



TRAFFORD
COUNCIL

**AGENDA PAPERS MARKED 'TO FOLLOW' FOR
ACCOUNTS AND AUDIT COMMITTEE**

Date: Wednesday, 20 November 2013

Time: 6.30 p.m.

**Place: Committee Rooms 2 and 3, Trafford Town Hall, Talbot Road, Stretford,
M32 0YT**

A G E N D A	PART I	Pages
6.	UPDATE ON PAYROLL ISSUE RAISED IN THE 2012/13 EXTERNAL AUDIT FINDINGS REPORT	
	To consider a report of the Director of Human Resources.	1 - 4
8.	AUDIT COMMITTEE UPDATE	
	To receive a report from the Council's External Auditor.	5 - 18

THERESA GRANT
Chief Executive

Membership of the Committee

Councillors M. Whetton (Chairman), Mrs. L. Evans (Vice-Chairman), J. Baugh,
C. Boyes, B Brotherton, P. Myers and T. Ross.

Further Information

For help, advice and information about this meeting please contact:

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Democratic Services Section, Trafford Council, Trafford Town Hall; Talbot Road,
Stretford, Manchester, M32 0TH

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Agenda Item 6

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 20 November 2013
Report for: Information
Report of: Director of Human Resources

Report Title

Response to 2012/13 External Audit Findings Report (Recommendation in relation to payroll documentation)

Summary

The 2012/13 Audit Findings Report, produced by Grant Thornton was presented to the Committee at its 26 September 2013 meeting. It included a recommendation as follows:

“The Council needs to take urgent steps to ensure it has readily retrievable supporting documentation to confirm the existence, grade and terms and conditions of all employees on its payroll. It also needs to ensure this information is appropriately updated for any changes.”

The purpose of this report is to provide an update to the Committee on the Council's response to this recommendation.

Recommendation

The Accounts and Audit Committee is asked to note the report.

Contact person for access to background papers and further information:

Name: Joanne Hyde
Extension: 0161 912

Background Papers:

Response to 2012/13 External Audit Findings Report (Recommendation in relation to payroll documentation)

Following a detailed review of the concerns raised by the auditors the HR Service have determined that there are a number of existing processes that can be enhanced to meet the recommendations made and ensure more robust controls are in place as follows:-

1. Validation of employee contractual information via managers.

There are a number of existing controls in place to regularly validate the contractual information for employees on its payroll including the production of a regular monthly staffing report to all managers. These reports set out names, post title, grades and contractual hours for all employees on the payroll.

Following the audit recommendations we will now include individual salary points for all employees and the distribution of the next monthly reports will ask managers to validate the information held and this will then be locked into the payroll system as the baseline position.

This process will also capture any future changes from the baseline position.

2. Validation of contractual information via employees

Trafford Council are currently in formal consultation with all employees on revised terms and conditions of employment and final approvals are expected at the end of November 2013. This programme of work provides the opportunity to issue all staff with revised contractual documentation including detailed statements of particulars throughout December 2013 which will confirm the baseline position previously validated by managers.

3. Document Management

As detailed in the audit findings report there were a number of sample files where contractual information was not readily available for inspection. The actions captured in paragraphs 1 & 2 above will ensure that up to date contractual information is available for all employees and these documents will be saved in existing electronic filing systems which will be available for any future inspections.

It should also be noted that the Council is currently out to tender for an Electronic Document Management System. The specification for this contract includes the need to interface with the existing HR/Payroll system which will support more efficient retrieval of documentation in the future.

Summary

The detailed review undertaken by the HR Service has identified that all authorisation documentation is in place and the relevant controls are robust, however there were some concerns regarding confirmation of the payroll changes through updated contractual document which pre-dated the centralisation of these processes into the HR Shared Service Centre in April 2011.

A review of the changes proposed in this report will be undertaken in April 2014 to ensure that the changes have met the recommendations made by the auditors.

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Audit Committee Update for Trafford Council

DRAFT

This version of the report is a draft. Its contents and subject matter remain under review and its contents may change and be expanded as part of the finalisation of the report.

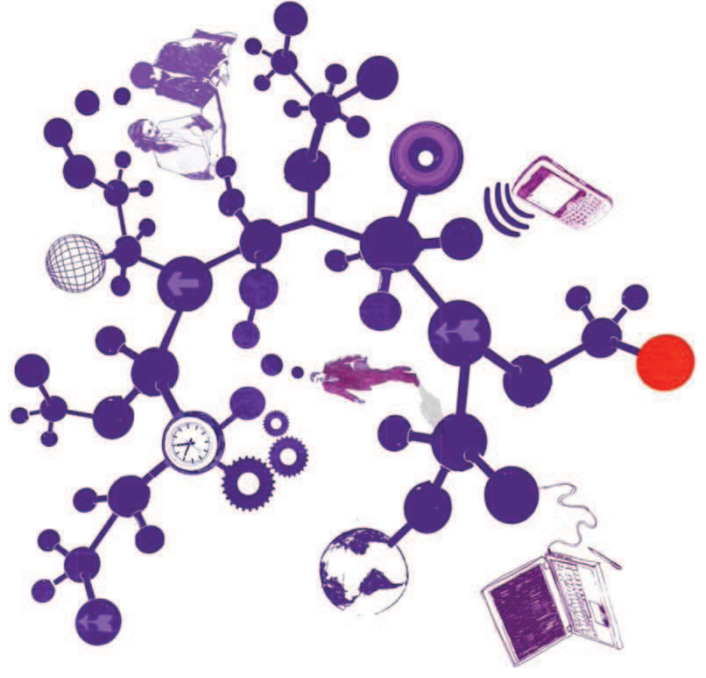
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a Local Authority
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Accounts and Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

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Progress at November 2013

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	February 2014	No	We have issued our fee letter for 2013-14 which includes our outline proposals. At this stage we plan to issue the detailed Audit Plan in February 2014.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • initial Value for Money planning. 	January to March 2014	No	The detailed timeline will be agreed with you as part of our planning process.
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council 's accounts • proposed Value for Money conclusion. 	July to September 2014	No	We will prepare an Audit Findings Report and present this to the Accounts and Audit Committee prior to issuing our audit report

Progress at November 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion 2013-14</p> <p>We will give our statutory VfM conclusion on the arrangements to secure economy, efficiency and effectiveness based on two criteria, specified by the Audit Commission, related to the Council's arrangements for:</p> <ul style="list-style-type: none"> • securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future • challenging how it secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency. 	September 2014	No	<p>We will update our risk assessment and set out a planned programme of VfM work to inform our 2013-14 conclusion.</p> <p>We will report our detailed findings within our Audit Findings Report in September 2014.</p>
<p>Annual Audit Letter</p> <p>We are required by October 2014 to summarise our work performed at the Council, including:</p> <ul style="list-style-type: none"> • accounts audit • VfM audit work • grant claim certification. 	October 2014	No	
<p>2013-14 Grant claims report</p> <p>Our review of the Council's 2013-14 grant claims will take place during the period June to December 2014</p>	June to December 2014	No	

Emerging issues and developments

Local government guidance

Income from charging

In September, the Audit Commission published 'Income from charging: Using data from the VFM Profiles, September 2013'. The briefing provides an analysis of councils' 2011/12 income from charging, totalling £10.2 billion, and the contribution it made to service spending. It looks at the trends for different types of councils across broad service areas.

Key findings were:

- charging in 2011/12 funded 9 per cent of single-tier and county councils' overall service expenditure, and 20 per cent of district councils
- nationally the total income from charging was less than half the amount raised through council tax in 2011/12, at the local level it exceeded council tax in one in three (32 per cent) district councils and one in five (21 per cent) London boroughs
- there is great variation between councils in terms of the amount of income they generate from charges, the ratio of charging income to service spending, and the changes to these over recent years. The contribution of charging to spending in 2011/12 varied most for district councils, with 2 to 87 per cent being generated through charges.

The Audit Commission chairman, Jeremy Newman, said 'There is no 'one-size-fits-all' formula for how councils set their local charging policies. We are providing information and tools for councils, and those who hold them to account, to help understand the important role that charging plays in councils' strategic financial management. The fact that some bodies derive more income from charging than council tax is neither good nor bad, but highlights the significant role charging plays in funding public services, and reminds councillors and electors to carefully scrutinise the approaches councils are taking.'

Challenge questions:

- When did the Council last review its local charging policy? Does the Council's policy still support the Council's strategic objectives? What options are available for change?
- Do your officers monitor changes in income from charging and its contribution to spending in order to assess whether local charging policies are supporting the council's financial objectives and complying with legal requirements?
- Has your Director of Finance reviewed the council's charging policy and levels of income against similar organisations?

Emerging issues and developments

Local government guidance

Business rate collection

In April 2013, the government introduced a business rates retention scheme. Local authorities as a whole will now be able to keep half of the business rates income they collect rather than paying it all into the national pool. As business rate income grows, authorities will keep half of the growth.

In October, the Audit Commission published 'Business rates: using data from the VFM profiles October 2013'. This briefing has been drawn from the Commission's Value for Money (VFM) profiles and shows an analysis of English council's collection rates and costs of collecting business rates.

The Audit Commission also highlights the following steps councils could take to maximise business rates:

- supporting existing business to do well and attracting new businesses to the area
- identifying and billing all business properties with a rateable value promptly
- using discretionary relief in an effective way, targeting businesses most in need
- preventing and tackling fraudulent claims for relief
- improving collection rates
- reducing collection costs.

Challenge questions:

- Has your Director of Finance reviewed the costs and performance of your authority against similar organisations?
- What steps could your authority take to increase the amount it collects from business rates?
- Are you satisfied that your authority has made a robust estimate for its provision for business rate appeals?

Emerging issues and developments

Local government guidance

Preparing for the Health and Social Care Integration Transformation Fund

The 'Integration Transformation Fund' is a single pooled budget for health and social care services to work more closely together in local areas. The Integration Transformation Fund statement, signed on 8 August between the LGA and NHS England sets out the background and provides a roadmap for local areas to plan in the run up to the fund taking full effect from 2015/16. Authorities need to plan with their partners for access to the fund. In summary:

- £3.8bn will be available for 2015/16, with funds transferred mainly from existing CCG budgets
- in order to access and deploy the fund locally, CCGs and local authorities will need to prepare joint plans signed off by Health & Wellbeing Boards
- even though the funds are not available until 2015/16, local areas will need to work together to produce two year plans for 2014/15 and 2015/06. This is because access to £1bn of the funding in April 2015 is performance related, taking account of achievements in 2014/15
- ultimately Ministers will approve and sign off the plans, following review and assurance from NHS England

Challenge question:

- How is your authority planning to work with its partners to formulate joint plans and obtain funding?

Emerging issues and developments

Accounting and audit issues

Simplifying and streamlining the presentation of local authority financial statements

Both HM Treasury and CIPFA/LASAAC have recently consulted on how to streamline and simplify local authority financial statements. In our response, we set out our view that streamlining is a collaborative process involving standard setters, preparers of the accounts and auditors. This requires a much needed change in culture and attitude from the accounting and auditing profession as a whole.

However, there is much that can be done now. In his October article in Room 151, the on-line local authority finance publication, Graham Liddell, Grant Thornton's National Technical Lead sets out the practical steps local authorities can take to:

- learn the lessons from 2012/13 to improve the preparation and audit of the financial statements for future years
- de-clutter their accounts using the previous year's financial statements as the starting point

Graham notes that Grant Thornton has been working with a range of local authorities to achieve these goals. One council audited by Grant Thornton succeeded in producing a set of financial statements in 2012/13 that were only half the length of those for 2011/12 and were much easier to follow.

Challenge questions:

- How are you planning to improve the preparation of your financial statements for 2013/14?
- Do your financial statements provide a clear overall picture of the financial performance of your authority?
- Has your Director of Finance carried out a de-cluttering exercise to ensure that disclosures are relevant, material and up to date?

Emerging issues and developments

Accounting and audit issues

Consultation on Local Authority Accounting Code of Practice for 2014/15

CIPFA/LASAAC's consultation on the Local Authority Accounting Code of Practice for 2014/15 closed in October.

In our response we noted that the complexity of international financial reporting standards (IFRS) inevitably means that it is increasingly difficult to construct a Code that is comprehensive, of reasonable length and fit for purpose. We suggested that the Code of Practice follows the approach adopted by the Treasury in the Financial Reporting Manual under which bodies are required to follow the relevant accounting standard other than where there are specified formal adaptations or interpretations. This would result in a much shorter simpler Code with local authorities referring directly to the underlying standards themselves. This approach is consistent with that adopted in the NHS, where the accounting manuals do not seek to repeat text from accounting standards.

In respect of the some of the other key consultation issues, our views were:

- IFRS 13 - the Code should follow the principles of IFRS 13 as closely as possible. We regard it as important that there is a common application of fair value by all bodies preparing accounts under IFRS.
- Infrastructure assets - we supported the adoption of IFRS based accounting for infrastructure assets. We recognise the practical difficulties in doing this and have offered to work with CIPFA/LASAAC and local authorities to help overcome these difficulties.
- Schools - we emphasised the importance of addressing the accounting issues for schools as a matter of priority, particularly because this is an area for which the Whole of Government Accounts are currently qualified.

Challenge question:

- Has your Director of Finance reviewed the proposed amendments to the 2014/15 Code and assessed the potential impact?

Emerging issues and developments

Accounting and audit issues

Property plant and equipment revaluations

The 2013/14 Code of Practice on Local Authority Accounting changes the requirements for the frequency at which authorities are required to carry out valuations of property plant and equipment. Previously the Code permitted valuations to be carried out on a rolling basis over a maximum of 5 years. The 2013/14 Code now restricts this option by requiring:

- revaluations to be sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period
- items within a class of property, plant and equipment to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.

However, the Code permits assets within the same class to be revalued on a rolling basis provided the revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. There is no definition of 'a short period' but the Code's requirement to avoid reporting a mixture of costs and values as at different dates suggests that to comply with the Code, all assets within a particular class should be valued within the same financial year.

Challenge questions

- Are both your Director of Finance and your professional advisors satisfied that your revaluation programme is sufficiently regular to ensure that the carrying amount of Property, Plant and Equipment at 31 March 2014 will not differ materially from that which would be determined using the fair value at that date?
- Has your Director of Finance reviewed the changes to the 2013/14 Code and implemented a valuation process to ensure your authority complies with other aspects of the Code requirements?

Emerging issues and developments

Accounting and audit issues

Public briefing on the Local Audit and Accountability Bill

In September, the Audit Commission published a briefing note on the Local Audit and Accountability Bill. The Bill is currently going through Parliament.

The briefing provides background information on the Bill as well as a view on the areas where the Audit Commission believe that the Bill can be further improved. These areas are:

- collective procurement arrangements
- audit appointment arrangements
- the National Fraud Initiative
- small bodies
- supporting accountability to Parliament and the public
- reporting on arrangements to secure value for money
- updating the legislative framework governing local public audit.

Challenge question:

- Have you considered how the proposed audit arrangements under the Draft Local Audit Bill will affect you?



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