

Annual Audit Letter

Trafford Council

Audit 2009/10

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The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Key messages

This report summarises my findings from the 2009/10 audit. My audit comprises two elements:

- **the audit of your financial statements (page 5); and**
- **my assessment of your arrangements to achieve value for money in your use of resources (pages 6 to 11).**

Audit opinion and financial statements

1 I issued an unqualified opinion on the financial statements on 28 September 2010. The financial statements were produced to a high standard with only presentational adjustments made as a result of my audit.

Value for money

2 I assessed your arrangements to secure economy, efficiency and effectiveness against criteria specified by the Audit Commission.

3 I issued an unqualified conclusion stating that the Council had adequate arrangements to secure economy, efficiency and effectiveness.

Current and future challenges

4 In line with other local authorities the Council is facing severe financial pressures brought on by the economic downturn and its impact on the public sector. The Government's Emergency Budget and Comprehensive Spending Review will have a significant effect on the Council's finances and capacity to deliver services in the future.

5 The Government spending cuts are a major challenge for the Council. The Council has to make immediate and continuing savings to stay within budget. At the same time it will have to ensure that it minimises risks in relation to the quality of the services it provides. This will require effective leadership and management skills and robust planning arrangements.

International Financial Reporting Standards (IFRS)

6 In common with the rest of local government, the Council must change its method of accounting to adopt IFRS in 2010/11. This requires collection of more data, as well as changes in the format and accounting policies within the published accounts.

7 I have assessed that the Council is making good progress in meeting the requirement to produce IFRS compliant accounts. Further challenges still need to be overcome if the full implementation of IFRS is to be successful, but the finance team are well-placed to meet these.

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Financial statements and annual governance statement

The Council's financial statements and annual governance statement are an important means by which the Council accounts for its stewardship of public funds.

I gave an unqualified opinion on the Council's 2009/10 financial statements on 28 September 2010, which was within the statutory target date.

Overall conclusion from the audit

8 I issued an unqualified opinion on the financial statements on 28 September 2010.

9 The financial statements were of a high standard and were free from material error.

10 I looked at your compliance with relevant accounting and reporting standards. As a result, management made some minor presentational adjustments to the financial statements to meet these standards.

Significant weaknesses in internal control

1 I did not identify any significant weaknesses in your internal control arrangements.

Value for money

I considered whether the Council is managing and using its money, time and people to deliver value for money.

I assessed your performance against the criteria specified by the Audit Commission and have reported the outcome as the value for money (VFM) conclusion.

2009/10 use of resources assessments

2 At the end of May 2010, the Commission wrote to all chief executives to inform them that following the government's announcement, work on Comprehensive Area Assessment (CAA) would cease with immediate effect. The Commission would no longer issue scores for its use of resources assessments.

3 However, I am still required by the Code of Audit Practice to issue a value for money conclusion. I have therefore used the results of the work completed on the use of resources assessment up to the end of May to inform my 2009/10 conclusion.

4 I report the significant findings from the work I have carried out to support the vfm conclusion.

VFM conclusion

5 I assessed your arrangements to achieve economy, efficiency and effectiveness in your use of money, time and people against criteria specified by the Audit Commission. The Audit Commission specifies each year, which Key Lines of Enquiry (KLOE) are the relevant criteria for the VFM conclusion at each audited body.

6 Below is a summary of my findings against the VFM criteria.

Criteria	Adequate arrangements?
Managing finances	
Planning for financial health	Yes
Understanding costs and achieving efficiencies	Yes
Financial Reporting	Yes
Governing the business	
Commissioning and procurement	Yes
Use of information	Yes
Good governance	Yes
Risk management and internal control	Yes
Managing resources	
Natural Resources	N/A*
Strategic asset management	Yes
Workforce	Yes
<i>*Natural resources was not assessed during 2009/10</i>	

7 I issued an unqualified conclusion stating that the Council had satisfactory arrangements to secure economy, efficiency and effectiveness in its use of resources. I report below the key findings and conclusions for the three themes.

Managing finances

8 The Council has a strong financial management culture and has showed continuous improvements to services for several years. The Council has improved the way it reports its financial position and related performance during 2009/10. Budget monitoring reports now include activity and performance information alongside financial monitoring. Also the Council produce financial forecasts in a more succinct, clearer format. Members review and approve the Medium Term Financial Strategy (MTFS) each year, and monitor progress against it. This helps ensure the Council stays on track to achieve the MTFS objectives and secures a stable financial position.

9 The Council has good knowledge of its costs. It has analysed unit costs to inform the MTFS and help prioritise the service reviews being undertaken as part of the Transformation Programme. The Council makes good use of this information in taking decisions about the services it provides. There is

also a system of challenge by councillors when deciding where any additional money should be spent.

10 The Council made efficiencies and savings in many areas in 2009/10. Total efficiency savings for 2009/10 were £8.3m, which included savings of £3.6m from improvements to the way Council procures services. The Council expects existing contracts to provide savings of £4.2 million in 2010/11.

Governing the business

11 The Council has a clear view of what it is trying to achieve through its Community Strategy. This drew on extensive consultation, the Joint Strategic Needs Analysis updated in 2009 and on various residents' surveys. Commissioning is well established in all major services and the Council uses its purchasing power to shape the market to benefit people using the services. Effective and efficient procurement arrangements yield significant savings.

12 The Council implemented its data quality policy and made important improvements in producing quality data during the year. Reporting of performance is wider ranging and meets users' needs better. There are many examples of the Council managing performance effectively through good monitoring of information. Data security is adequate. The Council has strengthened its arrangements for backing up data and an IT disaster recovery system is in place, though not yet tested.

13 The Council has improved its governance arrangements. The revised Community Strategy and the Local Strategic Partnership (LSP) structure are newly in place. The ethical framework and culture in the Council is embedded in the Corporate Governance Code, with values set out in the People Strategy. The new structure and greater accountability of the LSP and Children and Young People Service (CYPS) are good steps towards better outcomes.

14 The Council has made improvements during 2009/10 in the way it manages its risks and has strengthened its system of internal controls.

Managing resources

15 In 2008/09, I reviewed the Council's use of natural resources. I concluded that it met the basic requirements, but needed to do more work to achieve better outcomes in this wide-ranging area. Managing natural resources was not a specified area of review for 2009/10, and so I did not look at any recent progress in this area.

16 In 2009/10 I looked at how the Council managed its assets and its workforce. The Council performed well in managing its assets. It has strategies in place to manage them effectively, supported by financial plans. It set up an Asset Strategy Group to promote coordinated service delivery from Council and partner premises on a neighbourhood basis across the Borough. It produced a new Asset Strategy in January 2010, and

measurable outcomes from this strategy are likely to be in the medium to longer term.

17 Progress on workforce planning has been adequate. The Council has some good approaches to ensure that it has the right skills, roles and structures to deliver future services. But this does not yet apply across all services. The approach to having a productive and skilled workforce needs more development to link it with strategic corporate and business planning. There are some good examples of this in CYPS and Adult Services.

18 Performance management of staff is being re-launched corporately. Sickness absence is a priority area the Council is starting to tackle well, but performance is still variable across services. Actions to influence workforce diversity are starting but are not yet embedded or quantified.

Risk-based performance reviews

19 To support my review of the criteria I undertook the following studies:

- Community Safety in Greater Manchester Follow up - GM Districts
- Strategic Human Resources Follow up

20 I have reported my detailed findings to the Council in separate reports; a summary of the key findings is included below.

Community Safety in Greater Manchester Follow up - GM Districts

21 In 2008 the Audit Commission and KPMG carried out a review of community safety in Greater Manchester. This review focused on how public sector partners were working together to reduce the impact of alcohol misuse on individuals, communities and agencies.

22 The follow up report in 2010 looked at progress on the issues highlighted in the first report and took place in the context of:

- Greater Manchester continuing to experience high levels of crime compared to other similar areas;
- a steady rise in residents' satisfaction with their council and the police in dealing with crime and anti-social behaviour - but this is still below its peers; and
- a continuing rise in alcohol consumption and alcohol harm.

Greater Manchester wide conclusions

23 There was good progress in strengthening the links between health and criminal justice agencies. Establishing the Public Protection Commission was an important part of that, and developments in the GM Alcohol Strategy Group will also help. There has also been satisfactory progress in developing a joint picture of the scale of the problem across Greater Manchester. There has been good progress on promoting prevention although, as agencies admit, there is more to do on this.

24 There has been some progress in sharing information and data, but this has not been strategically driven or systematic. There remains some confusion about the relationship of the Greater Manchester Against Crime (GMAC) Central Team and the GMP analysts based in Divisions. More needs to be done across Greater Manchester to evaluate the success of initiatives and to spread good practice and share learning.

Trafford District conclusions

25 The Alcohol Steering Group has regularly monitored and reported progress against the 2008 action plan to the Business Partnership of the Safer Trafford Board. Progress overall has been good but there is more to be done on some recommendations.

26 There was a range of activities to prevent alcohol abuse. These included marketing campaigns to highlight the dangers of drink-driving, fire risks and associated health problems. Other actions aimed to prevent young people gaining access to alcohol by purchase or shoplifting. The main action has been in secondary schools to alert young people to the risks of alcohol use.

27 There has been a radical overhaul of treatment services, and a lot of research into learning from what works in practice. This in turn has led to improved strategic planning and commissioning plans.

28 Less progress has been made on securing and targeting funding. Funding for drugs services can be used for those clients misusing both drugs and alcohol, but there was no extra funding made available for extending the services for alcohol abuse

Strategic Human Resources (HR) - Follow up review

29 I reviewed the role of strategic HR in 2007 and in 2010 I looked at the progress made to achieve the recommendations made in the original report.

30 The Council has made good overall progress against most of the original agreed recommendations. It is in a much stronger position to meet the challenges of its three-year People Strategy (2008-2011) and the priorities of the organisation as a whole.

31 I have set out below agreed recommendations from the report:

- Agree SMART measures and targets for all areas of the People Strategy. This will enable monitoring of progress and the impact these changes are having on workforce productivity and morale
- Carry out post Implementation Reviews of HR initiatives routinely with stakeholders, to assess whether objectives of reviews have been met,
- Update the People Strategy Action Plan and measures of success, in terms of the impact of the People Strategy, reported to CMT regularly.

This is especially important given the expected impact that phase 2 of the Transformation Programme will have on staff in 2010 and beyond

- Develop further the use of benchmarking information to set HR priority areas in the light of how well the Council performs compared with others
- Put in place clear mechanisms to capture whether staff views are improving in the areas intended.

Approach to local value for money work from 2010/11

32 Given the scale of pressures facing public bodies in the current economic climate, the Audit Commission has been reviewing its work programme for 2010/11 onwards. This review included discussions with key stakeholders about possible options for a new approach to local value for money (VFM) audit work. The Commission aims to introduce a new, more targeted and better value, approach to our local VFM audit work.

33 My work will take account of two criteria specified by the Commission, concentrating on:

- securing financial resilience; and
- prioritising resources within tighter budgets.

34 I will agree a local programme of VFM audit work based on my audit risk assessment, informed by these criteria and my statutory responsibilities. I will no longer provide an annual scored judgement from my local VFM audit work. Instead I will report the results of all my local VFM audit work and the key messages for the Council in my annual report to those charged with governance and in my annual audit letter.

Other work

35 During the year I have carried out other work outside the statutory audit of the accounts.

International Financial Reporting Standards (IFRS)

36 I have assessed your progress towards preparing your financial statements on to a full IFRS (International Financial Reporting Standards) basis for the 2010/11 accounts. I concluded that you had in place good arrangements to date for the transition to IFRS that reflects the hard work done by finance staff.

National Fraud Initiative (NFI)

37 The National Fraud Initiative is a data matching exercise that compares sets of data to identify inconsistencies or other circumstances that might indicate fraud or error. It also helps auditors to assess the arrangements that audited bodies have put in place to deal with fraud.

38 The Council has responded to the data matches provided so far with total reported savings from this work of over £85k during 2009/10. I will continue to note the results of future data matching.

Current and future challenges

Financial and future challenges

39 Along with other public sector bodies the Council is facing increasing financial pressures following the economic downturn.

40 The Council took immediate steps in July 2010 to adjust the 2010/11 budget, in response to initial government announcements on reducing the national deficit and the amount of local government funding. The Executive agreed a wide range of measures designed to achieve £2.5m of revenue and £1.1m of capital savings in 2010/11, a total of £3.6m.

41 The projected year end position reported at the end of August 2010 shows the Council is on track to deliver the required savings for 2010/11 and stay within budget. The forecast level of General Reserve shows a positive position of being £3.0m above the Council's agreed minimum level of £5.0m.

42 The local impact of the government's Comprehensive Spending Review on the Council's finances is as yet unclear. Nationally, overall local authority revenue funding from government will reduce by 26 per cent in real terms between 2010-11 and 2014-15, excluding schools, fire and police.

43 Final funding figures for the Council will not be confirmed until December 2010. But it is clear that significant efficiencies and savings will need to be delivered as a result of this. The Council is currently assessing what further actions need to be taken to balance decreases in government support against the demand for services.

44 The Council will need to have robust arrangements to plan, monitor and manage the current and medium term financial position. It will require a great deal of work and some tough decisions to address the financial challenges ahead and the Council has recognised there will be some tough decisions on spending. Effective leadership will be important to ensure that any cuts in spending do not affect the achievement of the overall strategic aims and objectives.

Future developments

45 The Council also has the challenge of making a success of the proposed redevelopment of the Town Hall. An important part of this is the arrangements for moving the staff and central functions to an alternative site during 2011 so that they can continue to work effectively during the change over. The Council will have to carefully manage the overall project and ensure the transition arrangements do not impact on the delivery of key functions.

46 The Council also has to face the challenge of preparing its financial statements under IFRS for the first time in 2010/11.

47 It will require significant planning and project management involving finance and non-finance officers, well in advance of the deadline for preparation of IFRS-based statements, to achieve a smooth transition to the new reporting requirements.

48 I assessed that the Council is making good progress in meeting the requirement to produce IFRS compliant accounts. There are still some challenges to meet, for example re-stating the 2009/10 financial statements on an IFRS basis and ensuring there are suitable arrangements in place to account for the Council's fixed assets under the new requirements of IFRS. I will continue to work closely with the Council as it proceeds with the transition.

The abolition of the Audit Commission

49 On 13 August, the Secretary of State for Communities and Local Government announced the proposed abolition of the Audit Commission by the end of 2012. The government announced its plan to seek legislation in this session of Parliament to effect this.

50 The Audit Commission will remain in place to oversee the coming 2010/11 and 2011/12 audits. The Commission has written to the Chief Executive to confirm there is no immediate change to the audit arrangements for the Council.

51 The Commission is in discussion with the Department of Communities and Local Government about the proposed legislation and the details that will need to be worked through. I will keep the Council informed about the future audit programme and any changes that affect you.

Closing remarks

52 I have discussed and agreed this letter with the Director of Finance and Chief Executive. I will present this letter at the Accounts and Audit Committee on 25 November 2010 and will provide copies to all board members.

53 Full detailed findings, conclusions and recommendations in the areas covered by our audit were included in the reports I issued to the Council during the year.

Report	Date issued
Community Safety in Greater Manchester Follow Up	June 2010
Strategic Human Resources Follow Up	September 2010
Annual Governance Report	September 2010
Audit progress reports	Throughout the year at each Accounts and Audit Committee meeting
Annual Audit Letter	November 2010

54 The final audit fee for the work is detailed in Appendix 1.

55 The Council has taken a positive and helpful approach to our audit. I wish to thank the Council staff for their support and cooperation during the audit.

Mick Waite
District Auditor
November 2010

Appendix 1 – Audit fees

	Actual	Proposed	Variance
Financial statements and annual governance statement	£147,700	£147,700	nil
Value for money	£127,460	£127,460	nil
Total audit fees	£275,160	£275,160	nil
Non-audit work - grant claims	not yet complete	£45,500	

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Appendix 2 – Glossary

Annual governance statement

Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.

It comprises the systems and processes, cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and where appropriate, lead their communities.

The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit opinion

On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:

- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
- whether they have been prepared properly, following the relevant accounting rules; and
- for local probation boards and trusts, on the regularity of their spending and income.

Financial statements

The annual accounts and accompanying notes.

Qualified

The auditor has some reservations or concerns.

Unqualified

The auditor does not have any reservations.

Value for money conclusion

The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of money, people and time.