/14 for the presentation of IAS 19 pension costs and a new service line for Public Health been addressed? Have comparatives been restated?
7. Have you disclosed the accounting policy for schools? For those schools that are not recognised on the balance sheet, has information about school assets, income and expenditure been disclosed?

Challenge question

Has your Director of Finance addressed relevant closedown issues and assessed the potential impact for your financial statements?

Accounts – CIPFA bulletin

Accounting and audit issues

LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 98](#). The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- public health reform
- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting
- accounting for pension interest costs in relation to current service cost and pension administration costs
- disclosure requirements for dedicated schools grant.

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.

Challenge question

Has your Director of Finance reviewed the guidance and assessed the potential impact for your financial statements?

Not to be rubbished, £464 million potential savings

Local government guidance

Audit Commission VFM Profiles

Using data from the VFM Profile, <http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/> the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said

"in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive"

Challenge questions

Has the Council used the Audit Commission briefing paper to consider how their:

- overall spending on household waste management has changed over time?
- spending is divided between waste minimisation, recycling or disposal of waste, and how this has changed over time?;
- spending on different components of waste management compares with authorities that have similar or better performance?

Blue Badge fraud prosecutions double in three years

Local government guidance

Fraud prevention

The Local Government Association has reported that Blue Badge fraud prosecutions have doubled in three years as councils crackdown on dishonest motorists robbing disabled people of their independence and their right to easier parking. - See more at: http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/6186329/NEWS#sthash.Pllm4374.dpuf

Stoke-on-Trent City Council, Plymouth Council and Hull City Council recently secured their first prosecutions against fraudsters while Manchester City Council has a 100 per cent conviction rate with more than 500 prosecutions in the past five years. Councils are also using new powers to seize and confiscate badges suspected of being used illegally and some have set up specific enforcement teams to tackle Blue Badge fraud.

Cllr Peter Box, Chair of the LGA's Economy and Transport Board, said:

"Councils are determined to do everything in their power to protect the quality of life for our disabled and vulnerable residents and will not hesitate to take legal action against anyone caught abusing the scheme. With more of these fraudsters being brought to justice than ever before by councils, this is sending a strong message that we will come down hard on drivers illegally using Blue Badges."

Challenge questions

Is the authority actively pursuing measures to prevent Blue Badge abuse, including prosecuting fraudsters?

Priority School Building Programme

Local government guidance

The Schools minister David Laws announced (2 May 2014) that the government will spend £2bn on a second phase of its Priority School Building Programme in the six years from 2015.

Under the Priority School Building Programme, which replaced the last government's Building Schools for the Future scheme, the government has announced its commitment to spending £18bn on school buildings over the course of this parliament, including £2.4bn targeted at the schools in worst condition. Overall, this funding is set to build around 300 new schools and provide improvements to nearly 600 others.

In announcing this targeted initiative was on course to improve 261 schools with buildings in the worst condition in England by the end of 2017 and that it would now be extended into a second phase, with a further £2bn allocation over the next spending review period to 2021 the minister stated:

"the original Priority School Building Programme worked on the basis of the condition of the whole school site. We will now refine this to look at targeting individual school buildings, as well as whole school rebuilds where this is appropriate, so that the department can focus much more tightly on addressing specific issues in the estate."

Challenge question

Has the authority considered the implications of the Priority School Building Programme for its schools building and refurbishment programme?

Assessing the costs and benefits of local partnerships

Local government guidance

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said

"this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

Challenge question

Has the authority considered the applicability of the government's cost benefit analysis guidance in considering the cost-benefits of local service delivery options?

Working in tandem – Local Government Governance Review 2014

Grant Thornton

Local Government Governance Review

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/> is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

Challenge questions

- Our report includes a number of case studies summarising good practice in risk leadership, partnerships and alternative delivery models and public communication. Has the Authority reviewed these case studies and assessed whether it is meeting good practice in these areas?
- Our report includes key questions for members to ask officers on risk management and alternative delivery models. Are these issues being considered and responded to by officers?

Events

Grant Thornton

Events

We are involved in organising and supporting various events for our local government clients including the following.

- Following on from our recent national report on welfare reform Reaping the Benefits we are continuing to gather information and examples of good practice from local government and housing around the country. We are presenting our key findings updated information on good practice to CIPFA Benefits and Revenues Network and regional CIPFA events
- We sponsored the Centre for Public Scrutiny (CFPS) Annual Scrutiny Camp Unconference in London on 11 June
- We also sponsored The Municipal Journal's Annual Growth Agenda conference on 4 June where we launched our Where Growth Happens report
- For the third year running we are sponsoring the conference drinks reception at CIPFA's Annual Conference, taking place in London on 2 July
- Paul Grady, Grant Thornton's Head of Police, will be speaking at the third Annual National Conference on Police and Crime Commissioners on 10 July, in Nottingham
- We are hosting an Alternative Delivery Models seminar at our Birmingham office in 16 July where practitioners will share experiences of setting up and operating various alternative delivery models.



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Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2013/14

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 26 June 2014
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Annual Internal Audit Report 2013/14

Summary

The purpose of the report is:

- To provide an opinion on the standard of internal controls during 2013/14
- To provide a summary of the work of the Audit and Assurance Service during 2013/14.

(It should be noted that, as planned, there is work ongoing on the annual fundamental financial system audits covering 2013/14 (through quarters one and two of 2014/15) and details will be reported in 2014/15 quarterly updates to the Accounts and Audit Committee. The results of 2013/14 financial system review work will be taken into account in completing the final version of the Council's 2013/14 Annual Governance Statement to be approved in September 2014).

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

Audit & Assurance Service

Annual Internal Audit Report 2013/14

June 2014

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Part One - Overview of Work Completed and Main Conclusions

SUMMARY AND OVERALL OPINION

The Annual Internal Audit Report sets out details of the work of the Audit and Assurance Service during 2013/14. The most important aspect of the Annual Audit Report is to give an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2013/14, which encompasses internal control, risk management and governance.

Internal Audit is a statutory function and the Audit and Assurance Service carried out its work in 2013/14 in conformance with the Public Sector Internal Audit Standards (which came into effect from 1 April 2013 replacing the CIPFA Code of Practice for Internal Audit in Local Government).

Through its work, the Audit and Assurance Service aims to provide support to the organisation in its aim to maintain effective governance arrangements and a sound control environment. The Service aims to assist in shaping ethics and standards across the Council. Ongoing financial pressures for local authorities to achieve savings highlights the need for organisations to ensure effective governance arrangements, systems and controls are in place to ensure value for money is achieved and the risk of fraud or error is minimised.

The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2013/14.

Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service ensures that its coverage remains broad to maximise impact and also follows up the implementation of recommendations to ensure that improvements are actually occurring.

It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2014. Any further issues relating to work undertaken after that time are covered in future updates including quarterly reports to the Corporate Management Team and the Accounts and Audit Committee.

Based on internal audit work undertaken for 2013/14, the Internal Audit Opinion is that, overall, the control environment is operating to a satisfactory standard. A number of areas were identified where improvements in controls were identified and in such instances, improvement plans were produced to address recommendations. Follow up work of areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks identified. Areas identified for improvement will be further followed up in 2014/15.

1. INTRODUCTION AND BACKGROUND

- 1.1 The purpose of the Annual Internal Audit Report is to detail the work of the Audit and Assurance Service during 2013/14. The Annual Audit Report provides an Opinion as to the overall adequacy and effectiveness of the Council's control environment during 2013/14.
- 1.2 Internal Audit is a statutory function and must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013. PSIAS replaced the CIPFA 'Code of Practice for Internal Audit in Local Government in the United Kingdom'. It is a requirement of PSIAS that an Annual Internal Audit Report is written and presented to the organisation.
- 1.3 The Audit and Assurance Service is within Financial Services in the Transformation and Resources Directorate. The Audit and Assurance Manager reports to the Director of Finance.
- 1.4 The establishment of the Audit and Assurance Service comprised 9.57 full time equivalent (FTE) staff at the start of 2013/14. (It should be noted that one officer left the Council in December 2013 and work in the final quarter of the year was undertaken by 8.57 FTE staff).
- 1.5 In addition to in house resources, as in previous years, Salford Audit Services provided support in respect of elements of the ICT Internal Audit Plan.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Charter and Strategy, the latest version being approved by the Accounts and Audit Committee in March 2014. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service. 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, thereby enabling Internal Audit to provide an opinion on the operation of the control environment. The Strategy covers audit resources, planning, service delivery and reporting.
- 1.7 The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2013/14. The Annual Governance Statement provides an assessment of governance arrangements across all areas of the Council, and identifies strengths and areas for development in those arrangements.

2. INTERNAL AUDIT OPINION FOR 2013/14

2.1 Internal Audit is required to give an annual Opinion on the adequacy and effectiveness of the Council's internal control environment which encompasses internal control, risk management and governance. The opinion supports the Annual Governance Statement. The Opinion for 2013/14 is as follows.

Based on internal audit work undertaken for 2013/14, the Internal Audit Opinion is that, overall, the control environment is operating to a satisfactory standard. A number of areas were identified where improvements in controls were identified and in such instances, improvement plans were produced to address recommendations. Follow up work of areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks identified. Areas identified for improvement will be further followed up in 2014/15.

2.2 The most important factors determining the opinion are:

- Review work in respect of governance arrangements showed that overall adequate and effective standards of governance continue to be maintained within the areas reviewed. Further assurance is to be gathered in 2014/15 in respect of some aspects of partnership governance (see 5.1).
- Key risks identified in the Strategic Risk register continue to be monitored including planned improvement actions. Risk management guidance available to officers has been updated during the year (see 5.2).
- Overall, controls around fundamental financial systems have continued to be maintained based on review work undertaken – further review work in relation to systems in operation and transactions relating to 2013/14 is to be completed and reported on through 2014 (see 5.3).
- Governance and internal control arrangements in the majority of schools and establishments were generally found to be satisfactory. Audit opinions which were less than adequate will be followed up further in 2014/15 (see 5.4 and 5.5).
- Anti Fraud & Corruption work has continued to raise fraud awareness across the Council in addition to investigating suspected cases of fraud and misuse of ICT facilities. Where applicable, associated review work has included reporting on recommended control improvements (see 5.6).
- In respect of ICT systems, most reviews identified effective controls to be in place. Actions have been taken during the year to address areas for improvement. In respect of Information Governance, corporate arrangements have been reviewed and further developed during the year (see 5.7).
- Procurement reviews undertaken indicate, overall, adequate levels of control. Future audit review work in respect of corporate arrangements with the development of the Council's Strategic Procurement Service as a shared service with Stockport and Rochdale Councils (STaR) is to be considered in 2014/15. (see 5.8).

- A diverse range of other areas reported on and / or reviewed during the year such as the Local Welfare Assistance Scheme, Business Continuity, Corporate Health and Safety, Carrington Weighbridge Waste Transfer, Street Trading, Pest Control, Section 106 Planning Agreements, Client Finances and the Youth Offending Service. Whilst the majority of areas have adequate levels of control, areas for improvement have been highlighted where applicable (see 5.9 and Appendix C).
- Overall, where control weaknesses have been identified, management have agreed to take appropriate action by implementing recommendations (see 7.3 to 7.5).

2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2013/14 is given in the paragraphs below.

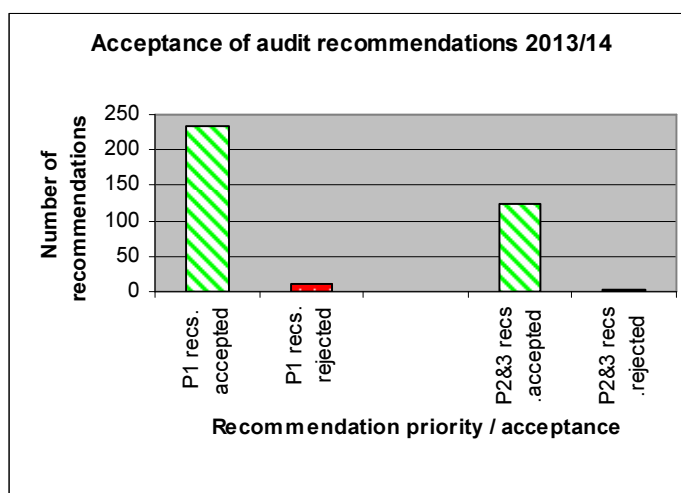
3. IMPACT OF INTERNAL AUDIT WORK ON THE CONTROL ENVIRONMENT

3.1 Through its work, the Audit and Assurance Service aims to support the organisation in ensuring good governance and a sound control environment, assisting in shaping ethics and standards across the council. In doing this, it assists in the achievement of corporate and council priorities and objectives, delivering value for money and ensuring a positive impact on service delivery and outcomes for local people.

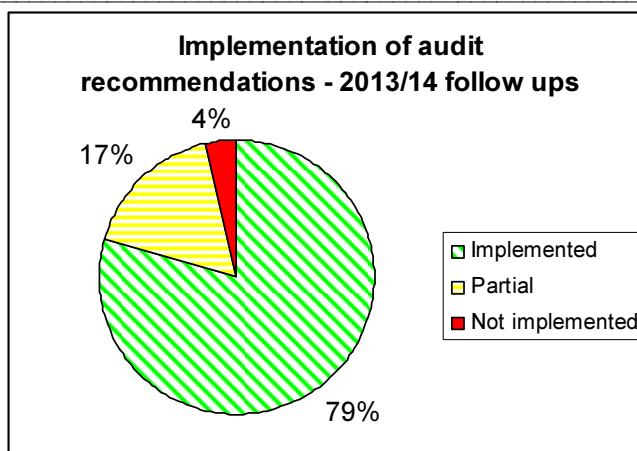
Coverage and Improvements in the Control Environment

3.2 Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service ensures that its coverage is broad to maximise impact and also follows up the implementation of recommendations to ensure that improvements are actually occurring.

3.3 Impact is reviewed through both the acceptance and implementation of recommendations. **96% of the recommendations made during the year were accepted** (as indicated in the chart below showing acceptance of recommendations – further details are shown in 7.1 to 7.3).



3.4 Follow-up work during the year has confirmed that, of the areas reviewed, **96% of recommendations have either been fully or partially implemented** (compared to 83% in the previous year - See 7.4 and 7.5 for further details). Revised opinions were given where appropriate after each follow-up review has been completed.



Development and Assurance Provided Across the Council

3.5 In addition to undertaking internal audit reviews, the Audit and Assurance Service has promoted good practice and raised awareness of good governance through awareness raising activities such as through:

- Facilitating the roll out of an e-learning tool on anti-fraud and corruption across the Council.
- Reviewing and updated existing risk management guidance available on the Council's intranet.
- Providing input to a corporate review of systems and processes within the Environment, Transportation and Operations Directorate through reviewing procedures and providing advice within a number of areas including the Stores function and Street Lighting team.
- Facilitating two training sessions in July 2013 held for school governors on the role of Internal Audit including a presentation on fraud awareness.
- A presentation on the Role of Internal Audit to an induction event for new Headteachers in September 2013.
- The issue of a document setting out guidance in respect of operating school fund accounts which was produced by Audit and shared with all schools via the schools e-bulletin.
- Input to a number of boards / project groups across the Council, including the Information Security Governance Board established during the year.
- The dedicated site on the intranet for the Audit and Assurance Service to provide information and guidance, which has been updated during the year.

Breadth of Stakeholders

3.6 The Audit and Assurance Service liaises and shares internal audit reports with a wide group of stakeholders within the organisation including the Accounts and Audit Committee, Corporate Management Team, managers across the Authority and External Audit.

4. WORK PLANNED AND COMPLETED

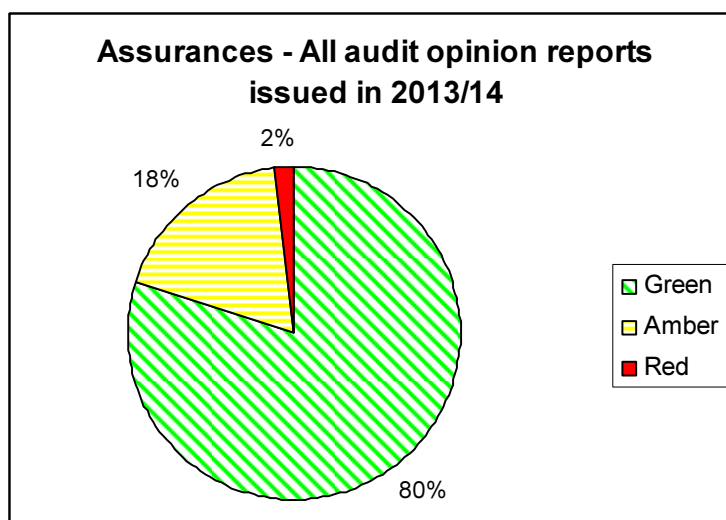
- 4.1 Total time allocated to carry out the Operational Plan was originally set at 1320 days for 2013/14. This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix B for a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2013/14 Annual Audit Plan was 1322. Details of planned work against actual are discussed further in section 8.
- 4.2 Details of the internal audit reports issued in each quarter of 2013/14 are shown in Appendix C, providing a description of the review, audit opinion given and comments on the respective findings. The relevant Corporate Directorate for each audit review is also shown.
- 4.3 As in previous years, in respect of the fundamental financial systems, due to the nature of the timing of the work, most of the reviews relating to 2013/14 transactions are to be reported after the year end, with reports being issued from June 2014 onwards. (Details of reports issued will be provided in quarterly Audit and Assurance Service updates to CMT and the Accounts and Audit Committee through 2014/15).
- 4.4 For each audit report issued, one of five possible Opinions is given as shown in the following table, the five opinions also denoted as Red/Amber/Green:

High Level of Assurance (Very Good)	Green	Controls operating effectively to address all the major business risks identified at the time of the audit.
Medium / High (Good)	Green	Most business risks controlled effectively. However, there is need to improve controls in respect of a small number of high risk areas as well as for other risk areas.
Medium Level of Assurance (Adequate)	Green	Most risk areas controlled effectively but control improvements required for some high risk areas as well as for other areas.
Low / Medium (Marginal)	Amber	Some business risks are controlled effectively. However, improvements are necessary to control a significant number of high risk areas.
Low Level of Assurance (Unsatisfactory)	Red	Very high risk of fraud and error because a significant number of major business risks are not adequately controlled.

Analysis of Audit Opinions

4.5 The chart below provides an analysis of audit opinions in respect of internal audit reports issued in 2013/14.

All Reports issued in 2013/14 – (43 final and 7 draft reports)



4.6 Overall, the above shows that in 2013/14, an adequate or above (“Green”) level of control was found to be in place for 80% of the 50 reviews that took place where an opinion was given. (This compares to 87% of opinions in 2012/13).

4.7 20% of opinions were deemed as ‘red’ or ‘amber’ (representing ten reviews – Nine Amber and One Red). These were as follows:

- Business Continuity Review (The Low/Medium opinion reflected, at the time of the audit, further work required to embed arrangements within some individual service areas. (See 5.9.3).
- Information Governance Review (The Low/Medium opinion reflected the position at the time of the audit in respect of work needed to meet national requirements relating to Public Sector Network Access and also for accessing the NHS N3 Network). Since the audit, PSN accreditation was obtained and an Information Governance toolkit completed in order to obtain NHS N3 accreditation. The establishment of an Information Security Governance Board have also strengthened corporate arrangements since the original audit was undertaken (See 5.7.5).
- Integrated Children’s System (ICS) / Electronic Common Assessment Framework (e-CAF) – whilst a Low/Medium (Amber) Opinion was originally provided following further

follow up audit work later in 2013/14, the opinion was revised to Medium (Green) (See 5.7.7)

- Five school audits - four primary schools and one secondary school where Low/Medium opinions were issued (See 5.4).
- Let Estates Follow Up Review – this review was previously reported in last year’s Annual Internal Audit Report at draft stage. During 2013/14 a final report was issued (Low/Medium Opinion) which included an action plan to address recommendations made (See 5.3.8).
- Section 106 Planning Agreements Review – as with Let Estates, this review was previously reported at draft stage and the final report was issued in 2013/14 (Low Opinion). It is acknowledged, as part of the final report, that since the audit review was undertaken, a dedicated Section 106 and Community Infrastructure Levy Officer has been appointed during 2013/14 who liaised with Audit in agreeing an action plan.

(All the above reviews are included in the 2014/15 Internal Audit Plan for follow up to further assess progress in implementing recommendations.

It should be noted that other review work where specific audit opinions have not been issued has been undertaken to follow up areas where improvements in control were required. This is reflected in work relating to investigations completed (See 5.6.2)).

- 4.8 It should be noted that the chart in 4.5 only refers to reports actually issued in the year. There are, however, a number of annual fundamental financial systems audits relating to 2013/14 for which the audit reports will be issued in 2014/15. Future quarterly update reports through 2014 will provide details of findings and any significant issues will be reflected in the Council’s Annual Governance Statement to be approved in September 2014.

Risk Levels

4.9 In terms of estimates of the levels of risk associated with respective opinion levels, the table below provides a framework for analysis of risk levels for audits undertaken based on the opinion given and the breadth of coverage of the review based on the following:

<u>Breadth of coverage of review (Levels 1 to 4)</u>	<u>Level of Risk Associated with Opinion Level and Breadth of Coverage</u>
<p>Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:</p> <ul style="list-style-type: none"> • Level 4 : Key strategic risk or significant corporate / authority wide issue - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity. • Level 3 : Directorate wide - Area under review has a significant impact within a given Directorate. • Level 2 : Service wide - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments. • Level 1 : Establishment / function specific - Area under review relates to a single area within the Council such as an individual establishment. 	<p>This provides an estimate of the level of risk given the audit opinion provided and breadth of coverage of the review.</p> <p>High Risk (H) – Red Opinion / Level 3 or 4</p> <p>Medium Risk (M) – Red Opinion / Level 1 or 2, or Amber Opinion / Level 2, 3 or 4.</p> <p>Low Risk (L) – Green Opinion or Amber Opinion / Level 1.</p>

Based on the above, of the 50 reports issued, the following risk levels are given:

Risk Levels – Reports Issued 2013/14

Risk Level	Number of Audit Reviews (%)
High	1 review (2%)
Medium	4 reviews (8%) *
Low	45 reviews (90%)

* One of these reviews became Low Risk after an initial follow up review.

4.10 The table shows that **for the majority of reviews undertaken (90%) overall risks are considered low (compared to 93.1% in 2012/13)**. For these reviews, however, it is still important that agreed recommendations are implemented to ensure identified risks are addressed.

4.11 The High and Medium Risk reviews reflect the reviews listed in 4.7. As previously stated, two of these reviews relate to audit findings from the previous year (Section

106 Planning Agreements – High Risk and Let Estates – Medium Risk) so a revised opinion / risk level will be considered as part of reviewing progress in implementing actions plans agreed in 2013/14. One review was originally highlighted as Medium Risk but after follow up work is now considered Low risk (ICS/e-CAF review). For the other two reviews (Business Continuity and Information Governance), control improvements made through 2013/14 will also be reviewed to further assess risk levels.

Other Assurance Work

- 4.12 A significant proportion of time spent does not result in the issue of formal audit reports. This is because the Audit and Assurance Service takes a lead in a number of activities such as risk management and anti fraud and corruption. Time is also spent in the compilation of the Council's Annual Governance Statement; financially appraising firms wishing to do business with the Council, and contributing to project and working groups across the Council. There is also work done in raising awareness of key issues through various means such as attendance at meetings and intranet updates.

Part Two – Detailed Findings

5. DETAILED ANALYSIS OF WORK COMPLETED

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2013/14, and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis.

5.1 Governance

- 5.1.1 The Audit and Assurance Service has a key role in promoting good governance and providing assurance on the standards of corporate governance in the Authority.
- 5.1.2 As in previous years, there was an annual review completed of corporate governance arrangements using the CIPFA/SOLACE Framework for Corporate Governance in Local Government. This is an important source of assurance for the Annual Governance Statement. The review includes identifying sources of assurance to provide evidence that the Council's governance arrangements comply with the CIPFA/SOLACE framework. The framework consists of a set of six principles relating to the Council's purpose/vision, the defining of functions and responsibilities, standards of conduct, management of risk, capacity and capability of members and officers, and engagement with the community and other stakeholders.
- 5.1.3 In August 2013, an audit report was issued highlighting the findings from the 2012/13 review. This reported that the Authority continues to demonstrate compliance with CIPFA/SOLACE corporate governance framework principles. In addition, as part of the corporate governance review work, the Service reviewed and updated the Council's Corporate Governance Code in accordance with the CIPFA / SOLACE guidance. The Code was presented to the Accounts and Audit Committee in June 2013 and approved by the Executive in July 2013.
- 5.1.4 For 2013/14, the Audit and Assurance Service has liaised with relevant managers to ensure the Accounts and Audit Committee have been provided with updates on progress through the year on specific governance issues highlighted in the 2012/13 Annual Governance Statement. These include developments in relation to Public Health, Locality Partnerships, Records Management, Public Service Reform and Staff Terms and Conditions. Results of the 2013/14 corporate governance review will be reflected in the 2013/14 Annual Governance Statement to be presented to CMT and the Accounts and Audit Committee in June 2014 (draft stage) and September 2014 (final version).
- 5.1.5 In respect of partnership governance, the Service shared findings with key officers from previous audit work in respect of the Trafford Partnership (Local Strategic Partnership). It was agreed that given changes in Service structures (relating to the Partnerships and Performance Service), any further audit review of partnership governance would commence in 2014/15 when revised arrangements have been established.

5.1.6 One area included in the 2013/14 Internal Audit Plan but not undertaken is in relation to the review of partnership arrangements within the Community, Families and Wellbeing Directorate (CFW). Reviews in relation to Section 75 agreements with health partners, in respect of Children's Commissioning and also Adults and Children's provider services were originally in the Plan and due to commence towards the end of 2013/14. Audit and Assurance has liaised with relevant officers and in agreement with CFW, agreed that the reviews would commence at a later stage when arrangements are further developed. It is agreed that further discussions will be held in 2014/15 with a view to consider commencing work later in the year to provide assurance in relation to the partnerships in place.

5.2 **Risk Management**

5.2.1 The Audit and Assurance Service has continued to support the council's overall approach to risk management and lead on promoting effective risk management processes.

5.2.2 The Audit and Assurance Service continued to facilitate the review and update of the Council's strategic risk register through liaison with the Transformation, Performance and Resources Group (TPR) and the Corporate Management Team (CMT). This ensures that the Council identifies and monitors the key risks to the achievement of Council objectives. Quarterly reports detailing the risk register and key developments in the management of risks have been submitted to TPR and CMT. The Accounts and Audit Committee have been provided with updates in September 2013 and March 2014.

5.2.3 As part of planned work in the first half of 2013/14, Audit and Assurance reviewed and updated existing risk management guidance available on the Council's intranet. This has included the update of a number of guidance documents. This included the existing risk management service guidance; guidance on examples of risks and possible actions to review / address these; protocols for risk management reporting and also guidance for report writing in respect of risk management. In addition, the risk management e-learning tool has been added to the Council's Virtual College e-learning site, available to access through the intranet. Audit will continue to raise awareness of the guidance available with relevant contacts across the Council's Directorates.

5.3 **Fundamental Financial Systems**

5.3.1 This is a key area of internal audit work providing assurance regarding the controls in place for the Authority's key financial systems. Based on an assessment of risk, there are a number of reviews that are currently undertaken on an annual basis whilst others are undertaken typically every other year.

5.3.2 In terms of areas reviewed annually, work in the first part of the year involved completing reviews relating to 2012/13 transactions. Towards the end of 2013/14, work began in planning reviews relating to 2013/14 transactions.

- 5.3.3 The systems reviewed are shown under the category 'Financial System' in Appendix C which lists all reports actually issued during 2013/14.
- 5.3.4 As part of Internal Audit's risk based methodology, the approach used provides for issue of a Control Risk Self Assessment (CRSA) form to be completed by service managers where systems had been given a High or Medium/High audit opinion for the previous two years. The CRSA is then followed up by limited audit testing in key areas.
- 5.3.5 For reports issued during 2013/14 in respect of 2012/13 systems a High level of Opinion was given in respect of Council Tax, Corporate Budgetary Control, Treasury Management, National Non Domestic Rates, Income Control, Accounts Receivable and Housing and Council Tax Benefits.
- 5.3.6 Medium / High Opinions were given for the Purchase to Pay, Debt Recovery and Payroll reviews. In respect of the Purchase to Pay system, it was noted that a number of issues are being addressed on an authority-wide basis to ensure that the EBP System is used effectively by Services to ensure transactions are processed promptly and in accordance with the Council's procedures. In respect of the Payroll review, it was noted that separate external audit findings have previously been reported during the year which included reference to a recommendation regarding the accessing of payroll information, which the Accounts and Audit Committee subsequently received a progress update on.
- 5.3.7 A Medium audit opinion was given for a review of Fuel Card monitoring processes and subsequently Audit has contributed to a project group established to further improve monitoring arrangements. A Medium audit opinion was also given for an audit of systems in relation to Energy Management arrangements. Some progress had been made in respect of all previous recommendations made in the last review of this area which will be followed up further in 2014/15.
- 5.3.8 Two final reports (Let Estates – Low/Medium Opinion and Works Management – Medium Opinion) were issued based on reviews undertaken and reported at draft stage in the previous year. Further reviews will be undertaken in early 2014/15 where revised opinions will be considered.
- 5.3.9 Work is currently in progress in respect of a number of reviews including 2013/14 annual system audits. Reports issued through 2014 will be detailed in the quarterly Audit update reports to go to CMT and the Accounts and Audit Committee. Key findings from this work in addition to External Audit review work in respect of the 2013/14 financial statements will, where applicable, be reflected in the final version of the Council's 2013/14 Annual Governance Statement.

5.4 **Schools**

- 5.4.1 Summary details of each school audit are in Appendix C, indicated by the "Schools" Category. Areas covered in audit reviews include governance arrangements such as the

role of the Governing Body and senior staff; budgetary control; purchasing; payroll processes; income collection, security of cash and other assets; school fund and ICT security.

- 5.4.2 Within the Internal Audit Plan it was planned that at least 14 school audits would be undertaken. Ten final school audit reports were issued in 2013/14 (eight primary schools and two secondary schools) of which six had at least adequate (Medium or above) audit opinions. For the remaining four final reports, these were allocated opinions of Low/Medium. All four reviews have been included in the 2014/15 Internal Audit Plan to undertake follow up reviews to assess progress in implementing recommendations made. A further four draft reports were also issued (three primary schools and one secondary school) of which three were allocated adequate or above opinions with the remaining draft report allocated a Low/Medium opinion and this review is included in the 2014/15 Internal Audit Plan to follow up. Visits to a further four schools were also completed in 2013/14 with associated audit reports to be issued in quarter one of 2014/15).
- 5.4.3 As part of the Schools Financial Value Standard, schools are required to submit evidence to support adherence to the Standard by the end of March on an annual basis. It is noted at the time of reporting that most schools have adhered to the SFVS requirements in 2013/14 and submitted a self assessment as required and outstanding responses are being followed up. Information submitted is utilised by Audit and Assurance to assist in planning and undertaking future school audits.
- 5.4.4 Audit and Assurance continued to liaise with the Schools Finance team and the Children, Families and Wellbeing Directorate to identify and provide advice on areas for development for schools to address. Two training sessions were held in July 2013 for school governors on the role of Internal Audit which included a presentation on fraud awareness. In addition, a presentation was given on the role of Internal Audit at an induction event for new Headteachers in September 2013.
- 5.4.5 In addition to the work above, reference is also made in section 5.7 to further schools related audit work completed in relation to reviews of ICT controls.

5.5 **Establishments**

- 5.5.1 A number of Council establishments are included in the Annual Audit Plan to ensure there is broad coverage of controls, at an operational level, across the Council. Risks reviewed encompassed a number of areas of control such as procedures and responsibilities, adherence to legislation and internal procedures, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing; income collection and recording and other areas specific to the establishments under review.
- 5.5.2 Final reports were issued in 2013/14 for Sale Library (follow up review), Altrincham Crematorium, Ascot House Assessment Centre and Old Hall Residential Unit. In respect of

Altrincham Crematorium, further follow up work was also undertake later in the year to assess progress in implementing recommendations made. Following completion of relevant reviews, a Medium level of assurance was provided for each establishment with overall adequate controls in place but a number of areas where recommendations were made, as described in Appendix C under reviews indicated by the "Establishments" category. Further follow up of progress made in implementing recommendations will be completed in 2014/15.

- 5.5.3 In addition, work was in progress in relation to one of the youth service establishments, Gorse Hill Studios, which will be completed in quarter one of 2014/15. Work was also undertaken in planning two children's centre audits which will commence later in 2014.
- 5.5.4 A planned audit of Sale Waterside Theatre did not commence during 2013/14. This was due to commitments in completing unplanned work in the year in other areas. It was agreed with the relevant service that work will be undertaken in 2014/15.

5.6 **Anti Fraud and Corruption**

- 5.6.1 Audit work in this area relates to undertaking investigative work; reviewing measures in place to reduce the risk of fraud and corruption and raising awareness across the Council. This work forms an important part of the Council's approach to ensuring high standards of conduct are in place.

Investigations

- 5.6.2 Investigations across the Council in the year related to a number of themes including disposal of council assets (one), ICT investigations (two), and loss/theft of cash or assets (five). During 2013/14 Audit and Assurance staff have contributed to work in relation to one ongoing and five new investigations. In relation to four of the six investigations, Audit has recommended control improvements to reduce future risks. These relate to the following:

- Investigation in to levels of materials usage and stock control procedures following allegations of theft.
- Investigations into the disposal of ICT assets.
- Two instances of loss of cash in establishments.

The two other investigations related to alleged ICT misuse. For one of these, this resulted in the resignation of one employee.

- 5.6.3 In addition, a further two thefts (one equipment and one cash) were the subject of separate police investigations. One of these was also the subject of a formal internal disciplinary investigation against an employee, however no-one has to date been charged with a criminal offence. The other case involving the theft of cash was referred to Crown Court.

National Fraud Initiative

- 5.6.4 The Audit and Assurance Service continue to co-ordinate activity relating to the National Fraud Initiative (NFI). NFI 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.
- 5.6.5 Audit and Assurance had previously arranged for the submission of Council data to the Audit Commission in October 2012 and subsequent matches were released in January 2013. Work was undertaken by Audit and Assurance and other sections including the Fraud and Financial Investigation team through 2013/14 to follow up resultant matches. An update was provided to the Accounts and Audit Committee in March 2014 on progress made. All of the identified frauds related to Housing Benefit matches. It was reported at that stage that total overpayments being recovered as a result of the 2012/2013 NFI exercise amounted to £66,995. There was also an ongoing weekly reduction in payments of £1,015, approximately £52,780 per annum. Further work has continued since the March update and identified overpayments as at the end of May 2014 amount to £113k. Further details will be reported to the Accounts and Audit Committee as part of future updates on anti-fraud and corruption activity.

Awareness Raising

- 5.6.6 The Audit and Assurance Service, in conjunction with the Human Resources Workforce Strategy team, launched an e-learning tool: "Fraud Awareness for Local Government". This course was provided by the National Fraud Authority in conjunction with Deloitte. The course was made available from May 2013. Initially, this was targeted at managers across the Council but it was subsequently agreed that the e-learning course should be mandatory for all employees with a Trafford Council network account. Access to the e-learning site was rolled out to these other relevant employees later in the year. By the end of the year, 62% of managers had successfully completed the training. Audit and Assurance will continue to promote completion of this training by staff.
- 5.6.7 Other anti-fraud and corruption initiatives undertaken in the year included:
- The issuing of general guidance on the Council's policies on registering offers of gifts and hospitality.
 - Two Governor training sessions provided in conjunction with Trafford's Governor Services section entitled "An introduction to Internal Audit". The second half of these sessions were particularly focussed on Anti Fraud and Corruption.
 - New Head Teacher induction training undertaken at an event in conjunction with other services.

5.7 **ICT Audit / Information Governance**

- 5.7.1 In this area, work has included audit reviews; advice to working groups to support developments in systems across the Council and investigations into the misuse of ICT facilities to ensure high standards of conduct are in place. Audit and Assurance has also responded to requests to facilitate data extraction to allow the Authority to respond to Freedom of Information and Data Subject Access Requests.
- 5.7.2 Towards the end of the previous year, work commenced on a review of the arrangements for the transfer of the Data Centre from Friars Court to Trafford Town Hall which took place in May 2013. Initial findings, providing advice to be considered, were reported to ICT and the Transformation team following review work by Salford Audit Services. A final report was issued with a Medium Opinion. Recommendations agreed to be implemented include formalising a policy/procedural document setting out responsibilities, security procedures etc. in relation to the data centre. A follow up review is included in the 2014/15 Internal Audit Plan.
- 5.7.3 A review of the Wireless network at the main administrative offices of Trafford Town Hall and Sale Waterside was undertaken and resulted in a High opinion. Findings concluded that the controls in place over the wireless network at both sites were found to be satisfactory and the network was secured to prevent unauthorised access. Similarly non-corporate wireless access points were not accessible to staff.
- 5.7.4 A review was completed relating to 2012/13 systems and transactions which found that the IT control aspects of the General Ledger systems were found to be operating satisfactorily to secure correct posting of transactions within the General Ledger resulting in a Medium / High opinion. Work will be undertaken later in 2014 to further review controls in place.
- 5.7.5 A corporate review of Information Governance arrangements was undertaken, particularly in relation to meeting national requirements relating to Public Sector Network Access and also for accessing the NHS N3 Network. It was acknowledged that the Council has taken action to strengthen Information Governance arrangements with the establishment on an Information Security Governance Board in 2013/14 which has led on reviewing and updating Council policies and procedures. The Low / Medium opinion in this review reflected the position at the time in respect of ongoing work which was needed to meet national requirements relating to Public Sector Network (PSN) access and also for accessing the NHS N3 Network. Significant improvements have been made since the report was issued as the Council gained PSN accreditation. Further to this, the Audit and Assurance provided assistance to the ICT Service with the Council's application for NHS N3 Connectivity by completing the mandatory review of the Information Governance Toolkit submission which is a pre-requisite for accreditation.
- 5.7.6 A review was undertaken to provide assurance on the arrangements for ICT Security in schools. Five schools of various types and with different models of service provision were

reviewed and an individual report was issued to each school. Where applicable, individual recommendations were made to each school in relation to ICT security. Overall, schools were taking steps to protect ICT systems but a number of recommendations were made such as in relation to system back up arrangements and the secure transmission of data. A corporate report combining the findings and drawing out common themes will be issued later in 2014.

- 5.7.7 A review of ICT related controls in respect of the electronic children's care and case recording systems, ICS and e-CAF was completed. Areas for control improvements highlighted related to access to the systems. Since the audit, a review of access rights has been undertaken. Policies are being developed to ensure staff are aware of their responsibilities when accessing both systems and management checks have been introduced. A brief follow up audit review was completed in December 2013 and based on the progress made (7 out of 10 recommendations completely or substantially implemented with the remaining ongoing), a revised opinion of Medium was given. A further follow up review will be included in the 2014/15 Internal Audit Plan.
- 5.7.8 There have also been two investigations into the suspected misuse of ICT facilities which are also referred to in section 5.6.2.

5.8 **Procurement / Contracts**

- 5.8.1 During the course of the year, the Council's Strategic Procurement Service underwent transition to become a shared service with Stockport and Rochdale Councils, (STaR). Towards the end of the year, the Audit and Assurance Service liaised with the Interim Director of STaR (permanent appointment commences in June 2014) to discuss the role of Audit and share future work plans. Given the transitional phase, further work relating specifically to the Strategic Procurement Service will be considered later in 2014/15. In the meantime, Audit has also made contact with respective Heads of Audit in the other authorities and agreed to share any future work plans which relate to STaR to ensure adequate co-ordinate and avoidance of duplication.
- 5.8.2 From 1 April 2013, the Council became responsible for public health services. An audit review of the procurement and contract monitoring arrangements for Sexual Health Services was carried out and resulted in a High Level of Assurance being given.
- 5.8.3 Internal Audit was asked to review the procedures in the Property and Development Service in respect of processes relating to design and build contracts. Guidance was provided including a number of recommendations made in relation to improving the clarity of roles.
- 5.8.4 As part of following up previous review work, a number of visits have been made to individual schools to review contract arrangements in respect of services provided to manage parking at the schools for major local sporting events in Old Trafford. Individual

findings are to be reported to each school and overall findings will be included in a forthcoming 2014/15 Audit and Assurance quarterly update report.

5.8.5 Audit reviews were undertaken in 2012/13 of contract monitoring arrangements for the Sale Waterside Facilities Management contract with Cofely, and also a review was completed on the use of the PQQ (Pre-Qualification Questionnaire) due diligence process used to assess contractor suitability at the early stages of the tendering process. Progress in implementing recommendations from these reviews was followed up with respective service areas in 2013/14 and good progress was found to have been made in implementing agreed recommendations.

5.8.6 The service continued to carry out the financial vetting of contractors. Given the significant amount of time spent on this activity, it is shown separately in the analysis of time spent in the Audit Plan in Appendix B.

5.9 **Business Risk Reviews**

5.9.1 This comprises work that does not fall into one of the categories referred to above but represents areas of business risk. These include reviews of specific areas within individual Directorates.

5.9.2 There were ten audit reports issued in this category (nine of which were final reports with one draft as at 31 March 2014). A summary of findings for each review is shown in Appendix C denoted by Business Risks. As shown below, adequate or above opinions were given for eight of the ten reports issued. The reviews completed to final or draft report stage as at 31st March 2013 were:

Final reports:

- Business Continuity (T&R/Authority-wide) : Low/Medium opinion
- Corporate Health and Safety (T&R) : Medium/High opinion
- Local Welfare Assistance Scheme (T&R) : Medium/High opinion
- Section 106 Planning Agreements (EGP/T&R) : Low opinion
- Pest Control (ETO) : Medium / High opinion
- Carrington Weighbridge Waste Transfer (ETO) : Medium opinion
- Client Finances (CFW-Adults) : Medium opinion
- Youth Offending Service (CFW-Children) : Medium/High opinion
- School Census Data (CFW – Children) : Medium/High opinion

Draft report:

- Street trading (ETO) : Medium opinion.

5.9.3 In respect of the two reviews where a less than adequate opinion was given:

- For the audit of Section 106 Planning Agreements, this related to audit work undertaken in the previous financial year which was reported previously. The lack of dedicated officer resource in this area significantly contributed to the low level of assurance. Since the

review was initially undertaken, a dedicated officer was appointed to the post of Section 106 and CIL Officer who has liaised with Audit to co-ordinate an agreed action plan, all recommendations having been accepted. The final report was issued incorporating the action plan. A follow up audit review will be undertaken in 2014/15 and a revised audit opinion will be considered.

- For the Business Continuity review, key areas for development were the need to ensure that there was adequate monitoring of business continuity arrangements across services. An action plan was agreed and the review will be followed up in 2014/15.

5.9.4 The following planned reviews were also in progress at the end of the year, the findings to be reported as part of quarterly updates to CMT and the Accounts and Audit Committee later in 2014:

- Draft reports to be issued on Section 17 payments (payments administered by CFW under the Children's Act 1989).
- Draft report to be issued following central audit review of school catering in respect of processes both in respect of income, expenditure and performance monitoring.
- Draft report to be issued in respect of licensing arrangements covering processes for administering applications for private hire/hackney carriage drivers.
- Final report to be issued following audit of arrangements for staff car parking.

5.10 Project Groups

5.10.1 The Audit and Assurance Service has contributed to a number of project / working groups across the Authority, including areas within the Transformation programme.

5.10.2 This has included providing input to project / working groups in respect of the New Organisational Model (Reshaping Trafford) enabling group, Information Security and Governance Board and providing advice and support in relation to the Risk Based Verification Project (established to implement a risk based process for reviewing Housing Benefit and Council Tax Support claims).

5.10.3 The Service also provided input to a number of working groups relating to systems in particular Corporate Directorates / service areas including Adult Services and the Environment, Transportation and Operations Directorate.

6. ANNUAL GOVERNANCE STATEMENT

6.1 The requirement to produce an Annual Governance Statement is set out in the Accounts and Audit Regulations 2011. Councils are required to publish, accompanying the annual accounts, a statement on the standard of governance, including internal controls in operation at the council. The Statement has to be signed by the Leader and the Chief Executive.

6.2 Audit and Assurance work in the year included co-ordinating the compilation of the Authority's Annual Governance Statement for the previous year, i.e. 2012/13, and

preparation for the production of the 2013/14 Annual Governance Statement. The Annual Governance Statement draws on evidence from various sources including:

- The work of Internal Audit including the Internal Audit Opinion in the Annual Audit Report.
- The work of External Audit.
- Assurance from Directors and senior managers.
- A corporate review of governance arrangements in the Council.
- Risk management arrangements.

7. MANAGEMENT RESPONSE TO INTERNAL AUDIT WORK

7.1 This section sets out the response to, and impact of, internal audit work during the year. Key indicators of Audit and Assurance's impact are :

- Acceptance of recommendations
- Implementation of them.

7.2 Recommendations issued by the Audit and Assurance Service had one of three priority levels as follows:

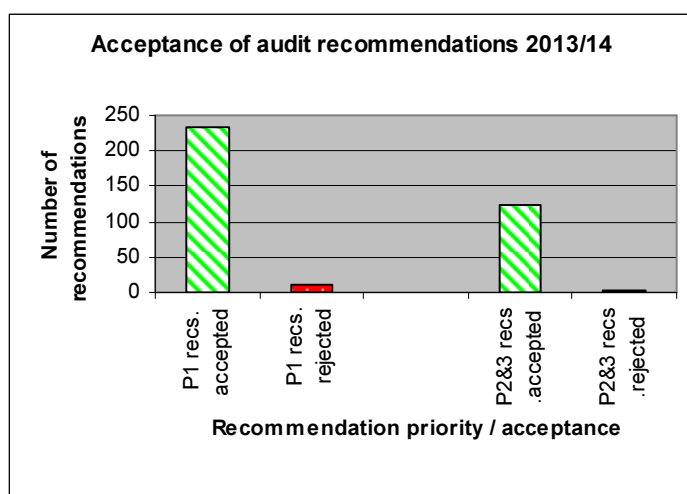
Priority 1 These are recommendations considered by Internal Audit to be essential to address a high risk in order to maintain a minimum acceptable level of assurance. Priority should be given to addressing these recommendations as soon as possible.

Priority 2 These are recommendations considered necessary to address a moderate risk in order to improve internal control. Action to implement these should be agreed with planned dates shown in the action plan but it is taken into account that Priority 1 recommendations would take priority.

Priority 3 These are recommendations to either address a low risk or provide guidance or advice to further enhance existing practice.

Acceptance of Recommendations

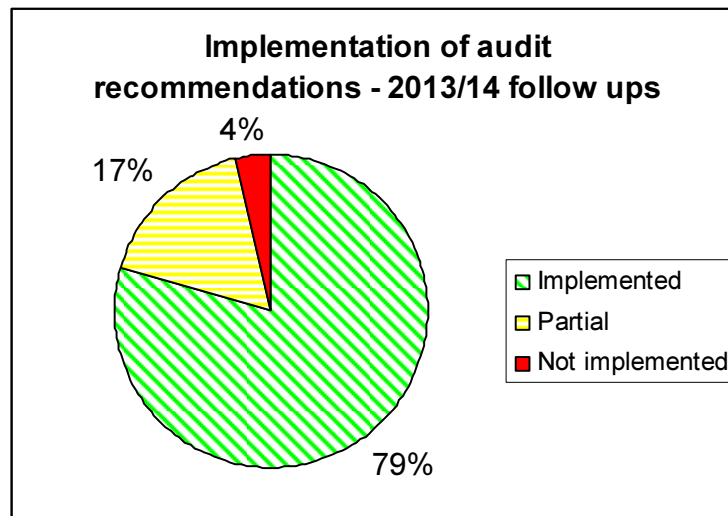
- 7.3 There has been a very positive response to audit recommendations made during 2013/14. This is shown below in terms of levels of acceptance of recommendations made during the year:



The majority of audit recommendations made during the year were accepted. Of the 244 Priority 1 recommendations made, 234 (96%) were accepted (service target is 95%). The acceptance rate for priority 2 or 3 recommendations was also 97%, i.e. 123 of the 127 made. Overall, 96% of all recommendations were accepted (compared to 93% in 2012/13).

Implementation of audit recommendations

- 7.4 A number of internal audit reviews are followed up approximately 12 months after the issue of the final report to ascertain what progress has been made in implementing recommendations. This may be either through a further audit review or through manager self assessment. An analysis of the percentage of recommendations implemented at the time of the respective follow audit reviews is shown in the chart below.



- 7.5 Of a total of 136 recommendations followed-up during 2013/14, it was reported that 108 (79%) had been implemented at the time of the follow up audit reviews (this compares to 62% reported in the previous year). A further 23 (17%) have been partially implemented or are in progress (21% reported in the previous year). This shows good progress continues to be made in implementing improvements across the Authority. In Appendix C, * denotes against the Audit opinion that the review is specifically a follow up audit.

Client feedback

- 7.6 A client questionnaire is sent out with each audit report canvassing managers' views on the audit review. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management.
- 7.7 **The overall rating was good or very good for 93% of the responses (94% in 2012/13) against a service target of 80%.** An analysis of the responses is shown in Appendix D.
- 7.8 The analyses of recommendations, follow-ups and client responses demonstrates that there continues to be a positive response to internal audit work which contributes to continued improvements in governance and control arrangements across the Council.

8. PERFORMANCE AGAINST AUDIT PLAN

- 8.1 There continues to be a broad coverage of audit work across the Internal Audit Plan to ensure the service makes an effective contribution in providing assurance and promoting high standards of governance, control and risk management.
- 8.2 An analysis of planned time against actual work in 2013/14 is shown in appendix B. This shows that a total of 1320 days were allocated to complete the 2013/14 Annual Plan (with a further 130 days contingency). Actual time spent delivering the Plan was 1322 days.

- 8.3 The contingency time was largely accounted for by the loss in audit days following the departure of one of the Principal Audit and Assurance Officers in December 2013. This resulted in planned audits and other responsibilities being re-assigned to other staff.
- 8.4 Most reviews have been completed as planned or are in progress at the year-end providing coverage across all the different areas set out in the Audit Plan. As indicated in Section 5. the commencement of some reviews has been delayed until 2014/15 either due to other priority areas of work being completed (see 5.5.4) or delayed in agreement with the Service (see 5.1.6). The 2014/15 Internal Audit Plan reported to CMT and the Accounts and Audit Committee in March 2014 took account of reviews carried forward from 2013/14.

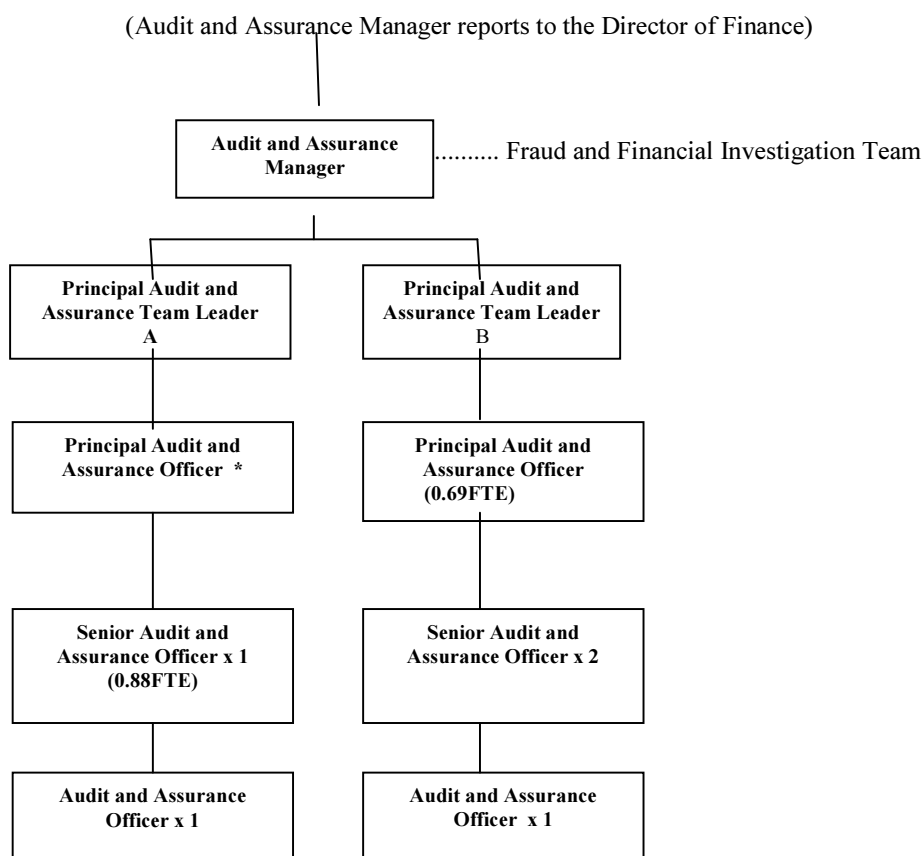
9. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 9.1 It is a requirement that the Annual Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS) which came into effect from 1 April 2013.
- 9.2. The Standards incorporate a number of aspects including:
- Ethics (incorporating integrity, independence, objectivity, confidentiality and competency).
 - Purpose, authority and responsibility of Internal Audit.
 - Standards (including planning, undertaking and managing audit assignments, monitoring, communication, due professional care, quality assurance and improvement).
- 9.3 The Audit and Assurance Service has reviewed existing procedures against PSIAS. The Internal Audit Charter and Strategy were reviewed and updated during 2013/14 and these were approved by CMT and the Accounts and Audit Committee. The Service also reviewed and updated its Code of Conduct, Ethics and Values to ensure details are in accordance with PSIAS. All Audit and Assurance staff completed a declaration signing up to the new standards.
- 9.4 During the year, the Service completed a self assessment exercise to review processes in place against details set out in PSIAS.
- 9.5 **It is considered that, overall, the Audit and Assurance Services is undertaking internal audit services in conformance with PSIAS.**
- 9.6 Further actions / developments have been identified to ensure ongoing conformance with PSIAS. In particular, it is a requirement that internal audit functions are subject to an external review against PSIAS at least once every five years. Trafford Audit and Assurance has worked closely with colleagues in the Greater Manchester Chief Internal Auditors' Group to review progress against PSIAS and this has included discussions in respect of future external review processes. It was agreed that, initially, respective Local Authorities will undertake self

assessment whilst discussing and sharing issues arising from this exercise. The Group will consider the approach including timing for external reviews to ensure ongoing conformance.

- 9.7 As part of ongoing review against PSIAS, which has included the update of the Audit and Assurance procedural manual in respect of the Internal Audit Charter, Strategy and Code of Ethics, work will be undertaken by Audit and Assurance to further review other aspects contained within the Manual including planning, management of assignments and reporting.

AUDIT AND ASSURANCE SERVICE



Note: There is a significant overlap of responsibilities between the 2 teams. There are, however, some specialist areas of Audit that individual teams lead on, as follows:

A - ICT; Fundamental Financial Systems

B - Governance; Risk Management, Schools Audit

Principal Audit and Assurance Team Leader (A) has responsibility for liaising with the external IT Audit specialists, Salford Audit Services, in completing elements of the ICT Audit Plan.

* Note: the Principal Audit and Assurance Officer left the Council at the end of December 2013 and therefore for quarter 4 2013/14, staffing resources reduced accordingly for that period.

APPENDIX B

2013/14 OPERATIONAL PLAN: PLANNED WORK AND ACTUAL DAYS SPENT

	<u>Days Planned</u>	<u>Actual Days</u>
Fundamental Financial Systems Completion of 2012/13 fundamental systems reviews. Planning and commencement of 2013/14 reviews.	200	225
Governance / Annual Governance Statement (AGS) Corporate / partnership governance review work and collation of supporting evidence and production of the 2012/13 AGS.	100	65
Risk Management Progression of actions to support the Council's Risk Management Strategy including review of risk management processes and awareness raising and provision of guidance to services and partnerships. Facilitating the updating of the Council's strategic risk register.	40	20
Anti-Fraud and Corruption Work supporting the Anti- Fraud and Corruption Strategy, including raising awareness of supporting guidance to promote measures to prevent, deter or detect instances of fraud and corruption. Continued work in supporting the National Fraud Initiative. Investigation of referred cases, including if applicable those highlighted through the National Fraud Initiative.	180	214
Procurement / Value for Money Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money.	100	41
ICT Audit Reviews to be completed in line with the ICT audit plan. Investigation of misuse of ICT and awareness raising regarding appropriate use of ICT.	100	114
Schools School Audit reviews. Support the Council in raising awareness with schools of the DfE Schools Financial Value Standard (SFVS).	190	207
Establishments Reviewing governance and control arrangements across a range of establishments.	80	31
Other Key Business Risks Selected on the basis of risk from a number of sources including risk registers, senior managers' recommendations and internal audit risk assessments. This will include reviews relating to individual Directorates and Authority-wide reviews.	150	232

Trafford Council
Audit and Assurance Service
Annual Internal Audit Report 2013/14

	<u>Days Planned</u>	<u>Actual Days</u>
Service Advice / Projects General advice across all services. Support / advice to the organisation in carrying out key projects ensuring new systems, functions and procedures provide for adequate controls and good governance arrangements.	110	145
Financial Appraisals Financial Assessments of contractors and potential providers.	70	28
Total Allocated Days	1320 *	1322

* Note : A further 130 days was allocated in the Plan as a contingency. A significant portion of this was used to meet a shortfall in available days following the departure of an officer in December 2013.

ALL AUDIT REPORTS ISSUED IN 2013/14 WHERE AN OPINION LEVEL IS GIVEN **APPENDIX C**

Points of Information

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good

Medium / High – Good

Medium – Adequate

Low / Medium - Marginal

Low – Unsatisfactory

Green (G)

Green (G)

Green (G)

Amber (A)

Red (R)

*Indicates this is a revised opinion given following a review of progress made in implementing recommendations made in the previous audit review. This opinion is based only on the areas tested and assumes the controls reviewed as part of the previous audit, that were not covered as part of this follow up audit, have been maintained.

Report Status:

Draft reports:

are issued to managers prior to the final report to provide comments and a response to audit recommendations.

Final reports:

incorporate management comments and responses to audit recommendations, including planned improvement actions.

An opinion is stated in each audit report / assessment to assess the standard of the control environment.

Breadth of coverage of review (Levels 1 to 4)

Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:

- **Level 4 : Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
- **Level 3 : Directorate wide** - Area under review has a significant impact within a given Directorate.
- **Level 2 : Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
- **Level 1 : Establishment / function specific** - Area under review relates to a single area within the council such as an individual establishment.

**REPORT NAME
(DIRECTORATE) /
(PORTFOLIO)**

**OPINION
(R/A/G)
(Issued)/
Category**

COMMENTS

**Final Reports –
Quarter 1**

Level 4 Reports :

**Works Management
System (Authority-
wide & ETO) /
(Highways and
Environment;**

**Medium*
GREEN
(26/4/13)
Financial
System**

Some progress has been made in implementing previous audit recommendations. An action plan to address the outstanding recommendations was agreed with the Environment, Transport and Operations Directorate. This included ensuring roles, responsibilities and procedures for operating the system are clearly documented and shared with relevant staff.

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Finance; Transformation and Resources)		
Energy Management (ETO & EGP) / (Economic Growth and Prosperity)	Medium (GREEN) (20/6/13) <i>Financial System</i>	Progress has been made since the last audit review in all areas where recommendations were previously made. Recommendations have been made to review the availability of management information to enable more effective monitoring of energy consumption. This area will continue to be reviewed on an annual basis.
Let Estates Follow Up Review (EGP) / (Economic Growth and Prosperity)	Low/Medium (AMBER)* (10/4/13) <i>Financial System</i>	It was noted that progress has been made in implementing previous audit recommendations made but a number of recommendations are in progress or to be addressed. An updated audit opinion will be considered at the next review - previous opinion provided in 2011/12 was Low/Medium which has not been revised.
<u>Level 2 Reports:</u>		
Pest Control (ETO) / (Highways and Environment)	Medium/High (GREEN) (26/4/13) <i>Business Risks</i>	Overall, effective control arrangements were found to be in place for the areas reviewed which included risk management, performance monitoring, financial management and administration, including the collection of income. Some recommendations have been made to improve records maintained to ensure adequate audit trails are in place in respect of work undertaken.
<u>Level 1 Reports :</u>		
Sale Library follow up (T&R) / (Transformation and Resources)	Medium* (GREEN) (18/4/13) <i>Establishment</i>	Good progress has been made in implementing previous recommendations made. Outstanding recommendations include the need to introduce an independent annual inventory check. (Follow up of some issues relating to service wide aspects have been covered in a separate library ordering procedures audit review).
Altrincham Crematorium (ETO) / (Highways and Environment)	Medium (GREEN) (20/6/13) <i>Establishment</i>	The audit found areas of good practice, but there is a need to improve controls for a number of areas of business risks including procedures relating to income collection, purchasing and security / recording of assets. It was agreed a follow up audit review will further assess progress in implementing recommendations.
Ascot House Assessment Centre (CFW) / (Adult Social Services)	Medium (GREEN) (25/6/13) <i>Establishment</i>	Overall, adequate standards of control are in place. Areas for improvement and associated recommendations are highlighted in the agreed action plan which includes improvements to asset security procedures.
Victoria Park Junior School (CFW) / (Education)	Medium/High (GREEN) (19/4/13) <i>School</i>	In most areas reviewed, effective procedures were found to be in place. Recommendations made included reviewing safe security arrangements and reviewing / updating existing documented financial procedures.
St. Mary's C of E Primary School, Davyhulme follow up review (CFW) / (Education)	Medium* (GREEN) (8/5/13) <i>School</i>	The review focussed on progress made in implementing previous audit recommendations and found the majority had been implemented with a small number in progress or planned to be completed.
St. Mary's C of E Primary School, Sale (CFW) / (Education)	Medium / High (GREEN) (13/5/13) <i>School</i>	In most areas reviewed, effective procedures were found to be in place. Recommendations made included processes for updating the inventory and security arrangements in relation to access to keys.
Oldfield Brow Primary School	Low/Medium (AMBER)	A key reason for the opinion level given is the need for a greater division of staff duties within financial processes at the School. An action plan was agreed for

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(CFW) / (Education)	(23/5/13) <i>School</i>	implementation of recommendations through 2013 and this review will be followed up in 2014/15.
St. Ann's RC Primary School (CFW) / (Education)	Low/Medium (AMBER) (9/6/13) <i>School</i>	Areas for improvement were identified across a number of financial systems and procedures. These relate to the establishment of divisions of duties, internal checks of records and improved audit trails in some areas. It is acknowledged that long term staff absence had contributed to the findings and overall audit opinion. All audit recommendations have been accepted and an action plan has been produced. Progress against each recommendation will be followed up in a further audit review.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G)/ (Issued)/ Category	COMMENTS
<u>Final Reports – Quarter 2</u>		
<u>Level 4 Reports :</u>		
Treasury Management 2012/13 (T&R) / (Finance)	High (GREEN) (9/8/13) <i>Financial system</i>	Ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year.
National Non-Domestic Rates 2012/13 (T&R) / (Finance)	High (GREEN) (30/9/13) <i>Financial System</i>	Ongoing compliance with controls in place has resulted in a high level of assurance being maintained for this year.
Corporate Governance (Authority-Wide review)	N/A (GREEN) <i>Governance</i>	The Authority continues to demonstrate compliance with CIPFA / SOLACE Corporate Governance framework supporting principles. There is evidence to demonstrate work has been progressed to address significant issues previously identified and to address emerging policy and legislative requirements. (The review was used to support the process for producing the 2012/13 Annual Governance Statement).
Business Continuity (T&R and Authority Wide) / (Transformation and Resources)	Low/Medium (AMBER) (5/9/13) <i>Business Risks</i>	The Civil Contingencies Act 2004 (CCA) places a duty on local authorities to establish and maintain Business Continuity Plans and to ensure that organisations delivering services on its behalf can still deliver to the required extent in an emergency. The Authority completed a major update of its approach to business continuity management in 2009 which included development of procedural guidance, training and standard templates which are in place. As from May 2012, following changes to service structures, a number of officers within the Partnerships and Performance team have been designated as responsible for offering advice and guidance to staff on Business Continuity. The audit report concluded that given the revised arrangements it is acknowledged that further work is required to embed procedures particularly in relation to ongoing monitoring of business continuity arrangements across services. An action plan has been agreed and the review will be followed up as part of the 2014/15 Internal Audit Plan.
Fuel Cards (ETO &	Medium	This review included both review of the existing system and procedures and

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Authority Wide) / (Highways and Environment)	(GREEN) (29/7/13) <i>Financial System</i>	also advising on future developments planned given revised processes are currently being developed. A working group reflecting appropriate service areas (including representation from Audit) has been established with the aim to improve monitoring systems and processes including processes for regular monthly checks of usage of fuel cards. The overall “Medium” opinion given in the previous review remains with a revised audit opinion to be considered when a further full review is undertaken in 2014/15. This will assess the impact of revised fuel card monitoring processes currently being introduced.
Level 2 Reports:		
Carrington Depot Waste transfer system follow up review (ETO) / (Highways and Environment)	Medium * (GREEN) (9/7/13) <i>Business Risks</i>	This was a follow up review, focussing on audit recommendations previously made. Initial findings highlighted a number of recommendations remained outstanding from the previous review resulting in the audit opinion remaining as “Medium”. (Audit continued to work with the service area since the audit review to agree remaining actions required until all recommendations had been implemented - a further review will be undertaken in 2014/15 with a view to providing an updated audit opinion).
Youth Offending Service (CFW) / (Supporting Children and Families)	Medium / High (GREEN) (19/8/13) <i>Business Risks (Service Audit)</i>	Testing revealed a good level of compliance with controls covering most business risks. Recommendations were made in relation to reviewing and updating business continuity plans and also ensuring independent checks are part of the systems for maintaining petty cash imprest and inventory records.
Level 1 Reports:		
Old Hall Road Residential Unit (CFW) / (Supporting Children and Families)	Medium (GREEN) (23/7/13) <i>Establishment</i>	Overall, adequate standards of control were found to be in place. Recommendations made included procedures for maintaining and checking the petty cash imprest account, introducing independent inventory checks and ensuring service guidance is followed in respect of handovers of cash between individuals.
Stretford High School (CFW) / (Education)	Low/Medium (AMBER) (31/7/13) <i>School</i>	There is a need to improve controls for a number of business risks to ensure adequate processes are in place to meet the requirements set out in the DfE Schools’ Financial Value Standard. Recommendations were made across a number of areas including ordering and payment procedures, monitoring of lettings of the premises and maintenance of the school fund. An action plan has been agreed and recommendations will be followed up as part of a future audit review in 2014/15.
St Teresa’s RC Primary School (CFW) / (Education)	Medium (GREEN) (24/9/13) <i>School</i>	The audit found areas of good practice, but there is a need to improve controls for a number of areas to ensure associated risks are managed effectively. Improvements include introducing a greater division of duties within certain financial processes and ensuring there is up to date procedural documentation in place for financial / administrative systems.

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REPORT NAME (DIRECTORATE)	OPINION (R/A/G)/ (Issued)/ Category	COMMENTS
Final Reports – Quarter 3		
Level 4 Reports :		
Section 106 Planning Agreements (T&R&EGP) / (Finance, T&R, Economic Growth and Prosperity)	Low (RED) (1/10/13) <i>Business Risks</i>	Findings indicated a number of areas for improvement, particularly in relation to monitoring of income from Section 106 agreements. The lack of dedicated officer resource in this area significantly contributed to the low level of assurance. Since the review was initially undertaken, a dedicated officer has been appointed to the post of S106 and CIL Officer who has liaised with Audit to co-ordinate an agreed action plan, all recommendations having been accepted. A follow up audit review will be undertaken in 2014/15.
Debt Recovery 2012/13 (T&R) / (Finance)	Medium/High (GREEN) (9/10/13) <i>Financial System</i>	Overall, a good standard of control was found to be in place. A recommendation was agreed to improve reporting arrangements across services with regular reports to be generated from the Debt Recovery system to be followed up by Finance Managers with each Corporate Directorate.
Accounts Receivable 2012/13 (T&R) / (Finance)	High (GREEN) (9/10/13) <i>Financial System</i>	Overall, a very good standard of control was found to be in place. All previous recommendations had been fully implemented.
Budgetary Control 2012/13 (T&R) / (Finance)	High (GREEN) (10/10/13) <i>Financial System</i>	Based on the audit findings, effective standards of control continue to be in place and the High opinion level has been maintained.
Housing and Council Tax Benefits 2012/13 (T&R) / (Finance)	High (GREEN) (25/10/13) <i>Financial System</i>	Effective standards of control continue to be in place and the High opinion level has been maintained.
Information Governance (including Public Sector Network and NHS N3 Network Connectivity) (T&R) / (Transformation and Resources)	Low / Medium (AMBER) 5/11/13 <i>ICT Audit</i>	The main element of the review was completed by Salford Audit Services on behalf of Trafford Audit and Assurance Service. It is acknowledged that the Council is currently reviewing and improving its information governance structure and processes with the recently established Information Security Governance Board. The Low/Medium opinion reflected the position in respect of ongoing work needed to meet national requirements relating to Public Sector Network Access and also for accessing the NHS N3 Network. An Action Plan was agreed and will be subject to audit follow up.
ICT Data Centre (T&R) / (Transformation and Resources)	Medium (GREEN) (11/11/13) <i>ICT Audit</i>	The review was completed by Salford Audit Services on behalf of Trafford Audit and Assurance Service. The associated draft report provided an “Amber” opinion as it included reference to a number of queries to be clarified in response to draft recommendations made. Since the draft report was issued, outstanding queries have been resolved resulting in a Medium Level of Assurance now given. Recommendations agreed to be implemented include formalising a policy/procedural document setting out responsibilities,

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		security procedures etc. in relation to the data centre.
Purchase to Pay 2012/13 (T&R) / (Finance)	Medium/High (GREEN) (20/11/13) <i>Financial System</i>	Key controls surrounding the Purchase to Pay process have retained high levels of control in the majority of areas reviewed. There are, however, currently a number of issues being addressed on an authority-wide basis to ensure that the EBP System is used effectively by Services to ensure transactions are processed promptly and in accordance with financial procedure rules.
Wireless Network Access (T&R) / (Transformation and Resources)	High (GREEN) (22/11/13) <i>ICT Audit</i>	The objective of the audit was to ascertain the effectiveness of the controls in place over the corporate wireless IT networks within the Trafford Town Hall and Sale Waterside buildings, as well as to determine whether non-corporate wireless access points were accessible to staff. It was reported that the wireless network is adequately secured against unauthorised access.
Corporate Health and Safety (T&R) / (Transformation and Resources)	Medium/High (GREEN) (28/11/13) <i>Business Risks</i>	Overall, adequate standards of control were found to be in place. A small number of agreed recommendations focussed on updating / reviewing certain policies and guidance documents in place.
Council Tax 2012/13 (T&R) / (Finance)	High (GREEN) (10/12/13) <i>Financial System</i>	Effective standards of control continue to be in place and the High opinion level has been maintained.
Income Control 2012/13 (T&R) / (Finance)	High (GREEN) (18/12/13) <i>Financial System</i>	Effective standards of control continue to be in place and the High opinion level has been maintained. The report notes that specific recommendations in respect of income control for individual services/establishments have been made, where applicable, as part of other audit reviews.
<u>Level 3 Reports :</u>		
Integrated Children's System (ICS) / Electronic Common Assessment Framework (e-CAF). (CFW) / (Supporting Children and Families)	Low / Medium (AMBER) (18/10/13) Medium (GREEN) (10/12/13) after initial follow up review completed. <i>ICT Audit</i>	This review focused on ICT related controls in respect of the electronic children's care and case recording systems, ICS and e-CAF. Areas for control improvements highlighted related to the potential for unauthorised access to the systems and the need to ensure the systems contain up to date details. Since the audit, a review of access rights has been undertaken and inactive accounts removed. Access to the e-CAF system has been reviewed and further restricted and data cleansing of both systems is ongoing. Policies are being developed to ensure staff are aware of their responsibilities when accessing both systems and management checks have been introduced. A brief follow up audit review was completed in December 2013 and based on the progress made (7 out of 10 recommendations completely or substantially implemented with the remaining ongoing), a revised opinion of Medium was given. A detailed follow up review will be included in the 2014/15 Internal Audit Plan.
<u>Level 1 Reports:</u>		
Springfield Primary School (CFW) / (Education)	Low/Medium (AMBER) (4/11/13) <i>School</i>	The audit found areas of good practice, but there is a need to improve controls for a number of business risks. Recommendations were made relating to improving divisions of duties, audit trails and independent checks across a number of areas including purchasing and income collection. A follow up audit review will be included in the 2014/15 Internal Audit Plan.
Sale High School (CFW) / (Education)	Medium/High (GREEN)	Controls are adequate and effective to address most business risks reviewed by the audit. Recommendations included the need to review and update a

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	(27/11/13) <i>School</i>	number of existing policies and procedures, including the Finance Manual.
All Saints Catholic Primary School (CFW) / (Education)	Medium/High (GREEN) (17/12/13) <i>School</i>	Controls are adequate and effective to address most business risks reviewed by the audit. A small number of recommendations were made to improve existing controls in relation to record-keeping.

REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
Final Reports – Quarter 4		
Level 4 Reports :		
General Ledger IT (T&R) / (Transformation and Resources)	Medium/High (GREEN) (20/1/14) <i>ICT Audit</i>	Overall, a good level of control was found to be in place. Satisfactory controls are in place for the management of access to the Council’s General Ledger SAP system although it was identified that there was a need to review existing access levels for certain staff to ensure it is appropriate for business need.
Local Welfare Assistance Scheme:Trafford Assist (T&R) / (Finance & Community Health and Wellbeing)	Medium/High (GREEN) (12/3/14) <i>Business Risks</i>	Overall a good level of control was found to be in place. Some recommendations were made. These included reviewing expenditure and income budgets posted on the general ledger to compare to profiled budgets on a monthly basis.
Level 2 Reports:		
Client finance system (CFW) / (Adult Social Services)	Medium (GREEN) (20/2/14) <i>Business Risks</i>	Good progress has been made in implementing a number of controls that were previously identified as requiring to be established. A number of recommendations were made which have been implemented or are in progress. Recommendations included establishing procedures to provide a monthly reconciliation between the bank accounts and supporting records to ensure that any differences can be promptly accounted for.
School Census Procedures (CFW) / (Education)	Medium/High (GREEN) (28/1/14) <i>Business Risks (Schools)</i>	Overall, adequate standards of control were found to be in place. However, recommendations have been made to ensure that assurance is formally sought from a number of services to review the accuracy of data prior to it being submitted to the Department for Education.
Schools IT reviews (CFW&T&R) / (Education and Transformation & Resources)	N/A (GREEN) (March 2014) <i>ICT Audit</i>	The review consisted of audits at five schools (two secondary, two primary and one special). Five final reports were issued to the individual schools with associated recommendations made where applicable. In addition to the individual reports, it is planned that a corporate thematic report will also be issued in 2014/15 to summarise the main issues raised and make further recommendations where appropriate. This will include a formal audit opinion being given.

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REPORT NAME (DIRECTORATE)	OPINION (R/A/G) (Issued)	COMMENTS
<u>Draft Reports</u>		
<u>Level 4 Reports:</u>		
Payroll 2012/13 (T&R) / (Finance & Transformation and Resources)	Medium/High (GREEN) (5/12/13) <i>Financial System</i>	Overall, a good standard of control was found to be in place with a small number of recommendations made. (It is noted that separate external audit findings have previously been reported which included reference to a recommendation regarding the accessing of payroll information which the Accounts and Audit Committee subsequently received a progress update on).
<u>Level 2 Reports:</u>		
Street trading (ETO) / (Highways and Environment)	Medium (GREEN) (20/3/13) <i>Business Risks</i>	Testing revealed an adequate level of compliance with controls covering many, but not all business risks. A final report will be issued to include a management response to the recommendations and further details will be reported in the 2014/15 (Quarter One) Audit and Assurance update.
Public Health: Sexual Health contract (CFW) / (Community Health and Wellbeing)	High (GREEN) (27/3/14) <i>Procurement / VFM</i>	The review identified a high level of compliance and assurance within the tender process. At the time of the audit review work, the contract had been operational for less than six months. Arrangements around transferring staff and other action points were taking place.
<u>Level 1 Reports :</u>		
Kingsway Primary School (CFW) / (Education)	Medium (GREEN) (27/1/14) <i>School</i>	The audit found evidence of good practice with effective procedures in place in some of the areas reviewed. There is a need to improve the procedures and controls in relation to some aspects including inventory maintenance and the maintenance of the School Fund records, reflected in a number of recommendations made in these areas. A final report will be issued to include a management response to the recommendations.
St. Antony's Catholic College (CFW) / (Education)	Medium/High (GREEN) (27/2/14) <i>School</i>	Overall, a good standard of control was found to be in place. Some recommendations were made including the Governing Body approval of a number of school policies. A final report will be issued to include a management response to the recommendations.
St. Anne's C of E Primary School (CFW) / (Education)	Low/Medium (AMBER) (24/3/14) <i>School</i>	A final report will be issued to confirm the overall opinion and incorporating the management response to the audit recommendations made and further details will be reported in a future Audit and Assurance update.
Holy Family Catholic Primary School (CFW) / (Education)	Medium (GREEN) (24/3/14) <i>School</i>	The audit found evidence of good practice with effective procedures in place in some of the areas reviewed. A number of recommendations were made including those relating to procedures for the ordering and payment for goods and services, and procedures in respect of the collection and banking of income to ensure adequate audit trails are in place. A final report will be issued to include a management response to the recommendations.

Client Survey Responses 2013/14

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	10	2			
Feedback of findings and liaison during the audit	8	3			1
Professionalism of auditors	11				1
Helpfulness of auditors	11				1
Timeliness of the review and the draft report	7	3		1	
Clarity of the report	9	2		1	
Accuracy of the report	8	3			1
Practicality of the recommendations made	5	6			1
Usefulness of the audit as an aid to management	11				
Total	80	19		2	5
%	75%	18%		2%	5%
	Very Significant	Significant	Moderate	Minor	None
What level of improvement, in the standard of control and the management of risks, do you expect to see following the audit review?	1	6	2	1	1
	9%	55%	18%	9%	9%

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 26 June 2014
Report for: Information
Report of: Cllr Whetton and Cllr Mrs Evans – Chair and Vice - Chair
Accounts & Audit Committee (2013/14)

Report Title

Accounts and Audit Committee Annual Report to Council 2013/14.

Summary

The report sets out the 2013/14 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:

2013/14 Accounts and Audit Committee minutes
Accounts and Audit Committee terms of reference

Accounts & Audit Committee
Annual Report
To Council

2013-2014



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

We believe that the Accounts and Audit 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.

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 and added further items to its agenda where appropriate, requesting information and providing constructive challenge.



Councillor Michael Whetton
Chairman, Accounts & Audit Committee 2013-14



Councillor Mrs. Laura Evans
Vice-Chair, Accounts & Audit Committee 2013-14

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 Grant Thornton in 2013/14). 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 2013/14 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	
2013/14	2014/15
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 Tom Ross	Cllr Tom Ross
Cllr Patrick Myers	Cllr Dylan Butt

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 2013/14.

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 and insurance activity. Through the year a number of further items were added to the programme at the request of the Committee which included updates on the use of Council reserves and a presentation on the Council's Transformation programme. It was also agreed that the Committee receives the latest available Revenue Budget Monitoring report at each Committee meeting.

Ongoing financial pressures for local authorities to achieve savings highlight the need for organisations to ensure effective governance arrangements, systems and controls are in place and the risk of fraud or error is minimised. The Committee has gained assurance during 2013/14 through a number of sources, that the governance framework, and within that the internal control environment of the Council, is considered to be operating satisfactorily, providing assurance that principal risks to the achievement of the Authority's policies, aims and objectives are being managed. Where areas for improvement / development have been identified, action plans to address these have been established.

Assurance in terms of the outcome of the 2013/14 External Audit of the Council's Financial Statements and a conclusion on the Council's Value for Money arrangements will be reported later in 2014 to the Committee in the External Auditor's 2013/14 Annual Audit Letter. In November 2013, the Committee had gained assurance through the 2012/13 Annual Audit Letter that an unqualified opinion was given on the 2012/13 financial statements and the report also concluded that 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 2013. Details of the work undertaken by the Committee are set out in the rest of this report.

Accounts and Audit Committee – Work Completed During 2013/14

Internal Audit

Role of the Committee in relation to Internal Audit:

- Review and approve (but not direct) the Internal Audit Charter, 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.

Work Completed	Outcome/ Impact
<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 September 2013, November 2013 and February 2014.</p> <p>June 2013 The Annual Internal Audit Report was submitted, providing an opinion on the standard of internal controls during 2012/13 and a summary of work undertaken during the period.</p>	<p>The Committee maintained an overview of the control environment through 2013/14 and also obtained assurance in respect of Internal Audit performance.</p> <p>The Committee gained assurance that based on Internal Audit work undertaken in 2012 /13, overall the Council’s control environment is operating to a satisfactory standard. Improvement plans were produced for those areas where control improvements were recommended.</p>
<p>March 2014</p> <p>A report was submitted incorporating the 2014/15 annual Internal Audit Plan.</p>	<p>Assurance that Internal Audit coverage for the coming year covers a wide range of key business risks and adequate internal audit resources were available to complete the planned work.</p>

<p>March 2013 (continued)</p> <p>The Committee received a brief update on work undertaken by Internal Audit in meeting the Public Sector Internal Audit Standards, introduced in 2013/14. As part of this report, the Committee received the revised Internal Audit Charter and Strategy, updated to reflect the revised Standards. 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>The Accounts and Audit Committee approved the Internal Audit Charter and Strategy.</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.

Work Completed	Outcome/ Impact
<p>June 2013 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 November 2013 and February 2014.</p>	<p>The Committee was able to monitor progress in respect of external audit work.</p>
<p>September 2013 The Committee received the External Auditor’s review of the Council’s arrangements for securing financial resilience and Managements’ draft response to the review.</p> <p>The Committee also received the External Auditor’s report highlighting the key matters arising from the audit of the Council’s financial statements for the year ended 31 March 2013.</p>	<p>Members of the Committee welcomed the overall conclusion that whilst the Council faced financial challenges ahead with significant reductions in future government funding, its current arrangements for securing financial resilience were good.</p> <p>Members were advised that it was anticipated that the audit opinion would be that the financial statements give a true and fair view of the financial position of Trafford Council as at 31 March 2013. Members were advised that an area for improving arrangements was in respect of ensuring certain payroll documentation was readily retrievable. It was agreed at the meeting that an update on progress against this recommendation would be provided to a future Committee meeting.</p>

<p>November 2013 The Committee received the Council's Annual Audit Letter summarising the findings from the 2012/13 audit of the Council by Grant Thornton.</p>	<p>The Annual Audit Letter confirmed that an unqualified opinion was given on the financial statements and also it was concluded that 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 2013.</p> <p>The Committee noted the key message from the letter that whilst the Council has a good, disciplined and structured approach to managing its financial performance, there were still significant challenges ahead which would require further transformation to achieve savings while securing high quality services.</p> <p>The Committee was provided with an update report which provided the Council's response to the External Auditor's recommendation in relation to payroll documentation, contained in the 2012/13 Audit Findings Report.</p>
<p>February 2014 Grant Thornton presented a report summarising its overall findings from the certification of the Council's 2012/13 claims for funding from government grant-paying departments.</p> <p>Grant Thornton also submitted a report detailing its planned audit work for the year and its audit fee for work relating to 2012/13. The report also drew member's attention to a number of emerging national issues and developments.</p> <p>March 2014</p> <p>The Committee received the External Audit Plan from Grant Thornton which outlined its audit strategy and plan to deliver the audit for the year ended 31 March 2014.</p>	<p>The Committee noted the key messages which overall were positive. Some recommendations have been made which the Authority has considered and agreed to implement.</p> <p>The reports submitted in February and March 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>September 2013 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 and added to the register since the previous update.</p>	<p>The Committee received assurance on the arrangements for reviewing key strategic risks.</p>
<p>November 2013 As part of the update on work undertaken by the Audit and Assurance Service, the Committee was advised that corporate risk management guidance had been updated which included general guidance for services (including the introduction of an e-learning tool, guidance available on the intranet on report writing and updated examples of different areas of risks and approaches to managing risk).</p>	<p>The Committee received assurance that guidance on risk management had been reviewed and updated.</p>
<p>March 2014 The Committee was provided with a further update report on the Strategic Risk Register. The report provided an update on the strategic risk environment, including new risks added to the register as well as updates on existing risks.</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.

Work Completed	Outcome/ Impact
<p>June 2013 A report including the 2012/13 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 robustness of the process followed in generating the Annual Governance Statement and were satisfied that the statement itself is robust. The Committee also agreed that the updated Corporate Governance Code be submitted to the Executive for approval.</p>
<p>September 2013 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 2012/13 Annual Governance Statement.</p>
<p>November 2013 A report was submitted to provide an update on work undertaken to date and further work planned in respect of the proposed introduction of an effective electronic records management solution across the Council, as identified as an ongoing development action in previous Annual Governance Statements.</p> <p>A report was also provided in respect of another issue highlighted in the 2012/13 Annual Governance Statement: the development of Locality Partnerships.</p> <p>The Committee received a presentation on the role of the Council’s Transformation team, including work undertaken and future plans.</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 in respect of the Council’s Transformation programme.</p>
<p>February 2014 A report setting out a proposed action plan to ensure compliance with the production of an Annual Governance Statement for 2013/14 was presented.</p> <p>A report was submitted to provide an update on</p>	<p>Procedures and responsibilities of members and officers in the process for producing and approving the 2013/14 Annual Governance Statement were agreed.</p> <p>Assurance was provided that the organisation is</p>

<p>work undertaken to date and further work planned since the transfer of Public Health responsibilities to the Council in April 2013. This was identified as an ongoing development action in the 2012/13 Annual Governance Statement.</p>	<p>taking action to strengthen areas highlighted for further development in the previous year's Annual Governance Statement.</p>
<p>March 2014 A report was presented in respect of progress made in relation to the Public Service Reform agenda which was referred to in the 2012/13 Annual Governance Statement as one of the Council's key areas for development in 2013/14.</p> <p>A report was presented in respect of another governance issue highlighted in the 2012/13 Annual Governance Statement. This related to the progress made towards implementing revised terms and conditions for Trafford Council employees, which were effective from 1 April 2014.</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>

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 2013 The Fraud Investigation Team 2012/13 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>February 2014 A report was submitted outlining the proposed changes to the verification of Housing Benefit and Council Tax Support claims by introducing a risk based verification scheme.</p>	<p>The Accounts and Audit Committee agreed the following which was subsequently approved by the Executive:</p> <ul style="list-style-type: none"> - a policy of requiring different levels of evidence in support of claims for Housing Benefit and Council Tax Support according to their risk be adopted in addition to agreeing a revised arrangement for customers to sign off a declaration form as an on-line process.
<p>March 2014 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.

Work Completed	Outcome/ Impact
<p>June 2013 The pre-audited Annual Statement of Accounts for 2012-13 was presented along with copies of the 2012-13 Revenue Budget Outturn and Capital Investment Programme Outturn reports.</p> <p>A report was submitted providing a summary of insurance performance for 2012/13, detailing premium costs, liability claim numbers, repudiation rates and initiatives progressed and planned.</p> <p>A report was submitted on the outcome of the review of treasury management activities for the past financial year. (In addition, in November 2013, a report was presented which provided an update on the progress of the treasury management activities undertaken for the first half of 2013/14).</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>At the request of the Committee, the Director of Finance agreed to submit the most recent available budget monitoring reports for future Committee meetings.</p> <p>Recognising the extent of work that goes into the financial statements, the Committee conveyed its appreciation to the Director of Finance and his team for all their hard work and dedication in preparing this year’s Accounts and for delivering a constructive workshop for Members on the financial results.</p> <p>Assurance was obtained that insurance arrangements are monitored and regularly reviewed.</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 2013 The final accounts were presented following the audit of the 2012-13 draft accounts.</p>	<p>The Committee reviewed and approved the changes to the accounts that had been agreed with the external auditor (Grant Thornton) following its audit. The Committee thanked Finance Services for the work undertaken in</p>

	preparing the accounts and also the external auditors for their input.
<p>November 2013</p> <p>A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2013/14.</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>February 2014</p> <p>A Treasury Management report was submitted setting out the Council’s strategy for 2014/15 – 2016/17. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy.</p> <p>A report was submitted providing an update on insurance performance during 2013/14. The report detailed performance in respect of highway claims and other major claims, the new Ministry of Justice Reforms and the implications on the Council and the current budget position.</p>	<p>The Audit Committee recommended that the Council approve the various elements of the Strategy.</p> <p>Members enquired about the current insurance contract and received information on the process for tendering the Council’s insurance portfolio.</p>
<p>March 2014</p> <p>A report was provided on the position in respect of the Council’s reserves and provisions and also advised on planned commitments between 2013/14 and 2015/16.</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 an updated position on the Council’s reserves and provisions.</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.

Training across a wide range of areas has taken place over a number of years to support members in effectively delivering their role. This has included providing induction guidance for new Members of the Committee and through the year providing guidance and information both as part of Committee meetings and outside of the Committee.

Briefings/updates on new developments and issues for the Committee to consider have been included as part of update reports provided to the Committee during the year.

In 2013/14, a training session was held in June 2013 in respect of the Financial Accounts, in advance of the Committee meeting.

At the request of the Committee, a presentation was given on the role of the Transformation team at its meeting in November 2013.

It is planned that further training requirements will be considered by the Committee in 2014/15 to take into account updated guidance for Audit Committees published by the Chartered Institute of Public Finance and Accountancy in 2013/14.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 26 June 2014
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2014/15

Summary

This report sets out the proposed work plan for the Committee for the 2014/15 municipal year.

It outlines areas to be considered by the Committee at each of its meetings, over the period of the year. The work programme helps to ensure that the Committee meets its responsibilities under its terms of reference and maintains focus on key issues and priorities as defined by the Committee.

The work programme is flexible and can have items added or rescheduled if this ensures that the Committee best meets its responsibilities.

Recommendation

The Accounts and Audit Committee is asked to approve the 2014/15 work programme.

Contact person for access to background papers and further information:

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

Background Papers: None

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts
26 June 2014	Agree Committee's Work Programme for 2014/15 (including consideration of training and development) Training & Development – Draft accounts (provided outside committee)					
	- 2013/14 Annual Internal Audit Report	- Audit Progress Report		- Review 2013/14 draft Annual Governance Statement - Accounts and Audit Committee 2013/14 Annual Report to Council		- Review 2013/14 draft accounts - Treasury Management Annual Performance 2013/14 - Insurance Performance Report 2013/14.
10 September 2014						
	- Q1 Internal Audit Monitoring Report	- Audit Findings Report		- 2013/14 Annual Governance Statement (final version)	- Benefit Fraud Investigation 2013/14 Annual Report / Single Fraud Investigation Service update	- Approval of Annual Statement of Accounts 2013/14 - Budget Monitoring Report.
19 November 2014						
	- Q2 Internal Audit monitoring report	- Annual Audit Letter - Audit Update	- Strategic Risk Register Monitoring Report	- Consider improvement actions taken in 2014/15 in respect of 2013/14 governance issues. - Transformation programme update		- Treasury Management : mid year review - Budget Monitoring Report.

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (Including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts
10 February 2015	- Q3 Internal Audit monitoring report	- Audit Update - Grant Claims report		- Report on arrangements for 2014/15 Annual Governance Statement - Consider improvement actions taken in 2014/15 in respect of 2013/14 governance issues.		- Treasury Management Strategy - Insurance update - Budget Monitoring Report
24 March 2015	- 2015/16 Internal Audit Plan	- Audit Update	- Strategic Risk Register Monitoring Report	- Consider improvement actions taken in 2014/15 in respect of 2013/14 governance issues.	- Anti Fraud & Corruption / National Fraud Initiative update	- Budget Monitoring Report.

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