

## 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



TRAFFORD  
COUNCIL

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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.

<b>Accounts &amp; Audit Committee Membership</b>	
<b>2013/14</b>	<b>2014/15</b>
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.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<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 <b>September 2013, November 2013 and February 2014.</b></p> <p><b>June 2013</b> 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><b>March 2014</b></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><b>March 2013 (continued)</b></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.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>June 2013</b> 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 <b>November 2013</b> and <b>February 2014</b>.</p>	<p>The Committee was able to monitor progress in respect of external audit work.</p>
<p><b>September 2013</b> 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><b>November 2013</b></p> <p>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><b>February 2014</b></p> <p>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><b>March 2014</b></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.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>September 2013</b> 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><b>November 2013</b> 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><b>March 2014</b> 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.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>June 2013</b> 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><b>September 2013</b> 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><b>November 2013</b> 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><b>February 2014</b> 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><b>March 2014</b>  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.

<b>Work Completed</b>	<b>Outcome/ Impact</b>
<p><b>September 2013</b> 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><b>February 2014</b> 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"> <li>- 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.</li> </ul>
<p><b>March 2014</b> 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><b>June 2013</b> 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 <b>November 2013</b>, 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><b>September 2013</b> 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><b>November 2013</b></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><b>February 2014</b></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><b>March 2014</b></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.