

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 20 July 2022
Report for: Information
Report of: Cllr Barry Brotherton and Cllr Judith Lloyd - Chair and Vice
- Chair Accounts & Audit Committee (2021/22)

Report Title

Accounts and Audit Committee Annual Report to Council 2021/22.

Summary

The report sets out the 2021/22 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:

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Background Papers:

None

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TRAFFORD
COUNCIL

Accounts and Audit Committee
Annual Report
To Council

2021-2022

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

The Accounts and Audit Committee has met regularly through the year and it was good to resume meetings again at Trafford Town Hall following the previous year when all of the Committee's meetings were held via Zoom. The Committee has continued to fulfil its role to provide independent assurance to the Council and the public on the effectiveness of the Council's governance, financial management, risk management and internal control arrangements.

The Committee planned its work in an agreed work programme, with scheduling taking into account statutory timescales. The Committee has continued to cover a broad range of work through the year, gaining assurance from a number of sources, both within the Council and from our External Auditors. The Committee has been updated regularly through the year on of how the Council is addressing key risks including current financial challenges it faces such as those related to the impact of the pandemic; economic conditions including the fallout from the conflict in the Ukraine and significant inflationary pressures.

This report sets out the work of the Committee during 2021/22.



**Councillor Barry Brotherton
Chair, Accounts and Audit Committee 2021/22**



**Councillor Judith Lloyd
Vice-Chair, Accounts and Audit Committee 2021/22**

INTRODUCTION

Role of the Committee

The purpose 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 from a number of sources including from the work of Finance Services (including Financial Management and Internal Audit), External Audit (provided by Mazars) and the Governance and Community Strategy Directorate. Relevant officers within these areas attended various meetings throughout the year. This was supplemented by assurance and guidance from other sources where this was considered appropriate, for example from Council managers and external advisors. At each meeting, Committee Members received reports and presentations and were able to assess information, raise queries and seek further information where requested.

Purpose of the Report

The purpose of this report to Council is to:

- summarise the work undertaken by the Accounts and Audit Committee during 2021/22 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 and Audit Committee's Terms of Reference state that the membership of the Committee shall comprise 9 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.

Accounts and Audit Committee Membership	
2021/22 (as at March 2022)	2022/23
Cllr Barry Brotherton (Chair)	Cllr Barry Brotherton (Chair)
Cllr Judith Lloyd (Vice Chair)	Cllr Judith Lloyd (Vice Chair)
Cllr Ged Carter	Cllr Ged Carter
Cllr Mike Cordingley	Cllr Shaun Ennis
Cllr Waseem Hassan	Cllr Waseem Hassan
Cllr Rose Thompson	Cllr Rose Thompson
Cllr Chris Boyes	Cllr Graham Whitham
Cllr Alan Mitchell	Cllr Dave Morgan
Cllr Daniel Jerrome*	Cllr Michael Whetton
Ms. Jeannie Platt**	Ms. Jeannie Platt**

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*In terms of changes in membership of the Committee through the year, Cllr Daniel Jerrome replaced Cllr Geraldine Coggins from September 2021.

**Non-voting co-opted Member.

ACCOUNTS AND AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED

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

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

The Committee derives its independent assurance from a number of sources including the work of External Audit, Financial Management, Internal Audit and managers across the Council. During the year, these sources of assurance were reported to the Committee on a regular basis encompassing all the themes identified in the Committee's Terms of Reference. The Committee received information at each meeting and provided challenge and feedback to officers and external auditors, therefore fulfilling its responsibilities during 2021/22.

The Committee agrees its work programme at the start of each year to ensure it meets its responsibilities. In 2021/22, the work programme included regular updates on the work of External Audit and Internal Audit including audit plans and findings from work completed; approval of the final accounts; budget monitoring reports received through the year; updates on the Council's strategic risk register; treasury management updates on activity and approval of the treasury management strategy. There were also other updates on a number of areas including the Council's asset investment strategy; anti-fraud and corruption measures, insurance activity, cyber security arrangements and an update on procurement activity from the STAR Shared Procurement Service.

The Committee has met regularly through the year in accordance with its work programme, with meetings held during 2021/22 on 22 July, 28 September, 25 November, 2 February and 22 March.

During the year, the Committee fulfilled its role in respect of the approval of the Council's accounts for 2020/21. The Committee gained assurance from the Council's External Auditors (Mazars), that the financial statements give a true and fair view of the Council's financial position as at 31 March 2021. In respect of the assessment of value of value arrangements, the External Auditor's report acknowledged actions being taken to address the challenges to the Council's financial position. It was acknowledged that significant challenges remain arising from demand-led pressures, cost increases and the ongoing impact of the pandemic. An area of significant risk was highlighted in respect of issues originally raised from the Ofsted report issued in May 2019 on Children's Social Care. It was noted that the Council is continuing its efforts to improve the service and ensure all of the issues identified by Ofsted are addressed.

Assurance in terms of the outcome of the 2021/22 External Audit of the Council's financial statements and reporting on the Council's value for money arrangements will be reported later in 2022 to the Committee as part of the External Auditor's 2021/22 Audit Completion report.

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The work programme for the year also included training and awareness for Committee Members which included training sessions outside of the Committee meetings covering the Council's Accounts and also Treasury Management. In March 2022, the Chair of the Accounts and Audit Committee attended a meeting of the North West Regional Audit Forum, attended by Audit Committee Chairs across the region and representatives from the Local Government Association. This has recently been set up as a means of sharing good practice and considering further training opportunities.

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

Accounts and Audit Committee – Work Completed During 2021/22

Internal Audit

Role of the Committee in relation to Internal Audit:

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

Work Completed	Outcome/ Impact
<p>July 2021 The Annual Head of Internal Audit Report was presented which provided an opinion on the adequacy and effectiveness of the Council’s control environment during 2020/21 based on Internal Audit work undertaken during the period.</p> <p>September 2021, November 2021 and February 2022 The progress of Internal Audit work undertaken by the Audit and Assurance Service during 2021/22 was reported to the Committee through the year. This included summary findings from individual audit reviews, responses to audit reports, progress in implementing the annual audit plan and performance of the Audit and Assurance Service.</p>	<p>The Annual Report and updates during the year ensured the Committee maintained an overview of the control environment (encompassing governance, internal control and risk management) reviewed by Internal Audit. The Committee was able to raise queries to request further information where applicable and obtain assurance in respect of Internal Audit performance.</p> <p>Updates included details of areas reviewed where controls were found to be operating to a satisfactory standard and others within the Council where improvements were identified and audit recommendations made accordingly. It was noted that given the impact of the pandemic on services that there was some rescheduling of internal audit work which was agreed with respective Corporate Directorates when agreeing future internal audit plans.</p> <p>The Committee was also advised of ongoing support provided by Internal Audit to support other services in assisting with administering checks prior to the payment of COVID-19 grants to businesses.</p>

Internal Audit (Continued)	
Work Completed	Outcome/ Impact
<p>March 2022 The 2022/23 Internal Audit Plan was presented to the Committee. The report set out planned work for the year which also acknowledged that this remained flexible and subject to review as needed during the year. The report also included the Internal Audit Charter and Strategy.</p>	<p>Members approved the 2022/23 Internal Audit Plan.</p>

External Audit

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

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

Work Completed	Outcome/ Impact
<p>July 2021 The Committee received a report from Mazars on the progress made in delivering its responsibilities as the Authority’s external auditor.</p> <p>Two other reports were presented by Mazars at the meeting. It was noted that these had already been circulated to Members further to the final Committee meeting in the previous year - 2019/20 Annual Audit Letter and Audit Strategy Memorandum 2020/21.</p>	<p>The Committee was able to monitor progress in respect of external audit work. In respect of the 2020/21 accounts, it was noted that the national reporting timetable had been extended with the Council now due to publish draft financial statements by 31 July 2021.</p> <p>The Audit Strategy Memorandum provided Members with details regards significant areas of audit coverage, the auditor’s approach and key concepts underpinning their work for the 2020/21 audit.</p> <p>(Findings from the 2019/20 Annual Audit Letter were detailed in the 2020/21 Annual Accounts and Audit Committee Report).</p>
<p>September 2021 The Committee received a progress report from Mazars regards work underway and planned. It was noted that the 2020/21 audit was still in progress. In addition, as part of the report, details of a number of national publications were included which might be of interest to the Committee’s Members in undertaking their role.</p>	<p>A revised timetable for reporting the 2020/21 audit was agreed with this to be completed for the November 2021 meeting.</p>
<p>November 2021 At its meeting on 25 November 2021, the Committee received the Audit Completion Report setting out the findings from the External Auditor, Mazars, in respect of the audit of the Council’s accounts for the year ended 31 March 2021.</p>	<p>The key issues arising from the audit were highlighted and it was noted that it was expected that an unqualified opinion would be given on the 2021/21 financial statements.</p>

External Audit (Continued)	
Work Completed	Outcome/ Impact
<p>A report by the Director of Finance and Systems set out background and options available for the process for the Council to appoint the external auditors for a 5 year-period from the financial year 2023/34. The report recommended to opt in to the sector-led option through Public Sector Auditor Appointments (PSAA).</p>	<p>The Accounts and Audit Committee considered the options available and it was agreed that the Committee recommended to Council that the future process for appointing the external auditor for the period 2023/24 to 2027/28 3 was undertaken via the sector-led body, PSAA.</p>
<p>February 2022</p> <p>The External Auditors' Annual Report 2020/21 was presented to the Committee. The report covered a number of principal areas of the auditors' activities, including the audit of the Council's financial statements, commentary on the Council's arrangements to secure value for money, and issues relating to their reporting responsibilities and fees.</p>	<p>The report from Mazars confirmed that an unqualified opinion was given on the financial statements for 2020/21. It was noted that the draft accounts provided to the Auditor were of a good quality and were supported by good quality working papers. A small number of opportunities were identified from the audit to improve internal control and management agreed to address these recommendations in 2022/23.</p> <p>In respect of the assessment of value for money arrangements, the report acknowledged actions being taken to address the challenges to the Council's financial position. It was acknowledged that significant challenges remain arising from demand-led pressures, cost increases and the ongoing impact of the pandemic.</p> <p>An area of significant risk was highlighted in respect of issues originally raised from the Ofsted report issued in May 2019 on Children's Social Care. It was noted that the Council is continuing its efforts to improve the service and ensure all of the issues identified by Ofsted are addressed.</p>
<p>March 2022</p> <p>Mazars provided an update on current external audit work. It was noted that planning for the 2021/22 audit was in progress and it was intended to refer the Audit Strategy Memorandum to the Committee's next meeting.</p>	<p>The Committee was able to continue monitoring progress in respect of external audit work. The Committee's attention was drawn to a number of useful information sources and documents, in particular in relation to ongoing consultation on the Accounting Code of Practice and Cyber Security good practice, both of which featured elsewhere on the agenda.</p>

Risk Management

The role of the Committee in relation to risk management:

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

Work Completed	Outcome/ Impact
<p>July 2021</p> <p>The Committee was provided with a report on the Council’s Strategic Risk Register. The report provided an update on the strategic risk environment, including updates on each of the risks on the risk register, including where applicable, changes in risk levels.</p>	<p>The Committee received assurance on the arrangements for reviewing key strategic risks, including risks associated with the impact from COVID-19.</p> <p>The Committee sought further information on a number of areas of risk and it was also agreed that further detail would be provided at a future meeting in respect of the Council’s investment programme (See details re September 2021 meeting).</p>
<p>September 2021</p> <p>The Committee received a presentation on the Council’s Asset Investment Strategy. This included details of the objectives and criteria for making investments, coverage of investments made to date, governance and risk management arrangements, and performance to date.</p>	<p>Members were provided with responses to a number of questions raised and it was agreed further information would be supplied in relation to the valuation of investments and investments that addressed priorities in relation to the environment.</p>
<p>November 2021</p> <p>A report was submitted by Financial Management providing details of the Council’s insurance performance in 2020/21, which included details in respect of insurance costs and claims activity during the period.</p> <p>The Committee received a further update report on the Council’s Strategic Risk Register.</p>	<p>Members asked questions in respect of arrangements for handling insurance claims and obtained assurance that insurance arrangements are monitored and regularly reviewed.</p> <p>The Committee continued to monitor arrangements for the management of strategic risks and noted further detail to be provided at a future meeting on cyber security risks. (See March 2022 meeting).</p>
<p>March 2022</p> <p>A presentation on cyber security risks and actions taken to mitigate these was provided.</p>	<p>In discussion, Members reviewed and raised questions regarding a number of the key current</p>

(Risk Management continued)	
Work Completed	Outcome/ Impact
<p>This covered the cyber security environment, risks and threats and their consequences, key principles of security, risk mitigation measures, sources of advice and assistance, and the work being undertaken in response to audits of cyber security.</p> <p>The Committee received a further update on the Strategic Risk Register.</p>	<p>issues highlighted during the course of the presentation. Members were advised that a further update would be made to the Committee in due course.</p> <p>The Committee had received assurance through the year on the management of key strategic risks.</p>

Corporate Governance, Internal Control and the Annual Governance Statement

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

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

Work Completed	Outcome/ Impact
<p>July 2021 A report setting out the 2020/21 draft Annual Governance Statement (AGS) was presented to give Members the opportunity to review the content of the AGS prior to it being finalised.</p>	<p>The Committee were able to consider the content of the AGS at draft stage and provided feedback on the content of the Statement to be taken into account as part of completing a finalised version.</p>
<p>September 2021 The final version of the AGS was submitted to the Committee. It was noted that the document had been updated since the previous meeting to take into account comments from the Committee and also updated details regards some of the significant governance issues to be managed in 2021/22. Issues highlighted where plans were in place included in relation to the Council's Medium Term financial position and addressing the continuing impact of COVID-19.</p>	<p>The Committee approved the AGS.</p>
<p>March 2022 A report setting out the proposed approach / timetable to ensure compliance with the production of an AGS for 2021/22 was presented, noting a final version was due to be approved by 30 November 2022, in accordance with national deadlines.</p>	<p>Procedures and responsibilities of Members and Officers in the process for producing and approving the 2021/22 AGS were agreed.</p>

Anti - Fraud & Corruption Arrangements

The role of the Committee is to:

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

Work Completed	Outcome/ Impact
<p>November 2021</p> <p>The Committee received a report of the Counter Fraud and Enforcement team outlining the Councils’ fraud prevention and detection performance and activities in 2020/21, as well as the team’s plans for 2021/22.</p> <p>In terms of 2020/21, it was noted that several staff within the team provided support to the processing and payment of the various Business Support Grants introduced at various stages of the pandemic. The team also investigated potential fraudulent applications. Other key areas of work in 2020/21 included investigations in relation to Council tax discounts; Council tax support; Non-Domestic Rates and Social Care payments. The team also have a role to carry out formal recovery action in relation to certain debts owed by to the Authority. The report included case study examples to show how the team contributes to fighting fraud and protecting public funds. The Committee is expected to receive an update on counter-fraud work undertaken in 2021/22 at its meeting in September 2022.</p>	<p>The Committee was able to ask questions on Council processes and was provided with assurance that the Council is continuing to investigate suspected fraud and support both fraud prevention and detection.</p>
<p>February 2022</p> <p>As part of the Audit and Assurance Service update report, this included an update on progress made by the Council in contributing to the National Fraud Initiative (A nationwide data matching exercise, co-ordinated by the Cabinet Office, 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). An update on outcomes to date from the exercise which commenced in 2020/21 was provided and noted that a final update will be provided as part of the 2021/22 Annual Head of Internal Audit Report.</p>	<p>The Committee gained assurance that the Council was continuing to support the National Fraud Initiative.</p>

Accounts / Financial Management

The role of the Committee is to:

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

Work Completed	Outcome/ Impact
<p>July 2021 A report was submitted on the outcome of the review of treasury management activities for the previous financial year (2020/21).</p> <p>The Committee received a report setting out 2020/21 outturn figures relating to both revenue and capital budgets. It also summarised the outturn position for Council Tax and Business Rates within the Collection Fund. It was noted in respect of the revenue outturn position for 2020/21 there was an underspend of £2.804m which would be transferred to the Budget Support Reserve.</p> <p>In advance of the Committee receiving the Council’s 2020/21 accounts for review and approval, a training session was held for Members covering the 2020/21 financial outturn position and the draft accounts.</p>	<p>Accounts and Audit Committee Members were able to undertake prior scrutiny of treasury management reports prior to reporting to the Executive and Council, meeting the requirements of the CIPFA Code of Practice on Treasury Management.</p> <p>Members had the opportunity to ask questions on a number of aspect of the report, including in relation to the financial position going forward where it was noted there would be significant challenges.</p> <p>Members had the opportunity to gain information and raise queries ahead of reviewing the 2020/21 accounts to be presented at the November 2021 meeting.</p>
<p>November 2021 A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2021/22.</p> <p>The Council’s 2020/21 accounts were presented to the Committee (up to date at the time of the Committee report distribution and were complete pending any further changes prior to the completion of the audit which was expected imminently). Amendments from the draft accounts had been highlighted and took account of changes agreed with the External Auditor.</p>	<p>The Committee was able to monitor treasury management performance during the year, in line with the CIPFA Code of Practice on Treasury Management.</p> <p>The Committee viewed the accounts and it was agreed that following the completion of the audit, the Accounts and Audit Committee Chair and Director of Finance and Systems would approve the accounts. (Further to the meeting, the Accounts were approved in November 2021).</p>

(Accounts/Financial Management continued)	
Work Completed	Outcome/ Impact
<p>(Also see Risk Management: November 2021 meeting – insurance update provided by Financial Management).</p>	
<p>February 2022 A Treasury Management report was submitted setting out the Council’s strategy for 2022/23 – 2024/25. This included the strategy for investments, borrowing, and the minimum revenue provision in terms of the amounts set aside for debt repayment. (In advance of the February meeting, a training session was provided for Committee Members in January 2022 to focus on issues within the Treasury Management Strategy report).</p> <p>The Committee received a presentation by the STAR Shared Procurement Service, providing an update on achievements and future plans.</p>	<p>The Accounts and Audit Committee asked questions on the content of the report and recommended that the Council approve the various elements of the Treasury Management Strategy.</p> <p>An opportunity was provided for Members to raise questions in respect of a number of aspects covered including sustainability aspects of procurement and issues relating to the setting and delivery of Social Value targets. It was agreed by Committee Members that a future update would include further detail on performance in relation to Social Value as well as an update on expected changes in procurement legislation.</p>
<p>March 2022 A report was circulated to Accounts and Audit Committee Members which explained the accounting concepts and policies which would be used in preparing the 2021/22 annual accounts.</p>	<p>Members were advised there were no material changes currently expected to the Accounting Policies for the 2021/22 accounts but were advised there may be changes in light of outcomes from a national consultation on the Code of Practice on Local Authority Accounting in the UK 2021/22. Any changes would be reflected in future reporting to the Committee.</p>
<p>All meetings The Accounts and Audit Committee received budget monitoring reports at each of the meetings through the year. This included the budget outturn position for 2020/21 at its July 2021 meeting and updates through the year on the latest position for 2021/22 at each of the other meetings. Updates reflected monitoring and actions taken to manage a number of financial pressures including the impact of the pandemic, upward trend in inflation rates and significant rises in energy and fuel prices.</p>	<p>The Committee reviewed budget monitoring reports and provided challenge through the year in relation to the information provided, both through discussions in the meetings, and where applicable further information provided to Members in response to queries raised.</p>