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TRAFFORD COUNCIL

AGENDA PAPERS FOR ACCOUNTS AND AUDIT COMMITTEE

Date: Wednesday, 6 September 2017

Time: 6.30 p.m.

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

A G E N D A	PART I	Pages
1.	ATTENDANCES To note attendances, including Officers and any apologies for absence.	
2.	MINUTES To receive and if so determined, to approve as a correct record the Minutes of the meeting held on 10 July, 2017.	1 - 4
3.	STAR PROCUREMENT UPDATE To receive a presentation of the Director of Procurement, STAR Procurement.	5 - 16
4.	COUNTER FRAUD AND ENFORCEMENT TEAM: 2016/17 ANNUAL REPORT To receive a report of the Counter Fraud and Enforcement Manager.	17 - 22
5.	INSURANCE PERFORMANCE REPORT 2016/17 To receive a report of the Chief Finance Officer.	23 - 30
6.	EXTERNAL AUDIT 2016/17 FINDINGS REPORT To receive a report of the Council's External Auditor.	To Follow

7. **ANNUAL GOVERNANCE STATEMENT - 2016/17**
To consider a report of the Audit and Assurance Manager. 31 - 58
8. **APPROVAL OF ANNUAL STATEMENT OF ACCOUNTS 2016/17**
To consider a joint report of the Chief Finance Officer and the Head of Financial Management. To Follow
9. **ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2017/18**
To consider a report of the Audit and Assurance Manager. 59 - 62
10. **PART I: AUDIT AND ASSURANCE REPORT FOR THE PERIOD APRIL TO JUNE 2017**
To receive a report of the Audit and Assurance Manager. 63 - 74
11. **URGENT BUSINESS (IF ANY)**
Any other item or items which by reason of special circumstances (to be specified) the Chairman of the meeting is of the opinion should be considered at this meeting as a matter of urgency.
12. **EXCLUSION RESOLUTION**
Motion (Which may be amended as Members think fit):

That the public be excluded from this meeting during consideration of the remaining items on the agenda, because of the likelihood of disclosure of "exempt information" which falls within one or more descriptive category or categories of the Local Government Act 1972, Schedule 12A, as amended by The Local Government (Access to Information) (Variation) Order 2006, and specified on the agenda item or report relating to each such item respectively.
13. **PART II: AUDIT AND ASSURANCE REPORT FOR THE PERIOD APRIL TO JUNE 2017**
To receive a report of the Audit and Assurance Manager. Para. 7 75 - 76

THERESA GRANT
Chief Executive

Membership of the Committee

Councillors N. Evans (Chairman), C. Boyes (Vice-Chairman), J. Baugh, B. Brotherton, P. Lally, A. Mitchell and J.A. Wright.

Accounts and Audit Committee - Wednesday, 6 September 2017

Further Information

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

Chris Gaffey, Democratic and Scrutiny Officer

Tel: 0161 912 2019

Email: chris.gaffey@trafford.gov.uk

This agenda was issued on **Tuesday, 29 August 2017** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

Any person wishing to photograph, film or audio-record a public meeting is requested to inform Democratic Services in order that necessary arrangements can be made for the meeting.

Please contact the Democratic Services Officer 48 hours in advance of the meeting if you intend to do this or have any queries.

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ACCOUNTS AND AUDIT COMMITTEE

10 JULY 2017

PRESENT

Councillor N. Evans (in the Chair).

Councillors C. Boyes (Vice-Chairman), J. Baugh, B. Brotherton, A. Mitchell and J.A. Wright.

Also Present

Cllr P. Myers, Executive Member for Corporate Resources

In attendance

Head of Financial Management	(G. Bentley)
Interim Head of ICT Services	(J. Callan)
Audit and Assurance Manager	(M. Foster)
Democratic & Scrutiny Officer	(C. Gaffey)

Also in attendance

M. Heap, Grant Thornton UK LLP

APOLOGIES

Apologies for absence were received from Councillors P. Lally

1. MINUTES

RESOLVED: That the Minutes of the meeting held on 28 March 2017, be approved as a correct record and signed by the Chairman.

2. MEMBERSHIP OF THE COMMITTEE 2017/18, INCLUDING CHAIRMAN, VICE-CHAIRMAN AND OPPOSITION SPOKESPERSON

RESOLVED: That the Membership of the Committee for the 2017/18 Municipal Year, as appointed at the Annual Meeting of the Council held on 24 May 2017 and set out below, be noted:

Councillors Baugh, Boyes (Vice-Chairman), Brotherton (Opposition Spokesperson), N. Evans (Chairman), Lally, Mitchell and Wright.

3. TERMS OF REFERENCE

RESOLVED: That the Committee's Terms of Reference, as agreed at the Annual Meeting of the Council held on 24 May 2017, be noted.

4. CYBER SECURITY UPDATE

The Committee received a presentation of the Interim Head of ICT Services providing an update on the Council's cyber security systems and procedures. The presentation provided details of the recent high profile attacks reported in the UK, and highlighted the root causes of most cyber-attacks.

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10 July 2017

The Committee was reminded that there wasn't a 'one silver bullet' approach that could guarantee safety in relation to cyber security, but Members were advised of the 'Defence in Depth' strategy adopted by Trafford. This utilised Trafford Council staff as the first line of defence, providing them with a programme of continuous user education. Other techniques involved having clear data and device usage policies, maintaining the enforcement of encryption, and ensuring that all software was current and up to date.

The Interim Head of ICT Services answered several questions from Members in relation to network access from mobile devices, phishing techniques, and penetration testing. Members were advised that no portable programmes could be installed on Trafford Council devices, and work was ongoing on developing a data breach 'playbook'.

RESOLVED: That the presentation be noted.

5. BUDGET MONITORING 2016/17 - PERIOD 12 OUTTURN (APRIL 2016 TO MARCH 2017)

The Committee received a joint report of the Executive Member for Corporate Resources and the Chief Finance Officer informing Members of the 2016/17 draft outturn figures relating to both Revenue and Capital budgets, and the level of General and Service Reserves. The report also summarised the final unaudited position for Council Tax and Business Rates within the Collection Fund. Members were advised that the budget monitor reports were now bi-monthly, and work was ongoing on aligning the monitors with the Accounts & Audit Committee meetings.

Members discussed the current level of Business Rates appeals under the new check, challenge and appeal system adopted in April 2017. The Finance Team would be seeking evidence to ascertain whether the new system had affected the rate of appeals lodged.

The Head of Financial Management agreed to provide Members with information concerning the underspend in the Public Health and the Early Help Hub budgets.

RESOLVED:

- a) That the pre-audited revenue budget outturn be noted;
- b) That the levels of General & Service Reserves and Collection Fund balances and commitments are noted and confirmed;
- c) That the outturn position on the Capital Programme and Prudential Indicators be noted.

6. TREASURY MANAGEMENT ANNUAL PERFORMANCE REPORT 2016/17

The Committee received a joint report of the Executive Member for Corporate Resources and the Chief Finance Officer, outlining the treasury management activities undertaken during 2016/17.

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Following a question from a Member regarding the recent allegations concerning the funding of terrorism by Qatar, Members were advised that a decision had been taken to cease all investments with Qatar National Bank going forward. All of Trafford's current investments with the Bank would be repaid by 21 August 2017.

RESOLVED: That the Accounts & Audit Committee advise the Council:

1. of the Treasury Management activities undertaken in 2016/17;
2. that no prudential limits were breached during 2016/17; and
3. that there was full compliance with both the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance.

7. ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2016/17

The Committee received a report of the Audit and Assurance Manager providing an opinion on the standard of internal controls during 2016/17, as well as providing a summary of the work of the Audit and Assurance Service during 2016/17.

In response to a question on section 4.4.6 of the report concerning Bollin Primary School, the Audit and Assurance Manager advised that an initial draft findings report was currently with the school, and that a final report would be issued and shared with senior officers and Members once available.

RESOLVED: That the report be noted.

8. ACCOUNTS AND AUDIT COMMITTEE PROGRESS REPORT

The Committee received a report from Grant Thornton UK LLP on the progress at June 2017 in delivering its responsibilities as the Authority's external auditor. All Value for Money targets were expected to be met, and a letter detailing the planned annual audit fee for 2017/18 was presented to the Committee. The fee was independently set and remained at the same amount as the previous years'.

The Chairman requested that a training session on the Council's Annual Accounts be provided to Committee Members. The Head of Financial Management would canvass Members for prospective dates with the aim of scheduling the session before the end of July.

RESOLVED: That the report be noted.

9. CORPORATE GOVERNANCE CODE (UPDATED JUNE 2017)

The Committee received a report of the Audit and Assurance Manager setting out the proposed updated Corporate Governance Code which had been reviewed by the Corporate Leadership Team. It was noted that Trafford Council's Code of Corporate Governance was consistent with the principles of the CIPFA / SOLACE Framework. The Council's Annual Governance Statement was prepared every

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10 July 2017

year reflecting an annual review against the commitments set out in the Council's Corporate Governance Code.

RESOLVED: That the updated Corporate Governance Code be approved.

10. DRAFT ANNUAL GOVERNANCE STATEMENT - 2016/17

The Committee received a report of the Audit and Assurance Manager setting out the Draft 2016/17 Annual Governance Statement (AGS). Members were asked to contact the Audit and Assurance Manager with any comments they may have on the draft AGS by Thursday 25 July, 2017. The final version of the Statement would be signed by the Leader of the Council and the Chief Executive, before being brought back to the Committee for their approval at the meeting scheduled for 6 September, 2017.

RESOLVED: That the report be noted.

11. ACCOUNTS AND AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL - 2016/17

The Committee received a joint report of the 2016/17 Accounts and Audit Committee Chairman and Vice-Chairman, setting out the 2016/17 Annual Report of the Accounts and Audit Committee to be submitted to Council.

RESOLVED: That the report be noted.

12. ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2017/18

The Committee received a report of the Audit and Assurance Manager setting out the proposed work plan for the Committee for the 2017/18 municipal year.

RESOLVED: That the 2017/18 work programme be approved.

The meeting commenced at 6.30 pm and finished at 8.00 pm

Lorraine Cox
Director of Procurement

STAR Procurement

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- 1. Introduction**
- 2. Business Plan 2017/2020**
- 3. 5-STAR Measures 2017**
- 4. Internal Growth**
- 5. Four Key Work Streams 2017**
- 6. Audit Plans 2017-18**
- 7. Raising Our Profile**
- 8. Questions?**

Senior Management Team



COLLABORATIVE TRANSFORMATION

COLLABORATION

COMMERCIAL

COMMUNITIES

COMPLIANCE

CHAMPIONS

1. PROCUREMENT WORTH

2. STRATEGIC SOURCING

3. SOCIAL VALUE

4. GO LOCAL

5. GROWTH

6. CATEGORY MANAGEMENT

7. TRAINING & DEVELOPMENT

8. DATA

9. ENGAGEMENT

10. LEADERSHIP





**Income
£211K**



**Savings Target
57% in 3mths**



**External
Engagement**

**Data Sets –
Transparency
(local£/off
contract/outside
GM)**



**'Procurement
Worth' -
activity**



**Local
Investment**

**Social
Value**

**Contract
Management**

**Strategic
Growth**

The Chest - functionality & use (Rochdale – Q1)

Compliance with CPRs (Stockport – Q1/2)

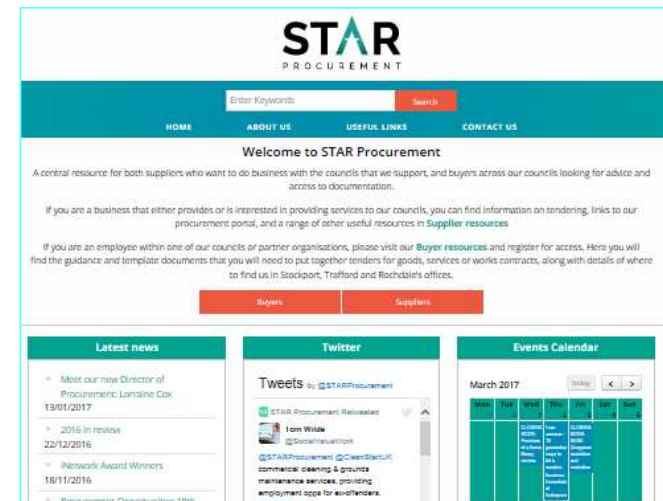
Financial appraisal of tenderers (Trafford – Q2)

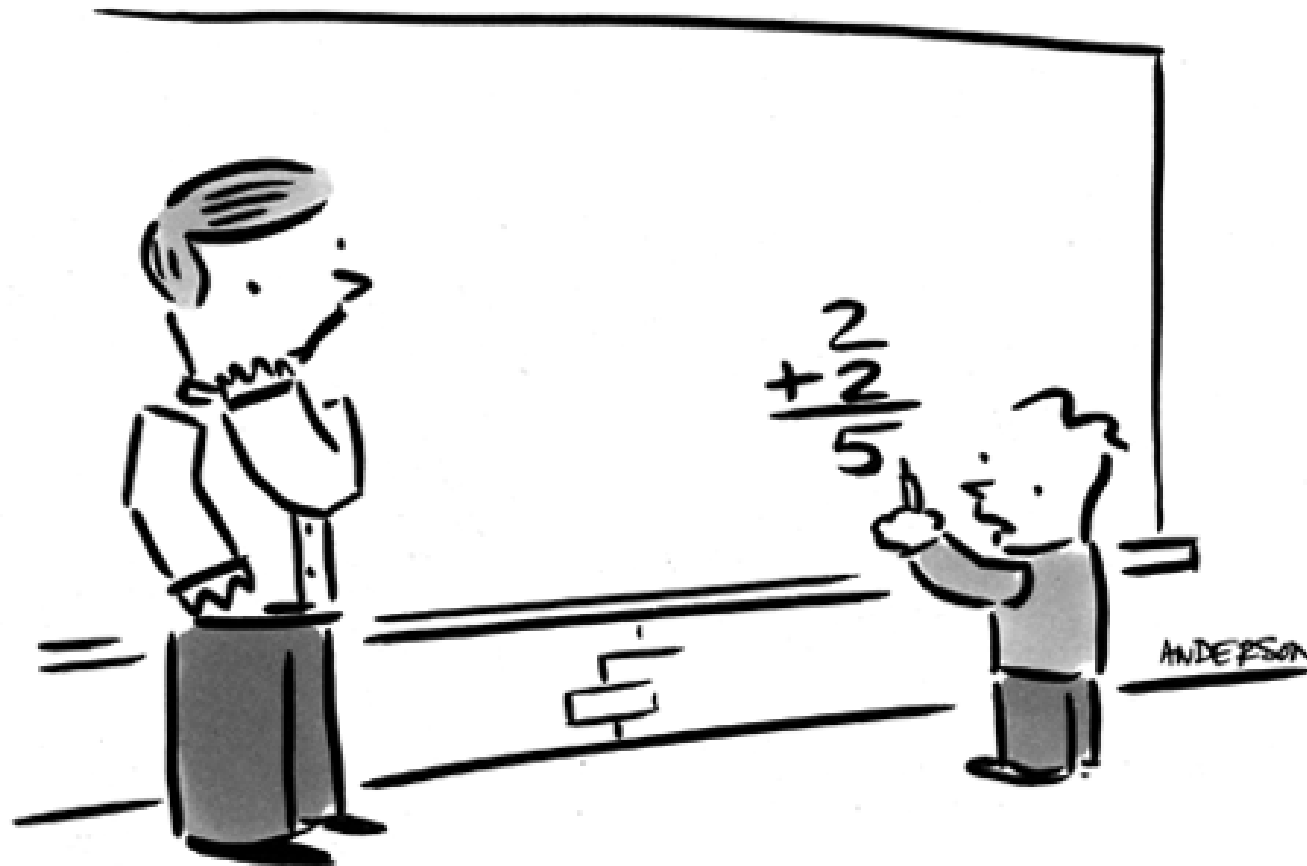
Contracts Register (Rochdale – Q3)

Social Value in Contract Management (Trafford – Q3/4)

STAR Quality Management System (Stockport – Q4)

- Procurement Handbook
- STAR Procurement Website
- Twitter
- LinkedIn
- Awards
- Articles
- Events





"I prefer to think of it as added value."



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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 6 September 2017
Report for: Information
Report of: Counter Fraud & Enforcement Manager

Report Title

Counter Fraud & Enforcement Team (CFT) : 2016/17 Annual Report

Summary

The report:

- outlines the Councils' fraud prevention and detection performance and activities in 2016/17 and
- outlines the teams' plans for 2017/18

Recommendation

The Committee is asked to note the content of the report.

Contact person for access to background papers and further information:

Name: David Wright – Counter Fraud & Enforcement Manager

Extension: 2228

Background Papers:

None

1.0 Introduction

- 1.1 Local Authorities have a statutory duty under section 151 of the Local Government Finance Act 1972 to make arrangements for the proper administration of their financial affairs.
- 1.2 Following the transfer to the DWP of all staff involved with investigation into benefit fraud on 1 March 2016 the council has retained a Counter Fraud and Enforcement Team to ensure a continued commitment to the authorities' zero tolerance towards fraud

2.0 Counter Fraud and Enforcement Team

- 2.1 The team is based within Exchequer Services located at Sale Waterside – whose main remit is now to investigate Revenues related matters such as Council Tax Support, Council tax discounts, Non Domestic rates liability avoidance and Social Care Fraud.
- 2.2 In the past the authority was able to rely on referrals from members of the public wishing to report persons believed to be committing benefit fraud, but as that area of work is no longer our remit, the team has been more proactive in generating referrals from working closely with other teams within the authority. An example of this has been the partnership developed with the Councils insurance team. An example of a successful conclusion to an investigation can be seen at **Case Study 1** below.
- 2.3. The team has done a great deal of work relating to Non Domestic rates, a particularly important area of work in view of the revenue generated in this area. It has been identified that there are a large number of companies who supporting businesses by assisting them to reduce their business rate liability by participating in rate mitigation schemes. The team has been playing an important role in ensuring that these schemes are being operated lawfully and in accordance with legislation. An example of where it was identified that this was not the case can be seen at **Case Study 2** below.
- 2.4 In addition to effectively investigating allegations of fraud, the teams remit is also to provide an effective service to support and enhance the enforcement of money already owed to the Council as well as reduce Council expenditure and/or generate income within Exchequer Services. An example of this has been the work carried out to support the Client services team in cases where traditional debt recovery procedures had failed to provide a satisfactory response. This resulted in a number of accounts being either settled or the debt being significantly reduced following the teams intervention. Another particularly productive case relating to this area involved the identification of a case where the service users daughter had attempted to evade care charges by transferring his property into her name – **further details are shown below in Case Study 3**

Case Study 1

An investigation was set up in relation to a council tax payer who had been claiming a discount at 2 separate addresses in the borough on the basis he was the sole occupier of each property. However it was identified that during this time an insurance claim had been made against the authority by another adult who had stated in her claim that the accident that had resulted in the claim being made had happened “in her husbands car, when we lived at” the address in question. The subsequent investigation identified financial links between both parties at both addresses involved and that they had got married during this time. After initially claiming to be living at separate addresses, it was accepted that they had been living together for a 3 year period during which time the discount had been incorrectly claimed. An additional Council Tax liability was subsequently calculated amounting to £1650, which was paid in full.

Case Study 2

An investigation was successfully concluded after it was established that a supposed non domestic rates mitigation scheme being operated was not as it initially appeared to be. The company involved had been attempting to reduce their clients rate liability by claiming periods of 3 month rate exemptions on 2 offices by periodically storing rolls of carpet supposedly belonging to their client for 6 week periods before moving the goods back in. However when a challenge was made about why the goods were being stored, who they belonged to and where they were being stored during the respective 3 months periods when NOT in the premises the company became evasive. Further evidence was requested in the form of delivery notes to help verify the situation and what was eventually provided appeared to have been doctored. When further challenged regarding this, the company withdrew their request for the exemptions and settled in full the subsequent £10500 non domestic rates bill which was outstanding.

Case Study 3

A referral was made to the team relating to a case where a service user had died in 2014, 2 years after moving into residential care owing £43.5k in care charges. His daughter had attempted to have the debt discharged on the basis that her father had had no means to be able to pay it. However, the subsequent investigation identified that just before the gentleman went into care his property had been transferred into his daughters name for no monetary value. When contacted about this, his daughter denied that this had been done in an attempt to avoid her father having to pay any care charges, and that this had been done in order for him to be able to move abroad. The fact there had been no money involved in the transaction and that his declining health meant that he was already known to social services contradicted this statement. A further attempt was made by the clients daughter via the Ombudsman to have the debt discharged but this was denied and instead, the authority was able to successfully obtain a court order to recover the debt in full (plus costs) which was achieved following the sale of the property.

Table 5 below shows the amount of income generated by the team during the 2016/17 financial year:

Table 5 – Counter Fraud & Enforcement Team

	Amount (£)
Council Tax Discount Cancellations	24k
Council Tax Support/ Council Tax Benefit Overpayments	72k
Council tax Liability Irregularities	15k
Non-Domestic-Rate, Liability Irregularities (net)	420k
Adult Social Care Enforcement	104k
Total	635 k

4.0 Partnership Working

4.1 Over the last 12 months the team has continued to build on the closer working partnership between various other departments within Trafford Council (e.g. Trading Standards, Licensing, Environmental Health, Community Safety) and Greater Manchester Police (GMP) together with support from external agencies such as the DWP, HMRC, Probation Service & Immigration Services set up under the name Operation Bank. The authority has also played a leading role in the newly formed Lancashire and Greater Manchester Fraud Initiative group which was created by the various residual counter fraud teams remaining in the various local authorities who, like Trafford, had seen their previously existing benefit investigation teams transfer to the DWP over the last couple of years

5.0 Planned activity for 2017/18

5.1 Over the next 12 months it is anticipated that the Counter Fraud and Enforcement Team will continue to develop into other areas of investigation. The main priorities for the unit will be to:

- **Work closely with Internal Audit and Exchequer Services to use our joint expertise to help combat all types of fraud being perpetrated against the Authority, in particular in relation to Non Domestic Rates & Adult Social Care**
- **Work closely with Internal Audit to review existing Anti-Fraud policies to ensure that an anti fraud, security aware culture is developed and promoted within the borough.**
- **Continue pro-active & reactive working in relation to investigating irregularities affecting Council Tax and Non Domestic Rate liability**
- **Ensure that all referrals raised as a result of National Fraud Initiative data matching exercise are progressed and concluded appropriately**

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TRAFFORD COUNCIL

Report to: Accounts & Audit Committee
Date: 6 September 2017
Report of: Chief Finance Officer

Report Title

Insurance Performance Report 2016/17

Summary

This report provides a summary of insurance performance for 2016/17.

The gross cost of the insurance activity for 2016/17 was £0.819m; comprising £0.546m of premium costs and £0.273m provision for liability claims.

The provision for outstanding liability claims was £3.439m as at 31 March 2017, compared to £3.968m as at 31 March 2016.

There was a small decrease in claim numbers for 2016/17 with 306 new claims compared to 315 in 2015/16; the number of liability claims paid saw an increase with 104 claims paid in 2016/17 compared to 93 in 2015/16.

Recommendations

That the report be noted.

Contact person for access to background papers and further information:

Name: Graeme Bentley
Extension: 4336
Background Papers: None

1. Introduction

1.1 This report updates the Committee on the Council's insurance activities for 2016/17 and the purpose is to update Members on:

Section 2 Cost of Insurance

Section 3 Claims

Section 4 Achievements

Section 5 Outlook

1.2 The Council's insurance programme covers a number of areas including property, public and employer's liability, for a detailed summary of policies and providers please refer to **Annex 1**.

1.3 The Insurance Team exert financial control in managing and monitoring risk and in handling and defending claims made against the Council.

2. Cost of Insurance

2.1 The cost of insurance in 2016/17 is £0.819m, compared to a revised budget of £1.505m, comprising premiums of £0.546m and provision for the cost of claims of £0.273m. The decrease in insurance costs compared to budget of (£0.686m), transferred to the Insurance Reserve, is explained by:

- Net decrease in provision for claims (£0.625m). The reduction represents savings on the assessed cost of claims relating to previous policy years including a large value claim that was successfully defended (see **Section 3.3** for details). This in-year saving has been transferred to the insurance reserve.
- Premium savings of (£0.061m) is a result of a review of the level of property values which we insure.

	Budget £000	Actual £000	Variance £000
Premiums	607	546	(61)
Provisions	898	273	(625)
Total	1,505	819	(686)

2.2 The Council maintains both an insurance provision to cover the cost of outstanding liability claims and an insurance reserve.

Provision	£000:	Insurance Reserve	£000:
Balance as at 01/04/2016	(3,968)	Balance as at 01/04/2016	(2,415)
Additional Contribution from Revenue	(898)	Contribution to Budget Support Reserve	1,000
Less Claims Paid	783	Contribution from revenue/provision	(724)*
Reassessed Provision	644		
Balance as at 31/03/2017	(3,439)		(2,139)

(*) Includes other budgeted contributions

- Insurance Reserve: the reserve is maintained in the event of a catastrophe where the Council is required to cover the first £250,000 on any building claim. It is also used to balance any fluctuation that might be required in the overall provision level or for additional costs associated with historic Municipal Mutual Insurance claims and serve as a buffer in case the volatile insurance market were to move against us.

3. Claims

- 3.1 **Claims Activity.** In 2016/17 the Council received 306 new liability claims compared to 315 in 2015/16, a decrease of 3%. See **Annex 2** for a detailed breakdown of claims activity.

	2016/17	2015/16
Live Claims as at 1 April	388	376
New Claims Received in Year	306	315
Claims Settled in Year	307	303
Live Claims as at 31 March	387	388

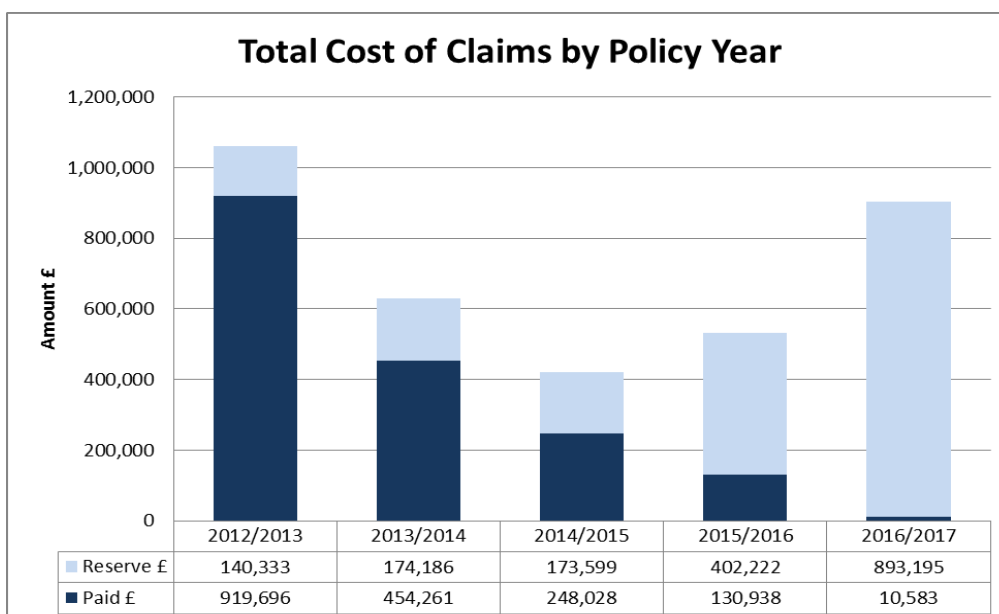
- 3.2 The average cost of settled claims in 2016/17 is £7,058, compared to £5,925 in 2015/16. The increase is due to one large claim from 2010/11 being settled in 2016/17 for £222,653 (a tripping incident on Council owned land). Without this claim the average cost of settled claims would reduce to £4,923.

- 3.3 **High value claims** are defined as claims that carry a reserve of £50,000 and above. A number of these claims were defended in 2016/17 including a tripping claim with a reserve of £500,000. As at 31 March 2016 the Council had 8 high value claims with an estimated value of £701,116, this is reflected within the current insurance provision. This compares favourably to last year where there were 12 outstanding high value claims with an estimated value of £1,305,897. The claims range across a number of policy years and are managed by specialist claim handlers and solicitors and monitored by the Insurance team.

- 3.4 The table below shows claims numbers and repudiation rates over the last five policy years for Employer's and Public liability claims.

Policy Year	No of Claims	Open	Closed	No Settled	No Repudiated	Rep Rate
2012/2013	434	6	428	104	324	76%
2013/2014	305	11	294	98	196	67%
2014/2015	306	27	279	62	217	78%
2015/2016	292	60	232	66	166	72%
2016/2017	238	201	37	24	13	35%
Total	1,575	305	1,270	354	916	72%

- 3.5 The following chart shows the total cost of Employer's and Public liability claims for the same period. It shows the amount paid for claims in the policy year; and levels of reserve amount for outstanding claims. As 2016/17 is still an immature year the reserve amount will decrease as the majority of the outstanding claims will be repudiated.



3.6 With the dynamic of the Council's workforce now being predominately office based Employer's liability claims have reduced to negligible levels and make up only 2% of the above claims. However they account for 14% of the amounts paid in the last five years, a single Employer's liability claim can cost a significant amount. Other observations include:

- Highway injury claims present the largest financial insurance risk to the Council and great focus is placed on defending these claims, the repudiation rate for Highway injury claims stands at 83%.
- Highway injury claims make up 34% of all claims received; however they make the largest financial impact with 61% of all claim payments.
- Highway property claims such as vehicle damage and tree root claims account for the largest number, 48% of all claims but only account for 7% of the costs.
- Non highway Public liability claims make up 16% of the claims received and 18% of the claims paid.

3.7 The table below shows the reasons why Highway injury claims were settled in 2016/17 compared to 2015/16.

Reason for Settlement	2016/17	2015/16
Defect not picked up in carriageway	3	3
Defect not picked up in footway	5	8
Failure to repair carriageway	2	3
Failure to repair footway	0	6
No inspection carriageway	8	1
No inspection footway	8	1

3.8 With Highways being a contracted-out service, the Insurance team actively monitor the performance of the contract and have built strong relationships to ensure that the performance issues experienced during 2016/17 and reflected in the table above are mitigated.

4. Achievements

4.1 The following achievements were made:

- **Renewal 2017/18.** Insurers were seeking premium increases of between 30% and 40% but in negotiations the Insurance Team highlighted the Council's positive historical claims experience and risk management initiatives that prove the Council continues to be a good risk from an Underwriters perspective. A premium saving of £31,000 was achieved with the additional benefit of a new 1+1 LTA arrangement with ZM.
- **Corporate Fraud Initiatives.** The Insurance team established a reporting method with the Counter Fraud and Enforcement team in relation to potentially spurious insurance claims. As well as the financial achievements, this work serves as a further form of defence for the Council against those who are set on deceit and a burden on public funds.
- **The Highway Damage Claim Form.** This was introduced in 2013 and continues to serve as a defence against potential claims. The form seeks full documentation in support of a claim and sets out the claims procedures and legal duty in maintaining the highway under the Highways Act 1980. In 2016/17, 216 forms were sent out and only 126 were returned. This represents a "drop-out" rate of 42%.

5. Outlook

- 5.1 **Insurance Guide for Managers.** The Insurance team are currently working on refreshing the Insurance Guide for Managers to reflect the changes to the Insurance Act which came into effect in August 2016. Senior management need to be aware of the changes brought about in the Act and of their responsibilities to disclose changes to material circumstances which may have a bearing on the validity of our insurance contracts and cover.
- **Discount Rate.** The net rate of return on a lump sum which applies to serious long term injury claims or fatalities is set by the Ministry of Justice and as of the 20th March 2017 was set at -0.75% from 2.5%. This means that award levels are set to increase, having a major effect on insurer's loss reserves and balance sheets and is something to be aware of at future renewals.
 - **Cyber Insurance.** Due to the most recent Ransomware attack on the NHS, Nissan and others, it is recommended by our Brokers that consideration be given to purchasing a Cyber policy which provides wider protection in the event of data theft and offers support by way of Breach Response Services.
 - **Claims System.** As the old system was no longer being developed or invested in, the Council have purchased a bespoke claims system. This system will provide facilities to deliver report writing and improved financial information to assist with risk management issues and monitoring of the insurance fund going forward.

Trafford Council Current Insurance Programme

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Limit of Indemnity	Sum Insured BI Max Indemnity Period 36 months	£50m EL	£50m PL	Unlimited TP Injury £20m TP Damage	Accidental bodily injury, death, disablement or the incurring of Medical Expenses	Various Physical loss of money	£5m Financial loss sustained as a result of a criminal act	£5m
Policy	Property Damage / Business Interruption	Employers' Liability / Officials Indemnity	Public Liability	Motor	Personal Accident	Money	Crime / Fidelity Guarantee	Professional Negligence
Insurer	Zurich Municipal	Zurich Municipal	Zurich Municipal	Amlin	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal
Deductibles	£250,000	£275,000	£275,000	£1,000	Nil	£250	£10,000	£100,000
Stop Loss	Aggregate £1M	Aggregate £2M	Aggregate £2M					

Claims Activity Report

Claim Numbers	2016/2017				2015/2016			
	Highway	PL	EL	Liability Total	Highway	PL	EL	Liability Total
Live Claims b/f	278	71	39	388	270	64	42	376
New Claims Received	270	29	7	306	245	59	11	315
Settled Claims	245	45	17	307	237	52	14	303
Claims c/f	303	55	29	387	278	71	39	388
Net Change in Claim Numbers	25	(16)	(10)	(1)	8	7	(3)	12
Cost of Settled Claims	£000	£000	£000	£000	£000	£000	£000	£000
Claimant Costs £	200	233	60	493	247	27	50	324
Claimant Solicitor Costs £	49	90	50	189	135	11	55	201
Own Solicitor Costs £	26	18	8	52	15	7	4	26
Total £	275	341	118	734	397	45	109	551
No of Claims Settled at Nil	166	26	11	203	167	35	8	210
Repudiation Rate of Settled Claims	68%	58%	65%	66%	70%	67%	57%	69%
Average Cost of Settled Claims	3,481.01	17,947.37	19,666.67	7,057.69	5,671.43	2,647.06	18,166.67	5,924.73

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 6 September 2017
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Annual Governance Statement – 2016/17

Summary

The preparation and publication of an Annual Governance Statement (AGS) is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2015. This report provides the final version of the 2016/17 AGS.

The Committee previously received a report in July 2017 setting out the Draft 2016/17 AGS. Draft versions of the AGS had also previously been shared and reviewed by the Corporate Leadership Team.

No further changes to the 2016/17 AGS have been made since the draft version was presented to the Accounts and Audit Committee on 10 July 2017. Further issues arising in 2017/18 impacting on governance and developments in relation to governance issues reported to date will be considered as part of the process for compiling the 2017/18 AGS.

Recommendation

The Accounts and Audit Committee is asked to approve the 2016/17 Annual Governance Statement.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Name: Paula Liew – Principal Auditor
Extension: 1232

Background Papers:

None

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TRAFFORD COUNCIL

ANNUAL GOVERNANCE STATEMENT 2016/17

1. Scope of Responsibility

- 1.1 Trafford Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Trafford Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regards to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, Trafford Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 Trafford Council has approved and adopted a code of corporate governance, which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'. A copy of the Authority's code is on our website at: <http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/downloadable-documents.aspx>
This statement explains how Trafford Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulation 6, which requires all relevant bodies to prepare an annual governance statement.

2. Purpose of the Governance framework

- 2.1 The governance framework comprises the systems and processes, culture and values by which the Authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the Authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Trafford Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.
- 2.3 The governance framework has been in place at Trafford Council for the year ended 31 March 2017 and up to the date of approval of the statement of accounts.

3. The Governance Framework

3.1 The Authority has adopted a local governance framework which is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government' 2016 edition. The Trafford Council Corporate Governance Code sets out in detail how the Authority meets the requirements of the framework and is aligned to the principles of good governance in local government as set out in the CIPFA framework, based upon the International Framework: Good Governance in the Public Sector (CIPFA, IFAC, 2014):

- Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law
- Ensuring openness and comprehensive stakeholder engagement
- Defining outcomes in terms of sustainable economic, social and environmental benefits
- Determining the interventions necessary to optimise the achievement of the intended outcomes
- Developing the entity's capacity, including the capability of leadership and the individuals within it
- Managing risk and performance through robust internal control and strong public financial management
- Implementing good practices in transparency, reporting, and audit to deliver effective accountability.

3.2 The key elements of the system and processes that comprise the Authority's governance framework are outlined in this Annual Governance Statement, describing how the Authority can demonstrate the effectiveness of governance arrangements during 2016/17 with reference to each of the seven governance principles.

CIPFA SOLACE Principle A.	Key Elements of Trafford Framework
Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	<ul style="list-style-type: none"> • Constitution • Employee Code of Conduct • Members Code of Conduct • Register of Interests • Disciplinary Policy • ICT Acceptable Use Policy • Anti-Fraud & Corruption Strategy • Confidential Reporting Code • Standards Committee • Corporate Governance Code
How we demonstrated effectiveness in 2016/17	
<p>The Constitution, committee membership and delegated functions were reviewed and approved by Full Council on 25 May 2016. The Standards Committee met throughout 2016/17 receiving updates from the Monitoring Officer in relation to local standards and best practice developments e.g. Information Governance.</p> <p>The protocols setting out the dispensations which allow members to participate in council business where a disposable pecuniary interest has been disclosed, introduced in 2012, were reviewed by the Standards Committee in November 2016. All members are to complete a Register of Interests which is published online detailing disclosable pecuniary interests, other interests and provide a record of gifts & hospitality received.</p> <p>A Planning Committee Code of Practice was approved at Standards Committee in March 2017, setting standards of probity and conduct for members and officers dealing with planning related matters.</p> <p>A refreshed new starter induction guide and checklist for staff is in place which includes a number of mandatory elements such as Data Protection, Information Security, Employees' Code of Conduct, Fraud Awareness and the Acceptable Use Policy.</p> <p>The Council has reviewed and updated its Anti-Fraud & Corruption Strategy in March 2017. Improvements to the Council website have been made to enable online reporting of suspected fraud. The Council's Whistleblowing Policy is currently subject to review.</p> <p>The 2015/16 Annual Report for the Counter Fraud and Enforcement team was presented to the Accounts & Audit Committee in Sept 2016 outlining fraud prevention and detection activities and planned work through partnership and collaboration across Council departments and external agencies. The team has primarily focussed on revenues related fraud relating to Council tax and Business rates. An annual report for 2016/17 will be reported to the Accounts and Audit Committee by September 2017.</p>	

The Authority has updated its Corporate Governance Code reporting against the principles of the revised CIPFA local governance framework 2016 (based on the International Framework: Good Governance in the Public sector (CIPFA/ IFAC 2014).

CIPFA SOLACE Principle B.	Key Elements of Trafford Framework
Ensuring openness and comprehensive stakeholder engagement	<ul style="list-style-type: none"> • Decision Making Protocols • Access to Information Procedure Rules • Budget Consultation • Trafford Partnership Board & Strategic Boards • Public Service Reform Board & Operational Group • Building Strong Communities Strategy • Locality Working Programme • Joint Strategic Needs Assessment
How we demonstrated effectiveness in 2016/17	
<p>Public and staff consultation on the 2017/18 budget proposals took place between September to December 2016 through a range of media including a dedicated website, online survey, stakeholder events, live webcasts and social media. The theme was 'Taking the Trafford Pound further' and incorporated various proposals themed around the overall strategy / key interventions (see Principle C). Outcomes of the public consultation were published alongside the budget proposals in February 2017.</p>	
<p>Other examples of consultation exercises in the year included the Greater Manchester Spatial Framework, All Age Transport Policy, Conservations Area Guidance and Economic and draft Economic and Housing Growth Framework. The Altrincham Business Improvement District was established in April 2016 following a process which included consultation over an 18 month period.</p>	
<p>The Council as part of the Greater Manchester Combined Authority and through its integrated partnership governance framework, is working to deliver transformational change under the Public Service Reform and Health & Social Care integration programmes. The PSR Strategic and Operational Boards provide oversight and engage stakeholders in development of new operating models for Trafford based on four place based multi-agency teams, one for each of Trafford's locality areas and a strengths and community asset based approach to service delivery. Evidence was gathered for this approach during 2016 through the two One Trafford Response test weekends and Reshaping Social Care '3 conversations' pilots, and will be further developed through the Place Based pilot in the North locality in early 2017/18.</p>	
<p>During 2016/17 Locality working has been supported through the development of Enabling groups: a small team of residents, councillors and agency representatives who lead the work programme in each area. As part of our 'Be Bold be the Difference'</p>	

campaign, a range of training/awareness sessions have been rolled out to staff working with the community to understand how community groups can function alongside the Council to achieve shared goals. Community Builders and Community Connectors are in place to connect people in neighbourhoods so that all resources working in localities have a common understanding of what's available.

The Council commissions Pulse Regeneration to deliver the 'Thrive' contract, infrastructure support for social enterprise, capacity building and volunteering. The Voluntary, Community, Social Enterprise (VCSE) Strategic Forum has been established to build positive relationships across the sectors and to recruit VCSE representatives to the Trafford Partnership Strategic Boards to increase influence.

CIPFA SOLACE Principle C	Key Elements of Trafford Framework
Defining outcomes in terms of sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • Together Trafford 'Vision 2031' • Core Strategy • Trafford Locality Plan • Physical Activity Vision • Medium Term Financial Strategy
How we demonstrated effectiveness in 2016/17	
<p>During 2016/17 the Council has continued to review its strategy to reflect local and national changes including devolution, financial gap and future funding arrangements, Greater Manchester Public Service Reform framework and integration.</p>	
<p>The 'Together Trafford - Vision 2031' based on the premise 'No one will be held back and no one left behind' has been developed in partnership with key agencies, and through engagement with voluntary, community and faith representation. Feedback from the Partnership Strategic Boards on the vision and identified interventions were presented to the Trafford Partnership Board in January 2017. This will be used to inform the development of a place based strategy guided by two principles:</p> <ul style="list-style-type: none"> • People: the council will help residents to help themselves and each other • Place: to create a place where people want to live, stay, learn, work, invest and relax 	
<p>To support the vision, seven interventions (short - medium term priorities) have been developed which underpin the Council's Annual Delivery Plan and Medium Term Financial Plan:</p> <ul style="list-style-type: none"> • Mersey Valley becomes a significant visitor attraction that connects the North to the South of the Borough • Creating a national beacon for sports, leisure and activity for all- Make Trafford a Destination of Choice • Accelerate housing and economic growth so everyone benefits • Supporting communities and businesses to work together to design services, help themselves and each other • One Trafford: Behaviour Change and Building Stronger Communities 	

- Developing a wider education and skills offer that better connects people to jobs
 - Optimising technology to improve lives and productivity
- (See Section 5.3 Significant Governance Issues 2017/18 - Delivery of Together Trafford - Vision 2031).

To support the devolution of Health & social care funding to Greater Manchester from 1st April 2016, Trafford Council and health partners agreed a 5 year Locality Plan in March 2016 which sets out the principles of change and framework for enhanced, integrated and co-commissioned health & social care offer in the borough.

A Physical Activity Vision has been developed through a collaborative approach with the aim to improve health & social outcomes for residents in Trafford by getting the inactive, active and increasing everyone’s level of physical activity, in conjunction with the Sport & Physical Activity Partnership and Health & Wellbeing Board. A Physical Activity Strategy and implementation plans are now under development. The Leisure Strategy project aims to develop an overarching Leisure Strategy aligned to Vision 2031.

CIPFA SOLACE Principle D	Key Elements of Trafford Framework
Determining the interventions necessary to optimise the achievement of the intended outcomes	<ul style="list-style-type: none"> • Transformation Programme • Annual Delivery Plan • Medium Term Financial Plan • Efficiency Plan • Capital Investment Programme • Social Value Framework

How we demonstrated effectiveness in 2016/17

During 2016 the Council accepted a multi-year government funding settlement which will provide a greater level of financial stability over the next few years with guaranteed levels of mainstream government funding. To qualify for this an Efficiency plan was produced and will be reviewed annually as part of the budget setting process.

The 2017/20 Efficiency plan sets out proposals to deliver the savings required to close the funding gap through the transformation agenda, building on the foundations of the Reshaping Trafford programme which has already delivered efficiency and transformational savings. Transformational change will be in conjunction with partners as part of the PSR agenda delivered through the Trafford Partnership structures and continuing work on the 2031 vision and Together Trafford brand with our partners.

Trafford Council is working in collaboration with Trafford Clinical Commissioning Group (CCG) and key partners to develop an all age integrated framework for Service Reform based on a new operating model for the whole of public services in Trafford.

On 1 April 2016, Trafford Council and Pennine Care NHS Foundation Trust signed a two-year partnership agreement to enable delegation of functions and integrated

provision under the flexibilities set out in Section 75 of the Health act 2006 for an all age integrated health & social care service in Trafford. During 2016/17 a new senior management structure has been implemented and an All Age Front Door bringing together Children's Multi Agency Referral & Team and Adult Screening teams. The partnership agreement was refreshed in February 2017 to further align service delivery and support Phase 2 delivery in 2017/18.

Following a strategic review of leisure facilities across the borough, investment of £24m has been agreed as part of the authority's Capital Programme and project management is in place to deliver this. An assessment of outdoor leisure and sporting facilities (Playing Pitch strategy) has been undertaken with the aim to broaden sustainable access to a wide range of sporting and leisure opportunities and provide a sustainable strategic framework, as a fundamental enabler to improved health & wellbeing outcomes.

Supported by Trafford Council, Greater Manchester Police (GMP) embarked on a programme to transform its HR function to provide a more streamlined, cost effective and higher quality service to meet the needs of its officers and staff. A soft launch of the new service: Greater Manchester Shared Service with co-located staff at Trafford Town Hall went live in December 2016 with formal 'go-live' in March 2017.

In July 2016 the Council has entered the 2nd year of the joint venture contract with Amey LG to manage a range of environmental services including the previous in-house service and the domestic and commercial waste contract. Contract governance and monitoring arrangements have been established and savings delivered against target. During 2016 a Scrutiny Task & Finish Group has carried out a review of the contract to measure progress to date, and in March 2017 presented recommendations for improvement to performance reporting, communications and transparency.

The Trafford Youth Trust was established as a Community Interest Company in March 2016 with the aim to move from a council led to independent led organisation which can provide a partnership framework against which youth provision will be commissioned, and develop effective strategies to increase investment in youth services. To date the Trust has awarded £210,000 funding, some of which has been invested to deliver a mix of seven targeted and universal services throughout the borough, managed by six providers.

The Trafford Social Value group was established to coordinate social value activity across Trafford with relevant partner agencies aligned to the Greater Manchester Combined Authority (GMCA) Social Value Policy to ensure that capital investment provides added social, environmental and economic value for residents of Trafford. The STAR Shared Procurement Service has produced guidance for business in bidding for tenders. Contract and performance monitoring procedures are being developed.

CIPFA SOLACE Principle E	Key Elements of Trafford Framework
<p>Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p>	<ul style="list-style-type: none"> • Supporting Change to Happen Strategy 2014-17 • Member Development Strategy • Members’ Training Plan • Members’ Induction Process • Employee Training & Development Plan • Corporate Induction Procedure • Employees Personal Development Review (PDR) • Staff Health & Wellbeing Strategy • Absence Management Strategy
<p>How we demonstrated effectiveness in 2016/17</p>	
<p>The One Trafford Estate programme aims to assess, understand and plan to create a portfolio of assets for cross organisational working, portfolio reduction and to create a multifunctional hub for each locality.</p> <p>A Supporting Change to Happen strategy is in place which identifies areas of good practice and sets out further improvements required through use of technology, training and leadership support. A new suite of learning and development courses were available throughout 2016/17 for staff to equip them with tools, techniques and skills to manage their own personal transition to work successfully in the new delivery models. The courses included Leadership and Management, Commercial Skills workshops, Coaching for Improved Performance, Strength Based Conversations, Project Management and Strategic Influencing and Stakeholder Management.</p> <p>Trafford Council is the lead authority on the development of a Greater Manchester (GM) training procurement framework. The new dynamic purchasing system (DPS) went live in January 2017. The Council is also a partner in the GM e-learning platform. A large proportion of the mandatory training is delivered via the Council’s e-learning platform which enables it to monitor and report on compliance rates. Training and Development Plans are in place at directorate level and cross council, which are refreshed and updated annually.</p> <p>A succession planning strategy has been developed that formalises an approach to ensure that key skills are not lost to the Council whilst up-skilling staff to take on higher graded roles. Successors will be identified at senior manager level and targeted development initiatives provided to ensure that the Council is equipped to flex the workforce to react to resource and skills gaps.</p> <p>In August 2016 a Staff Health & Wellbeing Strategy was adopted with the aim to coordinate existing workplace activities, use a collaborative approach and improve organisational effectiveness organised around four key themes</p> <ul style="list-style-type: none"> • Healthy Lifestyle • Mental wellbeing 	

- Safe and healthy workplace
- Workforce engagement.

An action plan has been drawn up to monitor delivery of the agreed outcomes through evaluation of sickness absence, injury & accident data, occupational health records and staff surveys. A Core Strategy group has been established and in collaboration with key partners is focusing on a range of interventions, including improved mental wellbeing support for managers and staff e.g. through reviewing available services, improved signposting of this support, and the provision of relevant staff awareness and training.

A new Member Training Plan is in place with a training programme delivered during the year including safeguarding, leadership and the changing role of the Councillor. A Leadership Development Programme was rolled out throughout 2016/17 that delivered a range of community based leadership interventions. The Members Induction Guide was also refreshed and updated.

The Member Development Steering Group which is responsible for the development of training and development opportunities for all Members continues to meet on a regular basis to agree priorities for development and review and evaluate learning and development programmes. The Council continues to demonstrate compliance with Level 1 of the North West Employers Organisation Members Charter which ended in 2016. However the Council is working towards retaining the award in 2017.

Trafford in partnership with Pure Innovations, Trafford College and CMFT (Central Manchester Foundation Trust) has implemented a Supported Internship scheme which is now in its 4th year. The aim of the internship is to develop employability skills in the real work place for cohorts of 10 young people with learning difficulties and/or other disabilities, resulting in City & Guilds qualification. Securing sustainable paid employment for the young people is the ultimate goal of the scheme, with either the host employer or elsewhere.

The Council's Internal Apprenticeship scheme which was launched in 2011 has had around 140 recruits in a broad range of disciplines and 48 of these have secured permanent employment with the Council. In addition to these there are 10 existing members of staff undertaking a higher level apprenticeship in Leadership & Management (Level 5) and 2 former apprentices undertaking a level 3 in Business Administration.

CIPFA SOLACE Principle F	Key Elements of Trafford Framework
<p>Managing risks and performance through robust internal control and strong public financial management</p>	<ul style="list-style-type: none"> • Financial Procedure Rules • Contract Procedure Rules • Treasury Management Strategy • Scrutiny Committees and Protocols • Risk Management Strategy & Policy Statement • Strategic Risk Register • Internal Audit Strategy • Accounts & Audit Committee
<p>How we demonstrated effectiveness in 2016/17</p>	
<p>The Council's net revenue budget for 2016/17 is £146.70m and outturn expenditure on service expenditure shows an overall underspend of £4.32m. In terms of overall funding a sharp rise in business rate appeals has given rise to a shortfall in funding from business rates in the year which has been offset from the service savings above.</p> <p>The overall budget gap for 2016/17 was £22.64m and was addressed by a combination of additional resources of £6.26m, including projected growth in business rates, council tax and general reserve and £16.38m of service savings and additional income. This target was amended during the year to reflect the decision made by the Executive to amend the policy on social care transport reducing the overall target to £16.1m.</p> <p>The outturn figures shows that £15.50m of the savings target have been achieved. The transformation programme will over-achieve slightly against its savings target by £27k, the business as usual and corporate savings show a shortfall of £220k and the recovery of Continuing Health Care costs from the CCG show a shortfall of £403k, giving an overall shortfall of £596k. This will be met by underspends in other non-savings related budget lines.</p> <p>The budget for 2017/18 was approved by the Executive in February 2017 and sets out the Council's Medium term Financial strategy 2017/18 to 2019/20 including income and savings proposals to address the funding gap of £47.7m over next 3 years. The plan is a rolling document which is updated as changes in assumptions and conditions are known. (See Section 5.3 Significant Governance Issues 2017/18 - Medium Term Financial Position / Savings).</p> <p>A 3 year Capital investment programme for 2017/20 has been approved for £109.16m with £65.73m profiled to be undertaken in 2017/18. Work is underway to develop an Investment Strategy with £20m allocated to generate sustainable income streams to support the council's revenue budget using its favourable prudential borrowing position.</p> <p>The Council has signed up with 11 neighbouring authorities to the Greater</p>	

Manchester Business Rates Pool, which will have the benefit of ensuring that levies payable on business rate growth are retained within Greater Manchester rather than paid to Government. The Council has negotiated that it will retain a third of any future levy payments whilst in the GM Pool.

The annual Budget Scrutiny exercise took place during November to December 2016 with the report submitted to the Executive in January, which provided a formal response in February 2017. The outcome of this is that a further review of the Budget Scrutiny process will be undertaken to inform the 2017/18 budget setting process with the aim to ensure that Scrutiny receive sufficient detail on budget proposals and risk assessment methodology.

The 2016/17 Scrutiny work programme also focused on the provision of Leisure within Trafford; Home to School Transport; and income and savings projections. In addition, Task and Finish reviews of the One Trafford Partnership contract delivery and the Education, Health & Care Plan (EHCP) process were undertaken, both reviews concluded in March 2017. Official reports and recommendations are being considered by the relevant Executive Members.

Over the course of the year the Health Scrutiny Committee focused upon the Single Hospital Service, changes at Trafford General Urgent Care Centre and the development of Trafford Coordination Centre (TCC). Due to the extensive changes taking place within the Health and Social Care sector, and to ensure agenda items receive sufficient attention, it has been agreed that the number of meetings is to be increased in 2017/18 from four to six.

The Scrutiny Committee also ran two Task and finish Groups examining End of Life Care and Young People's Wellbeing. The End of Life Care group only performed preliminary investigations as they found the services to be in excellent condition. The Young People's Wellbeing group found a number of work streams being undertaken in this area and work is in progress, due to be reported in September 2017. In addition, the Joint Health Scrutiny Committee received regular updates on the New Health Deal for Trafford.

Progress against the Annual Delivery Plan (ADP) was reported quarterly through CLT and the Executive and monthly dashboard to portfolio holders. The ADP has a number of performance indicators. Of the details reported, there are 21 'Green' indicators (on target), 4 'Amber' (performance within an agreed percentage of the target) and 4 'Red' (below target). Where underperformance is identified, exception reports are produced detailing the initiatives underway to address these issues through Transformation and business as usual activities. The 2017/18 ADP was approved by the Executive in March 2017 and is aligned to the Vision 2031 priorities.

The Council continues to regularly review and monitor its Strategic Risk Register with updates to CLT and the Accounts & Audit Committee. The March 2017 report identified 16 strategic risks faced by the Council, each risk being managed by

nominated staff / groups within the Council. An Information Risk Register has been collated and is monitored through the Information Security Governance Board.

The Information Security Governance Board has established an action plan of key areas for improvement within the Council. The ISGB met regularly throughout 2016/17 to review progress on the implementation of these tasks throughout the Council.

The Authority continues to monitor risks in relation to Cyber security. The authority is PSN compliant, subject to independent penetration testing on both the internal and external network, and demonstrates compliance with Level 2 of the NHS Information Governance Toolkit.

During 2016 a 3rd party service provider has been appointed to provide additional ICT security capacity and capability, manage the firewall perimeters and provide accredited security advice. This has also included a full best practice review of Council IT Security policies mapped against ISO27001 standards.

The Council has acknowledged where further work is required to ensure it maintains effective business continuity management and have robust data recovery processes in place. (See Section 5.3 Significant Governance Issues 2017/18 - Business Continuity).

The Internal Audit 2016/17 work plan incorporated coverage of key financial systems and other business risks. Quarterly updates of work undertaken were provided to the Corporate Leadership Team and the Accounts and Audit Committee through the year. The Annual Report of the Head of Internal Audit for 2016/17 states that based on internal audit work undertaken during the year, the Internal Audit Opinion is that, overall, the control environment is operating to a satisfactory standard. The report states that follow up audit work in areas previously reviewed demonstrates that continuing improvements in controls are being made to address risks previously identified. Where areas for improvement have been identified during 2016/17, actions have been agreed with management which will be followed up in 2017/18.

The Internal Audit function operates in general conformance with the Public Sector Internal Audit Standards. The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010).

In accordance with the Local Audit & Accountability Act 2014, a review of available options for future appointment of the external auditor was considered by the Accounts & Audit Committee during 2016/17. In common with most other local authorities, it was approved by Council in February 2017 to undertake the procurement via use of the sector led body Public Sector Audit Appointments (PSAA).

CIPFA SOLACE Principle G	Key Elements of Trafford Framework
Implementing good practices in transparency, reporting and audit to deliver effective accountability	<ul style="list-style-type: none"> • Council Website • Freedom of Information Publication scheme • Trafford Partnership Data Innovation and Intelligence Lab • Marketing and Communications Team • Annual Financial Statements • Annual Governance Statement • Annual Scrutiny Report • Annual Delivery Plan
How we demonstrated effectiveness in 2016/17	
<p>The External Auditor’s Annual Letter 2015/16 was presented to Accounts & Audit Committee in November 2016 providing an unqualified opinion on the financial statements and identified that in all significant aspects, proper arrangements were in place to secure value for money.</p> <p>The Council welcomes external challenge and during 2016/17 commissioned a Local Government Association (LGA) Peer Review’ and also an Information Commissioner’s Office Data Protection audit. The findings and recommendations from the LGA Peer Review were publicised in March 2017.</p> <p>The Information Commissioner’s office review provided an overall “Reasonable” Assurance rating in relation the areas reviewed. An improvement plan will be implemented to address the recommendations made and incorporated within the Information Security Governance Board 2017/18 annual work plan, with regular updates to the Corporate Leadership Team. (See Section 5.3 Significant Governance Issues 2017/18 - Information Governance).</p> <p>During 2016/17, Ofsted and the Care Quality Commission (CQC) conducted a joint inspection to judge the effectiveness of Trafford in implementing the reforms for children and young people who have special educational needs and/or disabilities (SEND), as set out in the Children and Families Act 2014. The report highlights a number of strengths and some areas of improvement which the Council is working to address.</p> <p>A review was also completed in September 2016 by the CQC of adult services in respect of assessment and reablement, rapid response and 24 hour supported living. The report included an action plan for areas requiring addressing. A further inspection was completed in May 2017 which noted significant improvement since the September inspection with services rated by the CQC as “Good”.</p> <p>During 2016/17, the Council made significant improvement with responding to Freedom of Information (FOI) requests within their statutory timescale of 20 working days. The average response rate throughout 2016/17 was 87%, with a peak monthly</p>	

rate of 96%. The Council will continue to monitor closely FOI compliance to ensure statutory obligations are met.

The Council continues to publish a range of open data through its website and the InfoTrafford website. Through the Greater Manchester Data Synchronisation Programme, the Council has developed a collaborative approach and has overcome barriers local authorities face in making data available in properly open formats. The work of the Trafford Data, Innovation and Intelligence Lab supports the objectives of the Council and its partners to provide information to support policy making, inform commissioning and support investment decisions. The Lab has delivered the 1st year of a 3 year EU project to open up public data, focusing on worklessness and employment.

Progress in relation to addressing significant governance issues is formally reported both through the strategic risk reporting and the process for producing the Annual Governance Statement.

4. Review of effectiveness

4.1 Trafford Council’s Corporate Governance Code sets out the Authority’s responsibility to undertake a review of the effectiveness of its governance framework on an annual basis. The review of effectiveness is informed by the work of the executive managers within the Authority who have responsibility for the development and maintenance of the governance environment, the Head of Internal Audit’s annual report, and also by comments made by the external auditors and the results of other reviews / inspections.

4.2 The processes applied and sources of assurance obtained in maintaining and reviewing the effectiveness of governance arrangements and, as part of that, the system of internal control include the following:

Management Controls	Independent Assurance	External Assurance
<ul style="list-style-type: none"> • Financial Management • Programme Management • Performance Management • Risk Management • Legal 	<ul style="list-style-type: none"> • Internal Audit • Scrutiny • Health & Safety 	<ul style="list-style-type: none"> • External Audit • Other inspectorate e.g. OSTED, CQC • Sector led improvement e.g. LGA

- 4.3 These governance functions are described in more detail within the Council's Corporate Governance Code and specific assurances or improvements delivered during 2016/17 are detailed in Sections 3 and 5 of this Statement.
- 4.4 **We have been advised on the implications of the result of the review of the effectiveness of the governance framework by the Accounts and Audit Committee, and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are set out in Section 5.**

5. Significant Governance issues

- 5.1 The Council takes seriously its responsibilities and duties with regard to ensuring continuous improvement in the way its functions are exercised and in consideration of economy, efficiency and effectiveness.
- 5.2 In response to the 2015/16 review of internal control governance, and the identification of particular significant governance issues, the Council has taken action to address these through actions in 2016/17. Detailed below are the significant governance issues highlighted in the 2015/16 Annual Governance Statement followed by action taken in 2016/17.

2015/16 Significant Issues	Action Taken 2016/17
<p>Medium Term financial position / savings</p> <p>The medium term outlook is that the Council will still need to make savings in excess of £47m over the three years from 2017/18 to 2019/20, a significant proportion of this being in 2017/18. Continued action will be required by the Council to address these budget challenges.</p>	<p>The approved budget for 2016/17 was £146.7m which included a budget gap of £22.64m, addressed in part from additional resources of £6.26m and savings of £16.38m. The savings target was amended during the year to reflect the decision made by the Executive to amend the policy on social care transport reducing the overall target to £16.1m.</p> <p>The outturn shows that £15.5m of the savings target was achieved. The transformation programme will over-achieve slightly against its savings target by £27k, the business as usual and corporate savings show a shortfall of £220k and the recovery of Continuing Health Care costs from the CCG show a shortfall of £403k, giving an overall shortfall of £596k. This will be met by underspends in other non-savings related budget lines.</p> <p>The budget for 2017/18 is £160.83m and included meeting a budget gap of £25.4m. This was bridged through the identification of savings and new income proposals of £15.57m, additional business rate income of £2.53m and an increase in council tax comprising a general increase of 1.99% and 3% increase in respect of the adult social care precept worth a combined £4.2m.</p> <p>During the year the Council agreed an efficiency Plan which meant that the Council would secure the stability of a multi-year financial settlement.</p>

2015/16 Significant Issues	Action Taken 2016/17
	<p>Whilst the majority of the in-year savings programme was successfully delivered the pressure on business rate income and growth to support the budget was magnified. This was due to the large numbers of new appeals against rateable values caused by large infrastructure projects in and around Trafford Park and the Trafford Centre.</p>
<p>Transformation Programme delivery</p> <p>The delivery of programme outcomes and benefits realisation was identified as a significant risk to the Authority with a projected saving target for 2016/17 of £9.94m.</p> <p>Key activities for the year included the GM Shared service, Youth Trust and Health integration.</p> <p>Revised programme governance and assurance reporting are in place to deliver savings.</p>	<p>As referred to above, the overall budget gap in 2016/17 to be met from savings was £16.1m. The final level of savings was £15.5m, a shortfall of £596k which has been met from non-saving related budgets.</p> <p>The Transformation Projects outturn of £7.412m delivers a surplus of £27k against the savings target of £7.385m. As at 26 April 2017, there are:</p> <ul style="list-style-type: none"> • 13 projects recommended for closure • 9 are recommended to carry forward (with a specific approach proposed) • There are 4 projects recommended for monitoring in 2017/18 for full-year effect savings delivery. <p>Key achievement in 2016/17 related to:</p> <ul style="list-style-type: none"> - GMSS in partnership with GMP - Trafford Youth Trust - Trafford Leisure - A new CCTV delivery partnership with Salford Council - An all age, integrated health and social care partnership agreement and management structure with Pennine Care NHS Foundation Trust - ICT integrations with the Trafford Coordination Centre - Remodelled social care provision - One Trafford Response.

2015/16 Significant Issues	Action Taken 2016/17
	It is proposed the Reshaping Trafford programme will close, replaced by the Together Trafford Vision 2031 Transformation Portfolio. As part of this process a closedown report and lessons learnt will be produced.
<p data-bbox="142 418 583 451">Public Service Reform (PSR)</p> <p data-bbox="142 488 863 776">The PSR programme is aligned to the Health and Social Care integration programme with the aim of creating a single New Operating Model across partners for Trafford based on a 4 locality place-based model, to co-ordinate service provision, making full use of community assets, Voluntary, Community and Social Enterprise services and adopting a single key-worker approach.</p> <p data-bbox="142 816 848 1068">Supporting work streams are being developed as part of a 3-5 year programme, and proposed the Perfect Weekend- a cross-partnership exercise to observe, assess and analyse how demand is managed in Trafford across a 24/7 timeframe in order to inform redesign of services to improve outcomes for Trafford residents.</p> <p data-bbox="142 1109 890 1401">A further action reported in the 2015/16 AGS for 2016/17 (headed under “Devolution”) related to the GM Work and Skills programme. This reported that the programme focuses on ten priorities and an action plan has been developed for each of the priorities which detail short, medium and long term actions. Many of these priorities can be progressed in the short</p>	<p data-bbox="913 418 2011 857">In March 2016, the Greater Manchester Combined Authority issued guidance for all 10 member local authorities to provide a consistent vision and framework for the delivery of Integrated Public Service Reform. As part of the framework, a set of key design principles were issued which would underpin locally devised reform models. These principles will be integrated across a range of Transformation projects to ensure that the reform of key public services is planned and delivered in a co-ordinated and sustainable way, with a strong focus on locality led solutions, dedicated support, and a greater emphasis on prevention and early help. E.g: All Age Front Door, Integrated Health & social care, One Trafford Estate, Complex Dependency and sustainability of the Troubled Families programme, Keeping Families Together and Place Based Integration</p> <p data-bbox="913 881 2003 1141">During 2016 the One Trafford Response exercise utilised the Trafford Co-ordination Centre to test the multi-agency approach to provide a single point of access to services and to provide live time information to inform holistic case management and intelligent commissioning. This involved 181 staff across 21 organisations, and feedback and analysis has been used to inform the development of the place based pilot– North area Old Trafford and Stretford is due to commenced in spring 2017.</p> <p data-bbox="913 1174 2018 1320">An agreed vision for placed based working and design principles have been developed based on the One Trafford response exercise and approved by the PSR Strategic Board. The Governance structures engage stakeholders through the PSR operational Group and VCSE Strategic forum.</p> <p data-bbox="913 1352 1990 1416">Reform of Work and Skills now sits within the PSR programme and as such the Working Well programme reports to the PSR Governance structures.</p>

2015/16 Significant Issues	Action Taken 2016/17
<p>term via a range of deliverables that GM is already committed to pursuing to implement the November 2014 and November 2015 Devolution Agreements.</p>	<p>Programme issues are reported initially to the PSR Operational Leads group and where necessary escalated up to the PSR Board for Senior Leader action. Referrals ceased for the Working well pilot at the end of March 2017 and the provider continues to work for up to two years with existing clients. The Working Well Expansion programme is still being rolled out and brings in new cohorts of claimants including lone parents and job seeker allowance claimants leaving the Department for Work and Pensions. There are currently over 700 clients on the programme in Trafford and 37 have so far moved into work. The Manchester Growth Company is now delivering both the Working Well Expansion and the complementary Skills for Employment programme. Work has also progressed on the development of the new Work and Health programme which will replace Working Well later this year.</p>
<p>Locality partnerships Further work required to ensure the Asset Based Community Development (ABCD) and Community Builder Programmes are embedded in the new Place Based Integration work stream.</p> <p>Through the role of the Partnership and Communities Team and campaigns, to provide direct support enabling neighbourhood partnerships to become more resident-led. To run the 2016 Voluntary Sector Grants programme in-house to generate in the region of £35k efficiency savings.</p> <p>To develop a performance framework and outcomes measurement tool to demonstrate how locality projects are delivering against strategic priorities and for the Trafford Partnership Data Innovation and Intelligence Lab to map / track projects that have</p>	<p>During 2016/17 Locality working has been supported through the development of Enabling groups: a small team of residents, councillors and agency representatives who lead the work programme in each area (shifting power from council to community).</p> <p>Community Builders and Community Connectors are in place to connect people in neighbourhoods so that all resources working in localities have a common understanding of what's available.</p> <p>As part of the 'Be Bold be the Difference' campaign, a range of training and awareness sessions have been rolled out to staff through social media and Enabling groups, working with the community to understand how community groups can function alongside the council to achieve shared goals.</p> <p>A range of Locality Partnership events were delivered across the borough in relation to environment, youth activities, physical activity and health and wellbeing attended by over 400 people from the community, agencies and businesses.</p>

2015/16 Significant Issues	Action Taken 2016/17
<p>received grant funding and businesses in Trafford.</p>	<p>The Council's £100,000 voluntary sector grants scheme was delivered (42 community projects, 25 micro-grants to residents, 1500 residents voted at 4 community events).</p> <p>Further work identified includes:</p> <ul style="list-style-type: none"> -Continue to develop PSR to follow locality working principles of co-production, sharing information and resources, to bring in a wider range of stakeholders and communities to deliver true co-production. This will be achieved by co-locating communities officers trained in Community Building and with strong links to the local VCSE in the new place based multi-agency team -To embed locality working in organisations, through workforce strategy. -To ensure realistic timescale and resource available to embed new relationships and culture across partner agencies, a delivery plan for the Building Strong Communities Strategy is being developed. <p>The Locality project closed and will be merged into Vision 2031.</p>
<p>Information Governance</p> <p>Further action is required to embed information governance across the Council through the role of the Information Governance Team providing advice to support key projects and monitoring of key activities through the Information Security Governance Board Work plan.</p> <p>The Council is committed to undertake a voluntary audit from the Information Commissioner's Office during 2016/17, working to improve response times to Freedom of Information Requests</p>	<p>The Information Security Governance Board established an action plan of key areas for improvement within the Council. The ISGB met regularly throughout 2016/17 to review progress on the implementation of these tasks throughout the Council. Progress is monitored by CLT, and data protection and information security risks are reported through the Strategic Risk Register.</p> <p>A Corporate Information Risk Register has been compiled and is monitored as a standing item at the ISGB meetings.</p> <p>Key work undertaken included review and update of Information Governance policies and procedures for responding to Freedom of Information and Subject Access Requests. A staff awareness campaign was delivered with roll out of refresher Information Governance Training for staff who process</p>

2015/16 Significant Issues	Action Taken 2016/17
	<p>personal and/or sensitive information. Staff completion rates for the Data Protection training and Information Security training is much improved with rates for successful completion at 92% and 91% respectively.</p> <p>The Information Commissioner’s Office audit was carried out during January 2017; the scope covered:</p> <ul style="list-style-type: none"> • Data protection governance • Training and awareness • Subject access requests <p>This provided a ‘reasonable’ level of assurance that processes and procedures are in place and delivering data protection compliance. This is the second highest level of assurance that can be awarded. The report includes an action plan setting out recommendations for improvement in existing arrangements to reduce the risk of non-compliance with the Data Protection Act.</p> <p>The NHS Information Governance toolkit assessment was completed and submitted in accordance with the prescribed timeframe. The Council’s statutory response times to FOI requests has significantly improved during 2016/17 compared to previous years. Improvements have been made in completing overdue requests.</p>
<p>Devolution /GM Work and Skills Programme</p> <p>See Significant Issue above “Public Service Reform” in respect of the GM Work and Skills Programme. This activity is now covered as part of that programme.</p>	<p>See above re Public Service Reform.</p>

2015/16 Significant Issues	Action Taken 2016/17
<p>Business Continuity</p> <p>Improvements are required in Council processes in relation to business continuity both in respect of service procedures and central IT disaster recovery processes. This is to ensure the Council's services have robust continuity arrangements in place in the event of disruptions occurring. Action is taking place to improve arrangements and will continue to progress during 2016/17.</p>	<p>During 2016/17 Business Impact analysis has been updated for the majority of service areas including identification of Recovery Point Objective (RPO) and Recovery Time Objective (RTO) for IT system restoration, and to prioritise and identify single points of failure. Quarterly reporting to the Transformation, Performance and Resources (TPR) group has taken place during 2016/17 and monitoring of the improvement action plan.</p> <p>The Trafford Data centre model is currently structured through on premise and co-location hosting through an internal ICT function and data centre at Trafford Town Hall (TTH) and a backup site at Sale Waterside. The Council has been considering the Cloud option for all new service provisions especially when the non-functional business requirements specify disaster recovery. An investment decision is required in relation to the legacy investment in the Council data centre, and to support this further work has been undertaken to map the current state ICT Architecture capability.</p> <p>The Transformation and Resources Directorate have undertaken an ICT Architecture Review of the Trafford ICT landscape with the purpose of documenting and understanding our current ICT architecture capability. The objective of this exercise was to collate our current ICT capability into industry recognised ICT Architecture groupings. It is proposed to maintain and develop our ICT Capability Landscape via the engagement of an external Design Authority Partner (DA) who can provide enterprise, solution and infrastructure architecture capability on a call off basis to supplement the existing Trafford ICT team.</p> <p>The Head of ICT attended the April 2017 TPR meeting to update on work required to develop IT DR capacity and to discuss how this can be aligned to the overall business continuity management approach.</p>

Significant Governance Issues 2017/18

5.3 The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to ensure the Council effectively delivers its objectives and manages its resources to meet the ongoing financial challenges being faced. Detailed below are significant governance issues and actions planned to address these in 2017/18.

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<p>Delivery of ‘Together Trafford-Vision 2031’</p>	<p>‘Together Trafford Vision 2031’ based on the premise “No one will be held back and no one left behind” has been developed in partnership with key agencies, and through engagement with voluntary, community and faith representation.</p> <p>Vision 2031 consists of a number of major programmes and other projects. These include:</p> <ul style="list-style-type: none"> - The Vision and Strategy programme - Public Service Reform - Health and Social Care Integration - The Social Care Sustainability Programme - The Investment and Place Shaping Programme. <p>The governance structure supporting Vision 2031 has been designed, with the overarching responsibility sitting with the Trafford Partnership Board. Underpinning the Vision 2031 delivery portfolio are seven key interventions (See pages 8&9).</p> <p>The Council’s 2017/18 Annual Delivery Plan has been aligned with the Vision 2031 interventions there will be regular reporting to the Executive through the year on progress.</p>
<p>Medium Term Financial Position / savings</p>	<p>Further work will be required to address the residual budget gap of £13.19m in 2018/19 and £6.05m in 2019/20. In the longer term it is aimed that Vision 2031 will deliver sustainable benefits but there is significant pressure to identify savings/additional income that will support the budget in the short term. A number of actions will be progressed.</p> <p>The Council is developing an Investment Strategy aimed at generating additional income streams to support the revenue budget.</p>

	<p>As part of the preparation to the full implementation of 100% Business Rates Retention in 2019/20 the Government is carrying out a needs review which will take account of the cost of providing services locally. The Council intends to play a full part in this review.</p>
Information Governance	<p>An action plan has been put in place to implement the recommendations from the ICO review and will be monitored through the ISGB. The ICO will carry a six month follow up on progress undertaken through self-assessment.</p> <p>The Authority is currently planning to ensure implementation of the requirements of the EU General Data Protection Regulations (GDPR) for May 2018. In addition, a collaborative approach to review the various changes and requirements introduced by GDPR is being undertaken at GM Level which will feed into the Council's work plan on this.</p> <p>Going forward, there will be significant work around Public Service Reform (PSR) in order to review and improve ways of working to remove areas of duplication of work. Currently, the One Trafford Response programme is the first significant PSR project underway and IG have been involved from the outset to review concepts and to provide advice on the data protection considerations to be resolved prior to its implementation.</p>
Business Continuity	<p>There will be ongoing monitoring of business continuity through the Strategic Risk Register and quarterly updates to the Transformation, Performance and Resources (TPR) group.</p> <p>An approach is to be agreed for the review of the business requirements (including Business Impact Analysis refresh) and to update system restoration priorities to inform ICT investment decisions.</p> <p>A market tender for an external Design Authority Partner (DA) will be issued in May 2017.</p> <p>The Capability Landscape will be fully costed in terms of ongoing revenue and annual capital spend, and benchmarked via the Society of Information Technology Management to provide CLT with a 'value for money' position on the capability landscape which can be linked to future decisions and business cases. It is aimed to start the benchmark process in April 2017.</p>

	<p>On behalf of the Audit and Assurance Service, Salford IT Audit Services will assess the Capability Landscape in terms of a Disaster Recovery readiness and determine whether existing solutions can meet business recovery time and point objectives (RTO and RPO) or to consider alternative solutions.</p> <p>A set of Trafford Architecture 'rule of the road' will be adopted to ensure we maintain the standardisation features of the existing landscape and avoid introducing complexity based on duplication or poor investments. These standards will be reviewed and enhanced by our Design Authority partner when appointed.</p> <p>Trafford have invested in a backup solution which has the capability to recover a service to an offsite location using the backup data. Trafford will test the solution using a desktop Proof of Concept by June 2017.</p> <p>As part of the 2017/18 Capital Plan the ICT capability at Sale will be enhanced with specific focus on increasing the network bandwidth and resilience; enhancing the facilities environment power and cooling and upgrading the server infrastructure.</p>
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The Council is committed to achieving its objectives through good governance and continuous improvement. Going forward, the Council will continue to ensure it delivers its objectives and manages its resources to meet the ongoing financial challenges being faced.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.



Councillor Sean Anstee
Leader of the Council
September 2017



Theresa Grant
Chief Executive
September 2017

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 6 September 2017
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2017/18

Summary

This report sets out the work plan for the Committee for the 2017/18 municipal year.

It outlines areas to be considered by the Committee at each of its meetings, over the period of the year. The work programme helps to ensure that the Committee meets its responsibilities under its terms of reference and maintains focus on key issues and priorities as defined by the Committee.

The work programme is flexible and can have items added or rescheduled if this ensures that the Committee best meets its responsibilities.

Recommendation

The Accounts and Audit Committee is asked to note the 2017/18 work programme.

Contact person for access to background papers and further information:

Name: Mark Foster – Audit and Assurance Manager
Extension: 1323

Background Papers: None

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts / Financial Management
10 July 2017	Agree Committee's Work Programme for 2017/18 (including consideration of training and development). Training & Development/Presentation - Draft accounts (provided outside of the Committee in July 2017)					
	- 2016/17 Head of Internal Audit Annual Report	- Audit Progress Report	-Cyber Security risk update	- Review 2016/17 draft Annual Governance Statement - Corporate Governance Code - Accounts and Audit Committee 2016/17 Annual Report to Council		- 2016/17 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn reports -Treasury Management update (including Annual Performance Report 2016/17)
6 September 2017	(Budget Monitoring 2017/18 Period 2 report sent to Committee Members in August 2017)					
	- Q1 Internal Audit Monitoring Report	- Audit Findings Report		- 2016/17 Annual Governance Statement (final version)	- Counter Fraud and Enforcement Team Annual Report 2016/17.	- Approval of Annual Statement of Accounts 2016/17 - Procurement update (STAR Shared Procurement Service) -Insurance Performance Report 2016/17

Committee Meeting Dates	Areas of Responsibility of the Committee					
	Internal Audit	External Audit	Risk Management	Governance (Including Annual Governance Statement)	Anti- Fraud & Corruption Arrangements	Accounts/Financial Management
6 December 2017	Training and Development (Risk Management – Insurance)					
	- Q2 Internal Audit monitoring report	- Annual Audit Letter - Audit Update - External Auditor appointment update	- Strategic Risk Register Monitoring Report			- Treasury Management : mid-year performance report - Budget Monitoring Report
7 February 2018						
	- Q3 Internal Audit monitoring report / Public Sector Internal Audit Standards update	- Audit Update (including Grant Claims summary)		- Report on arrangements for 2017/18 Annual Governance Statement / Update on significant governance issues		- Treasury Management Strategy - Budget Monitoring Report
27 March 2018						
	- 2018/19 Internal Audit Plan - Internal Audit Charter and Strategy	- Audit Plan / update	- Strategic Risk Register Monitoring Report		- Anti-Fraud and Corruption update	- Budget Monitoring Report.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 6 September 2017
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Audit and Assurance Report for the Period April to June 2017.

Summary

The purpose of the report is:

- **To provide a summary of the work of Audit and Assurance during the period April to June 2017.**
- **To provide ongoing assurance to the Council on the adequacy of its control environment.**

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: None

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TRAFFORD
COUNCIL

Audit and Assurance Service Report April to June 2017

Date: September 2017

1. Purpose of Report

This report summarises the work of the Audit and Assurance Service between April and June 2017 and highlights progress against the 2017/18 Internal Audit Plan to date. At the end of the year, these quarterly reports will be brought together in the Annual Head of Internal Audit Report which will give the opinion on the overall effectiveness of the Council's control environment during 2017/18.

2. Planned Assurance Work

Key elements of the 2017/18 Work Plan include:

- Fundamental Financial Systems reviews.
- Facilitating the completion of the Annual Governance Statement for 2016/17.
- Continued input to risk management arrangements and provision of guidance.
- Review of corporate procurement and value for money arrangements.
- ICT audit reviews.
- Anti fraud and corruption work.
- Ongoing advice to services and input / advice in respect of key projects across the Council.
- School audits and other establishment audit reviews.
- Grant claim certification work
- Audit reviews of other areas of business risk.

3. Main areas of focus – Q1 2017/18

Work in this quarter included a particular focus on the following :

- Completion of a significant portion of the Internal Audit Plan in relation to schools.
- Audit review work in respect of fundamental financial systems.
- Checks in relation to grant claims to meet relevant deadlines.
- Continued progression of work supporting the National Fraud Initiative.
- Progress of a number of other audit reviews from the Internal Audit Plan.

4. Summary of Assurances for 1st Quarter 2017/18

There were 8 internal audit opinion reports issued in the quarter, 7 final reports and 1 at draft stage. A number of other audit reports were in progress, to be formally issued in quarter two. A listing of audit report opinions issued including overall findings is shown in Section 5.

In respect of the final reports issued at least "Adequate" Opinions (Medium or above) were given in relation to 6 of the 7 reports issued. For all final reports issued, where applicable, agreed action plans are in place to implement the recommendations made.

5. Summary of Audit & Assurance Opinions Issued – Q1: 2017/18

(See Appendix 3 for definitions of opinion levels, report levels and report status)

REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
FINAL REPORTS		
Level 2 Reports :		
Taxi licensing (EGEI) / (Highways, Parks and Environmental Services)	Medium * (GREEN) (26/5/17)	A follow up audit of the Taxi Licensing function was undertaken to identify progress made implementing previous audit recommendations. An overall Medium assurance is given reflecting the findings that progress has been made in the majority of areas to implement the control improvements previously recommended. Of the 20 recommendations made, 15 have been fully implemented or are being progressed (4 in full and 11 ongoing), and 3 of the original recommendations are no longer applicable due to policy changes. Work is in progress to further improve administrative and monitoring processes.
Housing Waiting List (EGEI) / (Housing and Strategic Planning)	Medium/High (GREEN) (5/6/17)	The overall objective of the review was to ensure that the Waiting List was accurate, up to date and was managed in accordance with the Housing Allocation Policy and other related policies and procedures. Overall, good systems and controls were found to be in place. One of the recommendations made was to review and refresh the procedures relating to the Housing Allocation Policy.
Level 1 Reports:		
Barton Clough Primary School (CFW) / (Children and Families)	Low/Medium (AMBER) (24/4/17)	Systems and controls were found to be requiring improvement across a number of areas reviewed. The report highlights that action is currently being taken through a Core Management Group to address a number of issues in relation to governance and financial management. A number of audit recommendations were also made including in relation to ordering and payment processes; IT security; asset security; and the need for review of policies in relation to charging and debt recovery.
Well Green Primary School (CFW) / (Children and Families)	Medium/High (GREEN) (23/5/17)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Some recommendations were made including in relation to lettings and also banking procedures.
Our Lady of the Rosary RC Primary School (CFW) / (Children and Families)	Medium/High (GREEN) (23/5/17)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Some recommendations were made including in relation to inventory maintenance and asset security.
Wellfield Junior School (CFW) / (Children and Families)	Medium (GREEN) (27/6/17)	Systems and controls were found to be adequate across most areas covered. A number of recommendations have been made in relation to ordering and payments for goods and services; collection and banking of income and inventory maintenance.
Moss Park Infant School (CFW) / (Children and Families)	Medium/High (GREEN) (28/6/17)	Overall, a good standard of internal control and governance was found to be in place across most areas covered by the audit. Some recommendations were made including in relation to updating the school's Data Protection and Freedom of Information Policy.
DRAFT REPORTS		
Level 4 Reports:		
Council Tax (T&R) / (Corporate Resources)		Draft report issued. Final report with audit opinion to be issued in Quarter 2.

<u>OTHER REPORTS IN PROGRESS</u>	
<u>Level 4 Reports:</u>	
Corporate Health and Safety (T&R) / (Corporate Resources)	Initial findings completed to share with management.
<u>Level 1 Reports:</u>	
Bollin Primary School (CFW) / (Children and Families)	Initial findings shared with Headteacher for comments prior to issue of draft report.
Wellfield Infant and Nursery School (CFW) / (Children and Families)	Initial findings shared with Headteacher for comments prior to issue of draft report.
<i>*Denotes this is a follow up audit – i.e. the main focus of the review was a follow up of recommendations made as part of a previous internal audit review</i>	
<u>6. Other Assurance Work</u>	
There is a significant amount of work undertaken by the Service that does not result in an audit opinion report being issued. Work in the quarter has included the following:	
There has been ongoing work such as the provision of advice and co-ordinating the update of the Council's Strategic Risk Register. Other work undertaken during Q3 included:	
<ul style="list-style-type: none"> • Continuing to work with the Information Governance team and within the Information Security Governance Board (ISGB) to progress actions following the audit by the Information Commissioner's Office. • Ongoing work in liaison with other services to follow up data matches provided by the Cabinet Office following submission of data as part of the National Fraud Initiative (outcomes will be reflected in a future quarterly update in 2017/18). • Internal Audit input to an internal investigation within a service area. • Completing a number of checks as part of the process for certifying grant claims with work completed in relation to the Public Health Grant, and in progress by the end of the quarter in relation to the Local Growth Fund. 	
<u>7. Impact of Audit Work – Improvements to the Control Environment</u>	
Key indicators of the impact of Audit and Assurance are: (a) Acceptance of Recommendations (b) Implementation of them.	
<u>Acceptance of Recommendations</u>	
From the final audit opinion reports issued during the quarter, 97% of recommendations have been accepted (98 out of 101 recommendations made) against a service target of 95%.	
<u>Implementation of Audit Recommendations</u>	
Final audit reports are followed up to assess progress in implementing improvement actions identified through audit recommendations. Recommendations made by the Audit and Assurance Service are followed up by a number of means.	

As listed under final reports in Section 5, a follow up audit was completed in respect of procedures regarding taxi licensing. Another follow up audit review (Coppice Avenue Library) was in progress at the end of the quarter and will be reported in quarter two. A number of other follow up reviews of reports issued in 2016/17 will be completed later in 2017/18 as part of the Internal Audit Plan.

8. Performance against Audit & Assurance Annual Work Plan

Appendix 1 shows an analysis of time spent to date against planned time for the 2017/18 Operational Internal Audit Plan

As at the end of quarter three, 255 audit days were spent to date against 218 planned allocated days for up to quarter one.

As part of the Internal Audit Plan, a target of 40 audit opinion reports was set to be issued during 2017/18. As at the first quarter year stage, 8 opinion reports were issued to final or draft stage with a further 3 reports in progress (with findings shared with management for comments).

Client surveys have been issued with each report issued. A summary of responses received will be included in a future quarterly update in 2017/18 and a summary for the whole year included as part of the Annual Head of Internal Audit Report.

9. Planned Work for Quarter 2, 2017/18

Areas of focus include :

- Issue of final audit reports for the following reviews :
 - Council Tax
 - Corporate Health and Safety
 - Coppice Avenue Library (follow up audit)
 - Schools (Bollin Primary, Wellfield Infant and Nursery, Broadheath Primary, St. Hugh's RC Primary)
- Progression of other audit reviews as listed in Appendix 2.
- Facilitate the production of the finalised version of the 2016/17 Annual Governance Statement.
- Continue to work with the Information Governance team to provide support in relation to progression of actions arising from the audit by the Information Commissioner's Office in 2016/17.
- Update of the Strategic Risk Register with a report issued to CLT in July 2017.

2017/18 Operational Plan: Planned against Actual Work (as at 30 June 2017)

Category	Details	Planned Allocated Days 2017/18	Planned Days (up to 30/6/17)	Actual Days (as at 30/6/17)
Fundamental Systems	Completion of fundamental financial systems reviews: (See Appendix 2 for opinion reports issued and planned to be issued during 2017/18).	230	40	27
Governance	<p>Corporate Governance Review / Collation of supporting evidence and production of the 2016/17 Annual Governance Statement (AGS). Corporate Governance Code updated and 2016/17 Draft AGS shared with CLT in May 2017 and the External Auditor in June 2017.</p> <p>Further work planned for the rest of 2017/18 includes:</p> <p>Ethical governance – work with Legal and Democratic Services to review procedures and guidance in respect of declaring interests, gifts and hospitality.</p> <p>Ongoing advice / assurance in respect of governance issues including partnership governance issues.</p>	40	18	12
Corporate Risk Management	<p>Facilitating the updating of the Council's strategic risk register and other actions to support the Council's Risk Management Strategy including provision of guidance.</p> <ul style="list-style-type: none"> - Strategic Risk update report completed in June 2017 for issue to CLT in July 2017. Further updates during 2017/18 to be shared with CLT and the Accounts and Audit Committee (at its December 2016 and March 2017 meetings). - Risk management guidance on intranet updated to reflect updated Policy, Strategy and guidance. 	25	5	5
Anti-Fraud and Corruption	<p>Investigation of referred cases: (Summary of work completed during the year to be set out in Annual Head of Internal Audit Report and reflected where applicable in quarterly updates).</p> <p>Co-ordinate the Council's activity in respect of the National Fraud Initiative: (Summary of work completed and outcomes to be included in the Quarter 3 Audit and Assurance update and reflect in the Annual Head of Internal Audit Report).</p> <p>Other work to support the Ant-Fraud and Corruption Strategy, including where applicable working with other relevant services to review</p>	100	25	47

	existing policies and guidance supporting the overarching strategy. (Audit to initially liaise in 2017/18 with Legal Services to consider further).			
Procurement / Contracts/ Value for money	Review of procurement / contract management arrangements including systems in place and associated arrangements to secure value for money (Work will include liaison with the STAR Procurement Service and partner authority auditors). See Appendix 2 for reports planned.	80	10	3
ICT Audit	Audit reviews to be completed in line with the ICT audit plan. See Appendix 2 for work undertaken/planned.	70	10	10
Schools	Providing assurance on the control environment within schools, supporting schools in ensuring awareness of requirements within the DfE Schools' Financial Value Standard (SFVS). Undertake School Audit reviews (Issue of at least 15 Audit Opinion Reports). See Appendix 2 for audit opinion reports issued and planned. (5 final reports issued, 2 reviews where initial draft findings shared and 2 other reviews in progress).	170	50	85
Assurance – Other Key Business Risks	Audits selected on the basis of risk from a number of sources including senior managers' recommendations, risk registers and internal audit risk assessments. Reviews include authority wide issues and areas relating to individual services, establishments and functions. Includes: - Audit reviews - Follow up reviews including further audits and gaining assurance from service updates. See Appendix 2 for audit opinion reports issued and other work completed / planned.	230	40	29
Grant claims checks / Data Quality	Internal audit checks of grant claims / statutory returns as required. Checks completed or in progress to date have covered: - Public Health - Local Growth Fund.	35	5	8
Service Advice / Projects	General advice, both corporately and across individual service areas. Support and advice to the organisation in contributing to working groups and projects in relation to governance, risk and control issues. To date this has Included: - contributing to work of the Information Security Governance Board; - contributing to the development of the Digital Strategy.	60	15	29
TOTAL		1040	218	255

Audit Opinion Reports Issued and Planned 2017/18 (as at 30 June 2017)

<u>Category</u>	<u>Audit Opinion Reports</u>	<u>Status (where progressed in Q1)</u>	<u>2017/18 IA Plan</u>
Fundamental Systems	<ul style="list-style-type: none"> -Accounts Receivable & Debt Recovery (T&R) - Treasury Management (T&R) - Council Tax (T&R) - Payroll (T&R) - Income Control (T&R) - NDR (T&R) - Benefits/Council Tax reduction (T&R) - Accounts Payable (T&R) - Liquid Logic/ContrOCC system (CFW/T&R) - Direct Payments (CFW) 	<ul style="list-style-type: none"> - In progress Draft report issued 26/6/17 - - Planning stage - - - - - 	<ul style="list-style-type: none"> Commencing Q2 Final report to issue Q2 Final report to issue Q2 Commence by Q3 Commence by Q3 Draft report to issue Q2 Commence by Q3 Commence by Q4. Commence by Q4 Commence by Q4
Procurement /Contracts /Value for money	<ul style="list-style-type: none"> - Contracts Register (STAR Authorities – Rochdale lead) (T&R) - Financial vetting of firms (STAR Authorities – Trafford lead) (T&R) - STAR Quality Management System (STAR Authorities – Stockport lead) (T&R) - Social Value in Procurement (STAR authorities – Trafford lead) (T&R/Authority Wide) - Contract Procedure Rules (STAR Authorities – Stockport lead) (T&R/Authority-Wide) - One Trafford Partnership (EGEI) 	<ul style="list-style-type: none"> - - - - Planning stage - 	<ul style="list-style-type: none"> Timing to be agreed (Rochdale) Planned to commence at the end of Q2. Timing to be agreed (Stockport) Commence by Q4. Draft report to issue Q2 Planning future review work for rest of 2017/18 in Q2.
ICT Audit	<ul style="list-style-type: none"> - SAP financial system access controls (T&R) - IT Change Management follow-up audit (T&R) - Software Licensing (T&R) - Cyber Security (T&R) - ITrent System IT Application Controls (T&R) <p>(Note any additional reports to the above agreed with ICT Services will be reported in respective quarterly updates).</p>	<ul style="list-style-type: none"> - - - - - 	<ul style="list-style-type: none"> Review to commence Q2. Commence by Q4 Commencing Q2 Commence by Q3 Commence by Q4
Schools	<ul style="list-style-type: none"> - Barton Clough Primary School - Well Green Primary School - Our Lady of the Rosary RC Primary School - Wellfield Junior School * - Moss Park Infant School * - Bollin Primary School * - Wellfield Infant and Nursery School - St. Hugh's RC Primary School - Broadheath Primary School 	<ul style="list-style-type: none"> Final report issued 24/4/17 Final report issued 23/5/17 Final report issued 23/5/17 Final report issued 27/6/17 Final report issued 28/6/17 Initial draft findings shared with Headteacher. Initial draft findings shared with Headteacher. In progress In progress 	<ul style="list-style-type: none"> Completed Completed Completed Completed Completed Final report to issue Q2 Final report to issue Q2 Final report to issue Q2 Final report to issue Q2

POINTS OF INFORMATION TO SUPPORT THE REPORT:

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good	Green
Medium / High – Good	Green
Medium – Adequate	Green
Low / Medium - Marginal	Amber
Low – Unsatisfactory	Red

An opinion is stated in each audit report to assess the standard of the control environment.

Report Status:

Draft reports:

These are issued to managers prior to the final report to provide comments and finalise agreed responses to audit recommendations.

Final reports:

These incorporate management comments and responses to audit recommendations, including planned improvement actions.

Breadth of coverage of review (Levels 1 to 4)

Provides an indication as to the nature / breadth of coverage of the review in terms of which aspects of the organisation's governance and control environment it relates to. Levels are as follows:

- **Level 4 : Key strategic risk or significant corporate / authority wide issue** - Area under review directly relates to a strategic risk or a significant corporate / authority wide issue or area of activity.
 - **Level 3 : Directorate wide** - Area under review has a significant impact within a given Directorate.
 - **Level 2 : Service wide** - Area under review relates to a particular service provided or service area which comprises for example a number of functions or establishments.
 - **Level 1 : Establishment / function specific** - Area under review relates to a single area such as an establishment.
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By virtue of paragraph(s) 7 of Part 1 of Schedule 12A of the Local Government Act 1972.

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