

TRAFFORD COUNCIL

Report to: Council
Date: 15 July 2015
Report for: Information
Report of: Councillor Whetton and Councillor Mrs. Evans – Chairman and Vice-Chairman Accounts & Audit Committee (2014/15)

Report Title

Accounts and Audit Committee Annual Report to Council 2014/15.

Summary

The report sets out the 2014/15 Annual Report of the Accounts and Audit Committee to be submitted to Council.

Recommendation

The Council 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:

2014/15 Accounts and Audit Committee minutes

Accounts & Audit Committee
Annual Report
To Council

2014-2015



TRAFFORD
COUNCIL

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

Financial pressures faced by local authorities highlight the need for the Council to ensure that there are effective governance, risk management and internal control arrangements in place in order that resources are managed effectively. The Committee is independent of the Executive and has a key role in providing challenge across the organisation. It provides independent assurance to the Council and the public on how effectively the Council is being managed. We believe that the Accounts and Audit Committee should be and is central to the provision of effective corporate governance.

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. A particular focus for the Committee in 2014/15 was the monitoring of issues identified and actions undertaken in respect of improvements to budget monitoring arrangements across the Council. In undertaking this role, the Committee sought assurance from both management and the External Auditors. In addition to the planned timetable of meetings, a further Committee meeting was arranged to focus on this issue and through the year assurance was obtained in respect of improvement actions being undertaken. The Committee requested and received information and providing constructive challenge, contributing to the on-going developments being made.



Councillor Michael Whetton
Chairman, Accounts & Audit Committee 2014-15



Councillor Mrs. Laura Evans
Vice-Chair, Accounts & Audit Committee 2014-15

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 2014/15). 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 2014/15 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	
2014/15	2015/16
Cllr Michael Whetton (Chair)	Cllr Alan Mitchell (Chair)
Cllr Laura Evans (Vice Chair)	Cllr Dylan Butt (Vice Chair)
Cllr Tom Ross	Cllr Tom Ross
Cllr Barry Brotherton	Cllr Barry Brotherton
Cllr Jane Baugh	Cllr Jane Baugh
Cllr Chris Boyes	Cllr Chris Boyes
Cllr Dylan Butt	Cllr Nathan Evans

ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED

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

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 2014/15.

The members of the Accounts & Audit Committee are very aware of the important role they have as the Council's Members charged with responsibility for governance. 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. Areas covered by the Committee during the year included:

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

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 updates on treasury management and insurance activity.

Further to the establishment of the agreed meeting timetable and work programme at the start of the year, the Committee agreed to add an additional meeting in August which was established to include review of the findings made following the internal investigation into the Council's budget monitoring arrangements. The Committee subsequently ensured that further updates on progress against the recommendations made as part of the investigation were provided to it during the year. The Committee noted the significant developments made during 2014/15 in addressing the issues raised.

Assurance in terms of the outcome of the 2014/15 External Audit of the Council's Financial Statements and a conclusion on the Council's Value for Money arrangements will be reported later in 2015 to the Committee in the External Auditor's 2014/15 Annual Audit Letter. In November 2014, the Committee had gained assurance through the 2013/14 Annual Audit Letter that an unqualified opinion was given on the 2013/14 financial statements. The report also concluded that, overall, 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 2014. The report included recommendations including the need to ensure close monitoring to ensure weaknesses identified as part of the budget monitoring investigation were being addressed. As noted above, the Committee contributed to ongoing monitoring of this issue.

Details of the work undertaken by the Committee are set out in the rest of this report.

Accounts and Audit Committee – Work Completed During 2014/15

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 continues to be 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 2014, November 2014 and February 2015.</p> <p>June 2014 The Annual Internal Audit Report was submitted, providing an opinion on the standard of internal controls during 2013/14 based on Internal Audit work undertaken during the period.</p>	<p>The Committee maintained an overview of the control environment reviewed by Internal Audit and also obtained assurance in respect of Internal Audit performance.</p> <p>Updates included details of areas reviewed where controls were found to be operating to a satisfactory standard and others within the Council where improvements were identified and audit recommendations made accordingly.</p>
<p>March 2015</p> <p>A report was submitted incorporating the 2015/16 Annual Internal Audit Plan.</p>	<p>Assurance that Internal Audit coverage for the coming year covered a wide range of key business risks and plans were in place to make adequate internal audit resources available to complete the planned work.</p>

External Audit

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

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

Work Completed	Outcome/ Impact
<p>June 2014 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 2014, February 2015 and March 2015.</p>	<p>The Committee was able to monitor progress in respect of external audit work.</p>
<p>September 2014 The Committee receive a report on the findings to date from the External Auditor in respect of the audit of the Council’s accounts for the year ended 31 March 2014 and its work to provide a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money conclusion).</p>	<p>Members were advised that it was anticipated that an unqualified opinion on the financial statements would be provided.</p> <p>Based on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources, an unqualified Value for Money conclusion was proposed.</p> <p>The External Auditors stated there was a serious misreporting and understatement of the projected financial deficit in Adult Social Care during the year which led to a deficit of £3.6m for that service. The deficit was contained, however, within Adult Social Care and the overall Council budget was underspent by £3.7m. The External Auditors also reported that the Council has taken action to address the budget issues going forward.</p>
<p>November 2014 The Committee received the Council’s Annual Audit Letter for the year ended 31 March 2014, summarising the key findings arising from the work of the External Auditor, Grant Thornton.</p>	<p>The Annual Audit Letter confirmed that an unqualified opinion was given on the financial statements.</p> <p>It was also concluded that the Council has put in</p>

	<p>place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014. It was concluded that weaknesses were highlighted in budget monitoring arrangements in adult social care services but the Council's overall corporate management arrangements and services' outcomes were sufficiently robust to support an unqualified Value for Money conclusion.</p> <p>The Committee noted the key messages, audit conclusions and key areas for the Council's attention, including close monitoring of additional cost savings measures to address the budget issues referred to above.</p>
<p>February 2015 As part of the February update report, Grant Thornton presented a letter summarising its overall findings from the certification of the Council's 2013/14 Housing Benefits subsidy claim.</p> <p>March 2015</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 2015. The report also set out the External Audit fees and assumptions supporting these.</p>	<p>The Committee questioned the fee charged for certifying the claim and it was noted that this was set independently by the Audit Commission.</p> <p>The report submitted provided the Committee with details of work Grant Thornton is required to undertake as the council's external auditor.</p>

Risk Management

The role of the Committee in relation to risk management:

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

Work Completed	Outcome/ Impact
<p>November 2014 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, risks added to the register since the previous update as well as changes in risk levels.</p>	<p>The Committee received assurance on the arrangements for reviewing key strategic risks. The Committee provided feedback regarding the detail provided relating to some risks and this was taken into account as part of future updates.</p>
<p>March 2015 The Committee was provided with a further update report on the Strategic Risk Register. The highest risks identified reflected risks relating to the Council’s medium term financial position and risks in relation to managing demand and budgets in Adult Social Care.</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 2014 A report including the 2013/14 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 the amendments to the Council’s Corporate Governance Code.</p>
<p>August 2014 A report was circulated to Members on the internal investigation into the Council’s budget monitoring arrangements. (The public were excluded from this item as recorded in the minutes of the meeting).</p>	<p>Members considered the findings and recommendations detailed in the report and fed back comments to be taken into account in future reporting on this issue.</p>
<p>September 2014 The final version of the Annual Governance Statement, signed by the Chief Executive and Leader, was submitted to the Committee.</p> <p>The Committee was presented with an Action Plan setting out planned actions and responsibilities for addressing recommendations made following the Budget Monitoring investigation.</p> <p>The Committee considered a report on the forensic review carried out by the External Auditor on the internal investigation into the Council’s budget monitoring arrangements.</p>	<p>The Committee approved the 2013/14 Annual Governance Statement.</p> <p>The Committee was able to note progress in addressing recommendations made as part of the Budget Monitoring investigation and gain assurance that the Council was taking appropriate action to address control issues identified.</p>

<p>November 2014</p> <p>The Committee received an update on progress made against each of the planned actions listed in the Budget Monitoring Action Plan.</p> <p>The Committee received a presentation outlining details of the work of the Transformation team and planned work for 2014/15. Included in the presentation was detail in respect of the “Reshaping Trafford” programme which was identified as one of the significant governance issues for 2014/15 within the 2013/14 Annual Governance Statement.</p>	<p>Assurance was provided that the organisation is taking action to strengthen a key area highlighted for further improvement in the previous year’s Annual Governance Statement.</p> <p>Members were able to gain information to understand arrangements in place and planned developments in respect of the Council’s “Reshaping Trafford” programme.</p>
<p>February 2015</p> <p>A report setting out a proposed action plan to ensure compliance with the production of an Annual Governance Statement for 2014/15 was presented.</p> <p>A report was submitted to provide an update on the work of the Locality Partnerships which was identified as a significant governance issue for 2014/15 in the 2013/14 Annual Governance Statement.</p> <p>The Committee received a further update on progress made against each of the planned actions listed in the Budget Monitoring Action Plan.</p>	<p>Procedures and responsibilities of Members and officers in the process for producing and approving the 2014/15 Annual Governance Statement were agreed.</p> <p>Assurance was provided that the organisation is taking action to progress areas highlighted for further development in the previous year’s Annual Governance Statement. Members had the opportunity to raise queries and make recommendations.</p>
<p>March 2015</p> <p>A report was presented in respect of another significant governance issue highlighted in the 2013/14 Annual Governance Statement. This related to the progress made in respect of Information Governance arrangements across the Council, including the establishment of a new integrated team.</p> <p>Further to the meeting, the Committee Members were also sent an update report in respect of developments regarding Public Service Reform which was a significant governance issue listed in the 2013/14 Annual Governance Statement.</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 2014 The Fraud Investigation Team 2013/14 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>The Committee was provided with assurance that the Council is working to aim to maintain sufficient fraud investigation capacity going forward.</p>
<p>March 2015 The Audit and Assurance Service provided a report on anti-fraud and corruption work undertaken during the year. This included a summary of investigation work undertaken by the Service and an update on other work undertaken including an update on activity to support the National Fraud Initiative.</p> <p>The report also provided an update on developments within the Council in light of the forthcoming transfer in March 2016 of Fraud investigation staff to the Department for Work and Pensions as part of the new Single Fraud Investigation Service. A new counter-fraud investigation team is in the process of being established in the Council utilising monies obtained from a successful grant application.</p>	

Accounts / Financial Management

The role of the Committee is to:

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

Work Completed	Outcome/ Impact
<p>June 2014</p> <p>The Director of Finance provided an update on the preparation of the pre-audited Statement of Accounts for the year-ended 31 March 2014. The Capital Investment Programme 2013/14 Outturn report was also presented.</p> <p>A report was submitted providing details of the Council’s insurance arrangements and activity in 2013/14. This included details in respect of the major classes of insurance.</p> <p>A report was submitted on the outcome of the review of treasury management activities for the past financial year.</p> <p>(In advance of the June Committee meeting, a training session was arranged for Committee Members on the Council’s Accounts).</p>	<p>The Committee agreed to review the unaudited accounts for 2013/14 and the 2013/14 Revenue Budget Monitoring Outturn report at the next meeting of the Committee (In August 2014).</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>August 2014</p> <p>The pre-audited Statement of Accounts for 2013/14 was presented along with the 2013/14 Revenue Budget Monitoring Outturn report.</p>	<p>The Committee was able to review the Accounts submitted to the External Auditor.</p>
<p>September 2014</p> <p>The final accounts were presented following the audit of the 2013-14 draft accounts.</p>	<p>The Committee approved the final accounts and stated that the Director of Finance and his team and the External Auditor be commended for their efforts in producing and reviewing the accounts.</p>
<p>November 2014</p> <p>A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2014/15.</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 received a presentation from the Director of STaR Shared Procurement Service. The presentation included information on the Governance and Performance Framework, objectives, current activity and delivered savings.</p>	<p>The Committee was able to gain information on current corporate procurement arrangements.</p>
<p>February 2015 A Treasury Management report was submitted setting out the Council’s strategy for 2015/16 – 2017/18. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy.</p> <p>A report was provided on the position in respect of the Council’s reserves and provisions.</p> <p>All meetings</p> <p>The Accounts and Audit Committee received the most recent available monthly budget monitoring report at each meeting.</p>	<p>The Audit Committee recommended that the Council approve the various elements of the Strategy.</p> <p>The Committee was able to gain information on specific components of the Council’s reserves and was also advised of forecasted reserve and provision balances at March 2017.</p> <p>Following a request by the Committee during the previous year, the Director of Finance agreed to submit the most recent available budget monitoring reports at each Committee meeting. This gave the Committee the opportunity to review information and raise queries on budget monitoring information submitted during the year.</p>