

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 21 June 2023
Report for: Information
Report of: Cllr Barry Brotherton and Cllr Judith Lloyd - Chair and Vice-Chair, Accounts & Audit Committee (2022/23)

Report Title

Accounts and Audit Committee Annual Report to Council 2022/23.

Summary

The report sets out the 2022/23 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

2022-2023

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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 2022/23 and 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 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 Auditor. The Committee has been updated regularly through the year on how the Council is addressing key risks including current financial challenges it faces such as those related to the impact of significant inflationary pressures.

In undertaking our role, we continue to consider good practice and in planning future work, we will take into account Audit Committee guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) during the year.

This report sets out the work of the Committee during 2022/23.



**Councillor Barry Brotherton
Chair, Accounts and Audit Committee 2022/23**



**Councillor Judith Lloyd
Vice-Chair, Accounts and Audit Committee 2022/23**

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.

The Committee takes into account relevant statutory requirements and national guidance in undertaking its role. It was noted that the Chartered Institute of Public Finance and Accountancy (CIPFA) issued updated guidance for Audit Committees during 2022/23 and ongoing practice will continue to be reviewed taking into account good practice.

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 Legal and Governance 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 2022/23 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.

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Accounts and Audit Committee Membership	
2022/23	2023/24
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 Shaun Ennis	Cllr Jill Axford
Cllr Waseem Hassan	Cllr Olly Baskerville
Cllr Rose Thompson	Cllr Mike Cordingley
Cllr Graham Whitham	Cllr Daniel Jerrome
Cllr Dave Morgan	Cllr Jane Brophy
Cllr Michael Whetton	Cllr Michael Whetton
Mrs. Jeannie Platt*	Mrs. Jeannie Platt*

*Non-voting co-opted Member.

ACCOUNTS AND AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED

The Accounts and Audit Committee agreed a programme of work at the start of 2022/23 in order to continue to meet its responsibilities. 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 gained independent assurance from a number of sources during the year to support its work. This included the work of External Audit, Financial Management, Internal Audit and managers across the Council. At its meetings held 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 reviewed information received at each meeting and provided challenge and feedback to officers and external auditors, therefore fulfilling its responsibilities during 2022/23.

The work programme included regular updates on the work of External Audit and Internal Audit including audit plans and findings from work completed; 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 updates on anti-fraud and corruption measures, insurance activity, and an update on procurement activity from the STAR Shared Procurement Service.

The Council's External Auditor, Mazars, reported through the year to the Committee on progress with its work. It was noted during the year that there was a delay in completing the 2021/22 accounts audit due to national technical issues, and these are currently being considered by the Financial Reporting Council, CIPFA and the Department for Levelling Up, Housing and Communities. It was reported to the Committee that the results of the audit work in terms of the outcomes of the audit and reporting on the Council's value for money arrangements will be set out to the Committee in 2023/24. By the end of March 2023, whilst the audit was not complete given the above, it was reported there were no matters to bring to the attention of the Committee at that stage.

The work programme for the year also included training and awareness for Committee Members. During 2022/23, this included a briefing session outside of the Committee meetings covering the Council's Treasury Management arrangements. The Chair of the Accounts and Audit Committee attended a training webinar on Audit Committees provided by CIPFA. CIPFA also provided training through a webinar for independent audit committee members which was attended by the current Independent Member on the Council's Accounts and Audit Committee.

CIPFA published updated guidance for Audit Committees in 2022/23 and the Committee takes this guidance into account in establishing arrangements and planning its work. The Committee has reviewed and updated its terms of reference for 2023/24 and will consider future training needs in order to support its ongoing role.

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The Committee has met through the year in accordance with its work programme, with meetings held during 2022/23 on 20 July, 28 September, 24 November, 1 February and 14 March. More detail of the work undertaken by the Committee at each of its meetings are set out in the rest of this report.

Accounts and Audit Committee – Work Completed During 2022/23

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 responses 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 2022</p> <p>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 2021/22 based on Internal Audit work undertaken during the period. A detailed update on work undertaken in the final quarter of 2021/22 was also provided.</p> <p>It was noted that planned internal audit work in 2021/22 had been subject to some changes due to the impact of the pandemic across the Council. There had, however, continued to be a range of internal audit work undertaken during the year across each of the main areas of the Internal Audit Plan, which enabled an audit opinion to be given.</p> <p>September 2022, November 2022 and February 2023</p> <p>The progress of Internal Audit work undertaken by the Audit and Assurance Service during 2022/23 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 Head of Internal Audit Report provided the Committee with 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>Based on assurance gathered during 2021/22, the Internal Audit Opinion was that, overall, a reasonable level of assurance can be given that the control environment encompassing internal control, risk management and governance, was operating to a satisfactory standard.</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 control improvements were identified, and audit recommendations made accordingly.</p>

Internal Audit (Continued)	
Work Completed	Outcome/ Impact
<p>March 2023 The 2023/24 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 2023/24 Internal Audit Plan.</p> <p>It was also noted that Internal Audit would be subject to an external assessment of conformance with the Public Sector Internal Audit Standards (as required at least every five years) and a report from CIPFA would be shared at the next Accounts and Audit Committee meeting.</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 2022 The Committee received the External Audit Strategy Memorandum from Mazars which outlined its audit approach and plan to deliver the audit for the year ended 31 March 2022. The report also set out the External Audit fees.</p>	<p>The Committee was able to monitor plans in respect of external audit work.</p>
<p>All meetings – July, September, November 2022 and February, March 2023 The Committee received progress reports updates through the year by Mazars on the progress made in delivering its responsibilities as the Authority’s external auditor.</p> <p>Updates included progress being made in respect of the 2021/22 accounts audit. It was noted that there was a delay in completing the audit due to a national technical issue in respect of accounting for infrastructure assets which has since been resolved later in 2022/23. By March 2023, it was reported to the Committee that the results of the work will be set out in the Audit Completion Report which will be presented to the Committee at a future meeting.</p> <p>Further to the completion of the accounts audit, the Committee was advised that Mazars will report on their work reviewing the Council’s arrangements for delivering value for money in the Auditor’s 2021/22 Annual Report.</p> <p>The Committee was also advised that further to the completion of the above, planning will commence on the 2022/23 audit.</p> <p>At each of the meetings through the year, the External Auditor shared details of a number of</p>	<p>The Committee was able to continue monitoring progress in respect of external audit work.</p> <p>In respect of the 2021/22 audit of the accounts, as at the last Committee meeting of 2022/23, whilst the audit was not complete given the national issues impacting on the completion of the audit and approval of the accounts, it was reported there were no matters to bring to the attention of the Committee at that stage.</p> <p>The Committee’s attention was drawn to a number of useful information sources and documents covering various national developments and guidance.</p>

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External Audit (Continued)	
Work Completed	Outcome/ Impact
<p>national publications within the progress reports, which might be of interest to the Committee's Members in undertaking their role.</p> <p>As part of the progress update for the March 2023 meeting, Members were advised that Mazars had been appointed as the Council's External Auditor going forward from 2023/24 to 2027/28. Prior to the March meeting, Committee Members had the opportunity, in line with good practice, to meet privately with the External Auditor outside of the main Committee meeting.</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 2022</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.</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 2022/23 in respect of the Council’s information governance arrangements (See details re March 2023 meeting).</p>
<p>September 2022</p> <p>A report was submitted by Financial Management providing details of the Council’s insurance performance in 2021/22, which included details in respect of insurance costs and claims activity during the period.</p>	<p>Members asked questions in respect of insurance arrangements and gained assurance that these are regularly reviewed.</p>
<p>November 2022</p> <p>The Committee received a further update report on the Council’s Strategic Risk Register.</p>	<p>The Committee continued to monitor arrangements for the management of strategic risks and noted a number of changes in risks and risk levels.</p>
<p>March 2023</p> <p>The Committee received its final update of 2022/23 on the strategic risk register. Additional detail was also provided in respect of one of the strategic risks, Information Governance, with a verbal update provided by Legal Services.</p>	<p>Members reviewed assurance regards planned actions to address risks and noted a further update on another of the strategic risks, Cyber Security, would be included in the Committee’s work programme for 2023/24.</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 2022 A report setting out the 2021/22 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 AGS at draft stage prior to it being finalised later in the year.</p>
<p>November 2022 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 updated details regards some of the significant governance issues including the Council’s financial position.</p>	<p>The Committee approved the 2021/22 AGS.</p>
<p>March 2023 A report setting out the proposed approach / timetable to ensure compliance with the production of an AGS for 2022/23 was presented, noting a draft version was due to be completed by the end of May 2023, in accordance with national deadlines.</p>	<p>Procedures and responsibilities of Members and Officers in the process for producing and approving the 2022/23 AGS were agreed. It was noted that the Accounts and Audit Committee would have the opportunity to review the draft document at a future meeting, prior to the AGS being finalised.</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 2022</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 2021/22, as well as the team’s plans for 2022/23.</p> <p>In terms of 2021/22, it was noted that the team continued to provide 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 2021/22 included investigations in relation to Council tax discounts; Council tax support and Non-Domestic Rates. It was also reported that 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 2022/23 at its meeting in September 2023.</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 2023</p> <p>As part of the quarterly Audit and Assurance Service update report, this included an update on progress made by the Council in contributing to the National Fraud Initiative: 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. Details were provided of the categories of data submitted to the Cabinet Office as part of the exercise. Updates on outcomes from the investigation of subsequent data matches are to be provided to the Committee later in 2023/24.</p>	<p>The Committee gained assurance that the Council was continuing to support the National Fraud Initiative.</p>

March 2023

The Committee received a report which set out the Council's updated Anti-Fraud and Corruption Strategy, including associated policies and guidance to support counter-fraud measures.

The Committee approved the updated Anti-Fraud and Corruption Strategy.

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 2022 A report was submitted on treasury management activities for the previous financial year (2021/22).</p> <p>The Director of Finance and Systems submitted a report which provided an update on the Council’s assessment of its position in respect of the Financial Management Code issued by CIPFA.</p> <p>The Committee received a report setting out 2021/22 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 2021/22 there was an underspend of £1.53m which was transferred to the Budget Resilience, Innovation and Change Reserve.</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>Assurance was gained that the Council can demonstrate compliance with the Financial Management Code with an action plan in place for areas where evidence of compliance could be enhanced further.</p> <p>Members had the opportunity to seek assurance on a number of aspects of the report, including in relation to the financial position going forward with the impact of inflation, such as in relation to energy and pay costs.</p>
<p>September 2022</p> <p>(See Risk Management: September 2022 meeting – insurance update provided by Financial Management).</p>	
<p>November 2022 A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2022/23.</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>

(Accounts/Financial Management continued)	
Work Completed	Outcome/ Impact
<p>February 2023 A Treasury Management report was submitted setting out the Council’s strategy for 2023/24 – 2025/26. 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, as part of training for Committee Members a briefing session was provided in January 2023 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 plans to further develop the approach to achieving social value through procurement.</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. Future training was also discussed with consideration to be given for scheduling further sessions.</p> <p>Members raised questions in respect of a number of aspects covered including processes for recording and reporting on social value and requesting further detail from STAR regards Trafford Council procurement activity.</p>
<p>March 2023 A report was circulated to Accounts and Audit Committee Members which explained the accounting concepts and policies which would be used in preparing the 2022/23 annual accounts.</p> <p>Members were advised that the 2021/22 audited accounts were to be finalised and would be reported to a future Committee meeting.</p>	<p>Members were advised there were no material changes currently expected to the Accounting Policies for the 2022/23 accounts but were advised to note changes in accounting standards to be adopted in 2024/25 in respect of accounting for leases.</p> <p>The Accounts and Audit Committee is to be advised regards completion of the final audited accounts for 2021/22, noting the process for completion and audit of the accounts had been subject to delay, largely as a result of national accounting issues in respect of infrastructure assets.</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 2021/22 at its July 2022 meeting and updates through the year on the latest position for 2022/23 at each of the other meetings. Updates reflected monitoring and actions taken to manage a number of financial pressures including inflation.</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>