



TRAFFORD
COUNCIL

AGENDA PAPERS FOR
ACCOUNTS AND AUDIT COMMITTEE

Date: Wednesday, 20 June 2018

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 27 March, 2018.	1 - 2
3.	MEMBERSHIP OF THE COMMITTEE 2018/19, INCLUDING CHAIRMAN, VICE-CHAIRMAN AND OPPOSITION SPOKESPERSON To note the Membership of the Committee for the 2018/19 Municipal Year, as appointed at the Annual Meeting of the Council held on 23 May, 2018, namely: Councillors Boyes, Brotherton (Chairman), Dillon, Lally, Mitchell (Opposition Spokesperson), Patel (Vice-Chairman) and Slater.	
4.	TERMS OF REFERENCE To note the Committee's Terms of reference as agreed at the Annual Meeting of the Council held on 23 May 2018.	3 - 4
5.	CORPORATE GOVERNANCE CODE To consider a report of the Head of Governance.	5 - 38

6. **DRAFT ANNUAL GOVERNANCE STATEMENT - 2017/18**
To consider a report of the Head of Governance. 39 - 68
7. **AUDIT PROGRESS REPORT (JUNE 2018)**
To receive a report from the Council's External Auditor, Grant Thornton. 69 - 80
8. **INTRODUCTION FROM EXTERNAL AUDITORS FOR 2018/19**
To receive a report of the Council's newly appointed External Auditor for 2018/19, Mazars. 81 - 90
9. **TREASURY MANAGEMENT ANNUAL PERFORMANCE 2017/18 REPORT**
To consider a joint report of the Executive Member for Finance and the Chief Finance Officer. 91 - 108
10. **ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2017/18**
To receive a report of the Audit and Assurance Manager. 109 - 144
11. **ACCOUNTS AND AUDIT COMMITTEE ANNUAL REPORT TO COUNCIL 2017/18**
To receive a report of Cllr Nathan Evans and Cllr Chris Boyes, Chairman and Vice-Chairman of the Accounts and Audit Committee for the 2017/18 municipal year. 145 - 160
12. **ACCOUNTS AND AUDIT COMMITTEE - WORK PROGRAMME - 2018/19**
To consider a report of the Audit and Assurance Manager. 161 - 164
13. **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.

THERESA GRANT
Chief Executive

Membership of the Committee

Councillors B. Brotherton (Chairman), E. Patel (Vice-Chairman), C. Boyes, J. Dillon, P. Lally, A. Mitchell and J. Slater.

Accounts and Audit Committee - Wednesday, 20 June 2018

Further Information

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

Chris Gaffey, Democratic and Scrutiny Officer

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This agenda was issued on **Tuesday, 12 June 2018** by the Legal and Democratic Services Section, Trafford Council, Trafford Town Hall, Talbot Road, Stretford M32 0TH

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ACCOUNTS AND AUDIT COMMITTEE

27 MARCH 2018

PRESENT

Councillor N. Evans (in the Chair).

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

In attendance

Head of Financial Management	(G. Bentley)
Audit and Assurance Manager	(M. Foster)
Democratic and Scrutiny Officer	(N. Owen)

Also in attendance

M. Heap, Grant Thornton UK LLP
T Rooney, Grant Thornton UK LLP

42. MINUTES

RESOLVED: That the Minutes of the meeting held on 7 February 2018, be approved as a correct record and signed by the Chairman.

43. AUDIT PROGRESS REPORT (MARCH 2018)

The Committee received a report of Grant Thornton UK LLP on the progress at March 2018 in delivering its responsibilities as the Authority's external auditor.

RESOLVED: That the report be noted.

44. EXTERNAL AUDIT PLAN

The Council's external auditor, Grant Thornton UK LLP, submitted the Audit Plan for Trafford Council for the year ended 31 March 2018, which outlined its audit strategy and plan to deliver the audit.

RESOLVED: That the external auditor's Audit Plan for the year ended 31 March 2018, be noted.

45. INTERNAL AUDIT CHARTER AND STRATEGY

The Committee received a report of the Audit and Assurance Manager providing Members with the Internal Audit Charter and Strategy documents for approval following their recent review. The documents were previously updated in March 2017 and were recently reviewed and updated, in agreement with the Corporate Leadership Team. The changes are proposed in order to be consistent with updates made in 2017/18 to the Public Sector Internal Audit Standards (PSIAS) as highlighted in the report at the relevant paragraphs

RESOLVED: That the Internal Audit Charter and Strategy be approved.

46. INTERNAL AUDIT OPERATIONAL PLAN 2018/19

The Committee received a report of the Audit and Assurance Manager providing, at a high level, the proposed Internal Audit Operational Plan for 2018/19. The report detailed how the plan was formulated, and advised of the reporting and performance monitoring process.

Members asked questions in relation to school audit reports and how audit visits to schools were scheduled.

RESOLVED: That the 2018/19 Internal Audit Plan be approved.

47. BUDGET MONITORING 2017/18 - PERIOD 10 (APRIL 2017 TO JANUARY 2018)

The Committee received a report of the Executive Member for Finance and the Chief Finance Officer informing Members of the current 2017/18 forecast outturn figures relating to both Revenue and Capital budgets. It also summarised the latest forecast position for Council Tax and Business Rates within the Collection Fund.

RESOLVED: That the report be noted.

48. STRATEGIC RISK REGISTER 2017/18 (MARCH 2018 UPDATE)

The Committee received a report of the Audit and Assurance Manager providing Members with an update on the strategic risk environment, setting out developments relating to the management of each of the Council's strategic risks. It was noted that the risk level in relation to the availability of burial ground within the area had been lowered from medium to low risk.

RESOLVED: That the report be noted.

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

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

RESOLVED: That the report be noted.

50. ACKNOWLEDGMENTS

The Chairman thanked the Committee Members, external auditors, and Council Officers for their hard work and support throughout the municipal year.

The meeting commenced at 6.30 pm and finished at 7.25 pm

ACCOUNTS AND AUDIT COMMITTEE

Statement of Purpose

The purpose of the committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the Authority's financial and non financial performance to the extent that it affects the Authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

Composition

Membership of the Audit and Accounts Committee shall comprise 7 Members, be politically balanced and shall not include any Members of the Executive. A non voting member, with appropriate skills and experience, may be co-opted on to the Committee with the approval of the Council.

Terms of Reference

Internal and External Audit

- a) Review and approve (but not direct) the terms of reference for Internal Audit, an Internal Audit strategy and internal audit resourcing.
- b) Review and approve (but not direct) the annual Internal Audit work programme. Consider the proposed and actual Internal Audit coverage and whether this provides adequate assurance on organisations main business risks, review the performance of Internal Audit.
- c) Receive summary internal audit reports and seek assurance on the adequacy of management response to internal audit advice, recommendations and action plans.
- d) Review arrangements made for cooperation between Internal Audit, External Audit and other review bodies and ensure that there are effective relationships which actively promote the value of the audit process.
- e) Receive the Annual Internal Audit report and opinion.
- f) Review and consider proposed and actual External Audit coverage and its adequacy and consider the reports of external audit and inspection agencies.
- g) Receive updates from External Audit on External Audit findings and opinions (including the audit of the annual financial statements and the value for money conclusion) and seek assurance on the adequacy of management response to External Audit advice, recommendations and action plans.

Risk Management

- a) Review the adequacy of arrangements for identifying and managing the organisation's business risks, including partnerships with other organisations. This includes review of the Council's risk management policy and strategy and their implementation.

- b) Review the robustness of the strategic risk register and the adequacy of associated risk management arrangements.
- c) Receive and consider regular reports on the risk environment and associated management action.

Internal Control Arrangements, Corporate Governance and the Annual Governance Statement

- a) Review the effectiveness of corporate governance arrangements and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
- b) Conduct a review of the draft Annual Governance Statement (AGS), which is a key assurance statement required to be completed each year in accordance with the Accounts and Audit Regulations 2015.
- c) Approve the final version of the Annual Governance Statement.

Anti - Fraud and Corruption Arrangements

- a) Review and ensure the adequacy of the organisation's Anti – Fraud & Corruption policy and strategy and the effectiveness of their application throughout the Authority.
- b) Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.

Accounts

- a) Approve the annual Statement of Accounts, including subsequent amendments.
- b) Consider the External Auditor's report on the audit of the annual financial statements.
- c) Be responsible for any matters arising from the audit of the Council's accounts, including the auditor's opinion on the accounts, identification of any misstatements, comments on the accounting and internal control systems and qualitative aspects of accounting practices and financial reporting.

Access and Reporting

- a) To have the right of access to senior officers and all committees of the Council.
- b) To report directly to the Executive or Council, as appropriate, on matters within these terms of reference.

Delegation

In exercising the power and duties assigned to the Committee in its terms of reference, the Audit and Accounts Committee shall have delegated power to resolve and to act on behalf of and in the name of the Council.

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 20 June 2018
Report for: Consideration
Report of: Head of Governance

Report Title

Corporate Governance Code

Summary

Trafford Council maintains a local code of corporate governance which sets out the key systems, policies and procedures that comprise the Authority's governance framework. This document is reviewed and updated regularly as required, and approved by the Corporate Leadership Team and Accounts and Audit Committee, to reflect any changes in governance arrangements.

The Council's Annual Governance Statement is prepared each year (in accordance with the Accounts and Audit Regulations 2015) and reflects an annual review against the commitments set out in the Council's Corporate Governance Code.

Trafford Council's Code of Corporate Governance is consistent with the principles of the CIPFA/SOLACE Framework 'Delivering Good Governance in Local Government'.
<http://www.trafford.gov.uk/about-your-council/budgets-and-accounts/docs/Corporate-Governance-Code-2017.pdf>

This report sets out the proposed updated Corporate Governance Code which has been reviewed by CLT. The Code has been updated, both to take account of developments in 2017/18 and also the updated framework and guidance issued by CIPFA/SOLACE in 2016/17 "Delivering Good Governance in Local Government". This sets out 7 key governance principles and the code was updated in 2017 to align with the revised framework.

Once reviewed and approved by the Accounts and Audit Committee, the updated Corporate Governance Code will be included on the Council's website.

Recommendation

The Accounts and Audit Committee considers the content of the draft Annual Corporate Governance code.

The final version of the Code will be presented for approval by the Accounts and Audit Committee in July 2018.

Contact person for access to background papers and further information:

Name: Peter Forrester – Head of Governance
Extension: 1815
Name: Chris Gaffey – Democratic and Scrutiny Officer
Extension: 2019

Background Papers:

None



TRAFFORD COUNCIL

CORPORATE GOVERNANCE CODE

June 2018

Trafford Council Corporate Governance Code

1. What do we mean by governance?

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

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

2. Trafford's commitment

Trafford Council, as a public organisation, is committed to ensuring the highest possible standards of governance in order to fulfil its responsibilities:

1. To engage in effective partnerships and provide leadership for and with the community.
2. To ensure the delivery of high quality local services whether directly or in partnership or by commissioning.
3. To perform a stewardship role which protects the interests of local people and makes the best use of resources.
4. To develop citizenship and local democracy.

Openness, inclusion, integrity and accountability are fundamental principles by which the Council operates.

3. The Governance Framework

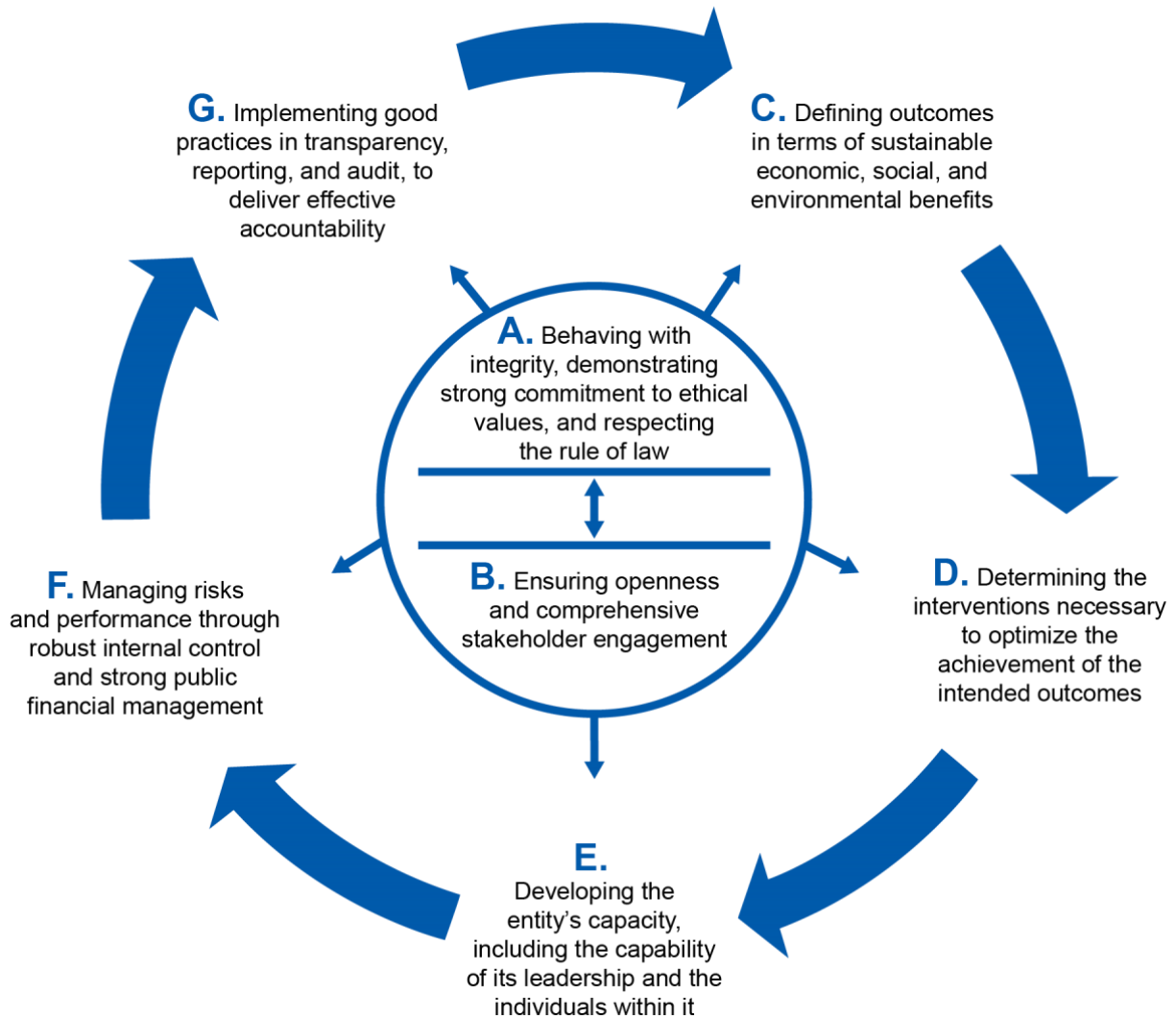
In order to ensure the fulfilment of its commitment, the Council operates a governance framework which provides a structure to support the Council's approach to governance.

Trafford Council has based its governance framework on the guidance produced in the publication 'Delivering Good Governance in Local Government' produced by the Chartered Institute of Public Finance & Accountancy (CIPFA) and the Society of Local Authority Chief Executives & Senior Managers (SOLACE) and has been updated to reflect the revised Local Government Framework published in 2016, which is aligned to the International Framework: Good Governance in the Public Sector (CIPFA / IFAC, 2014).

The International Framework defines governance as 'the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved'.

The framework emphasises that good governance is dynamic and that the entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



Section 7 of the Code sets out in detail how the Authority is committed to meet the requirements of this framework.

4. How we will ensure that we deliver on these principles of good governance

Maintain a local code of corporate governance

In accordance with best practice requirements, Trafford Council maintains a local code of corporate governance which sets out the key systems, policies and procedures that comprise the Authority's governance framework. This document is reviewed and updated regularly as required and approved by the Corporate Leadership Team and Accounts and Audit Committee, to reflect any changes in governance arrangements.

Undertake an annual review of governance arrangements

The Authority will undertake an annual review to evaluate the position against the commitments set out in the Council's Corporate Governance Code, the effectiveness of governance arrangements and to ensure continuing compliance with best practice.

Where appropriate, action plans will be produced to ensure any significant weaknesses are identified are addressed and there is continuous improvement in the system of corporate governance.

Findings and recommendations from this exercise will be reported via the Corporate Leadership Team. This will be used to inform the production of the Annual Governance Statement, with significant issues reported publicly through this process.

Report publicly on compliance with governance arrangements in the Annual Governance Statement

The Authority will produce an Annual Governance Statement (AGS) in accordance with the Accounts and Audit Regulations 2015. This will be published and will accompany the Council's Annual Statement of Accounts. It will state what arrangements the Council has in place to ensure the effectiveness of its governance framework and how the Council has followed its stated governance principles. It will also highlight any areas the Council considers to require significant improvement; and refer to the actions planned to address them.

The Accounts and Audit Committee will review the robustness of the AGS. The Chief Executive and the Leader are required to sign off the agreed final version of the AGS.

5. Responsibilities

Every Council officer and member has a responsibility to ensure their personal conduct and the organisation's governance arrangements are always of the highest standard possible.

Senior managers have a responsibility for reviewing governance standards in their areas of responsibility and for identifying and implementing any necessary improvement actions. Improvement actions should be reflected in the appropriate business plans.

The Chief Executive and Leader will ensure that an annual review is completed of corporate governance arrangements and give assurances on their adequacy in the published Annual Governance Statement, accompanying the Statement of Accounts.

The Corporate Leadership Team will ensure that the Corporate Governance Code is reviewed regularly to reflect ongoing developments and planned improvements to the governance framework; and agree any amendments. The Code will be approved by the Accounts and Audit Committee. Significant changes will be referred to the Council's Executive for approval.

6. Communication

The Corporate Governance Code and Annual Governance Statement will be reported publicly with a copy available on the Authority's website.

7. Trafford Council's Governance Framework

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of the law

Behaving with integrity

- Ensuring members and officers behave with integrity, and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation
- Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should be based on the Seven principles of public life (Nolan principles)
- Leading by example and using these standard operating principles or values as a framework for decision making and other actions
- Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure they are operating effectively.

In accordance with requirements of the Localism Act 2011, the Council reviewed and adopted its **Members Code of Conduct** incorporating procedures for notification of disclosable pecuniary interests, personal interests and hearing procedures. Protocols set out the arrangements for dealing with complaints about the code of conduct for members.

All staff are required to abide by an **Employee Code of Conduct** setting out the expected standards of behaviour. It is a requirement for all new employees to read and sign up to this as part of the staff induction procedure.

Arrangements are in place requiring members and employees of the Authority to not be influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. **Guidance to Officers on Gifts & Hospitality** sets out the circumstances where these may be accepted, and how these should be declared and recorded.

The Council has adopted a set of **Corporate Values** embedded within its policies, procedures and strategies. The Council's competency framework outlines the organisation's values and the behaviours expected of employees when fulfilling their roles and these are cascaded through the PDR process.

The organisation's shared values act as a guide for decision making and as a basis for developing positive and trusting relationships within the Authority.

	<p>The authority has an Anti-Fraud & Corruption Strategy, Policy and supporting guidance to discharge its responsibility to safeguard public funds and promote a 'zero tolerance' culture to fraud and corruption.</p> <p>The Council has adopted a Confidential Reporting Code and supporting guidance, which sets out the whistle blowing protocols for reporting, responding to and monitoring of issues of concern.</p>
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Demonstrating strong commitment to ethical values

- Seeking to establish, monitor and maintain the organisation's ethical standards and performance
- Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation
- Developing and maintaining robust policies and procedures which place emphasis on ethical values
- Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation

The **Standards Committee** has within its role, the promotion and maintenance of high standards of conduct of Members and the responsibility to oversee the effective operation of **the Code of Conduct for Members**. Responsibility for the regulation of employee conduct is set out in the Council's **Disciplinary Policy**.

The financial management of the Council is conducted in accordance with the **Financial Procedure Rules** and **Contract Procedure Rules** incorporated within Part 4 of the **Constitution**.

The Council's **Contract Procedure Rules** set out the agreed protocols for procurement and tendering for contracts including post contract arrangements, and are harmonised across the three Councils participating in STAR Procurement, the shared procurement service for Stockport, Trafford and Rochdale Councils. Protocols ensure that there is separation of roles within the procurement process, and all relationships of a business / private nature with existing or potential contractors should be declared.

The **Employee Code of Conduct** specifies that to avoid bias and ensure appointments are made on the basis of merit, where applicants are related to or have close personal relationship with an employee; this officer should not be involved in the appointment process.

Systems and processes for financial administration, financial control and protection of the Authority's resources and assets are designed and monitored to conform with appropriate ethical standards.

Respecting the rule of the law

- Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to the relevant laws and regulations
- Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements
- Striving to optimize the use of full powers available to the benefit of the citizens, communities and other stakeholders
- Dealing with breaches of legal and regulatory provisions effectively
- Ensuring corruption and misuse of power are dealt with effectively

The **Constitution** sets out how the Council will operate to deliver services and perform its functions within the wider legal framework. Part 3 sets out Responsibility for Functions at Committee and Executive portfolio level. It also sets out the proper officer arrangements for delivering specific legislative requirements.

The Authority actively recognises the limits of lawful activity placed on it but also strives to utilise powers to the full benefit of communities. It recognises the limits of lawful action and observes both the specific requirements of legislation and the general responsibilities placed on authorities by public law.

The Council has appointed a **Chief Executive** responsible and accountable to the Authority for all aspects of operational management. The functions of the **Head of Paid Service, Monitoring Officer** and **Chief Financial Officer** are set out in the Constitution.

The Council's Director of Legal & Democratic Services is designated as "**Monitoring Officer**". It is the function of the Monitoring Officer to oversee and monitor compliance with legislation and the Council's established policies and procedures.

The Council has designated a **Chief Finance Officer**, in accordance with Section 151 of the Local Government Act 1972, who is a member of the Corporate Leadership Team. Periodic assessment is undertaken to ensure compliance with the governance standards as set out in the **CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010)**. The Council's **Chief Finance Officer**, has responsibility for the legality of the Council's financial transactions.

The **Contract Procedure Rules** set out the protocols by which the Council shall enter into Contracts in accordance with both UK and EU regulations.

The Authority seeks timely professional advice on matters that have legal or financial implications, which is recorded in advance of decision making and used appropriately.

The **Monitoring Officer** will, after consulting with the Head of Paid Service and the Chief Finance Officer, report to the full Council or to the Executive, in relation to an Executive function, if she considers that any proposal, decision or omission would give rise to unlawfulness or has given rise to maladministration. Such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered.

Responsibility for the regulation of employee conduct is set out in the Council's **Disciplinary Policy**. A range of **Human Resource policies** in place are designed to help ensure the proper conduct of staff and to ensure the workforce is appropriately skilled to deliver the Council's aims and objectives.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Openness

- Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness
- Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reason for keeping a decision confidential should be provided
- Providing clear reasoning and evidence of decisions in both public records and explanations to stakeholders and being explicit about criteria, rationale and conclusions used. In due course, ensuring that the impact and consequences of those decisions are clear
- Using formal and informal consultation and engagement to determine the most appropriate and effective interventions / course of action

The Council publishes a wide range of information, statistics and data in accordance with, and indeed beyond the expectations of, the Local Government Transparency Code (2015).

The Authority as a whole is open and accessible to the community, service users and its staff and has made a commitment to openness and transparency in all its dealings, subject only to those specific circumstances where it is proper and appropriate to do so.

Part 4 of the Constitution sets out the **Access to Information Procedure Rules** including the rights to attend meetings and access summons, agenda and reports. Where major 'key' decisions are to be discussed or made, these are set out in a notice published at least 28 days before a decision is made.

Council decisions are based on public **consultation** including the budget proposals. Meetings where decisions are made and scrutinised are open to the public, except where exempt information is disclosed. Those making decisions, whether for the Authority or in partnership, are required to be provided with information that is fit for purpose – clear, timely, relevant, accurate and complete and gives clear explanations of issues and implications on both a financial and non-financial basis.

Engaging comprehensively with institutional stakeholders

- Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholders relationship are clear so that the outcomes are achieved successfully and sustainably
- Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively
- Ensuring partnerships are based on:
 - Trust
 - A shared commitment to change
 - A culture that promotes and accepts challenge among partners
 - the added value of partnership working is explicit.

Trafford Council is a member of the **Greater Manchester Combined Authority**, run jointly by the leaders from the 10 councils governed by a fully elected mayor, working with other local services, business and community to improve the city region with powers and accountabilities that bring decision making closer to the local people.

The Council is the lead organisation of the **Trafford Partnership**, which provides a key role engaging with residents and the community to ensure that priorities and actions at strategic level reflect the needs of local people. Four **Locality Partnerships** act as wider engagement networks for all stakeholders including residents and community groups. Each has its own Terms of Reference and The Locality Partnership Chairs sit on the Trafford Partnership **Strong Communities Board**.

In accordance with the requirements of the Health & Social Care Act 2012, a **Health & Wellbeing Board** has been established. Supporting this, the Council has in place a number of strategic partnership arrangements governed through **Section 75 Partnership Agreements**.

The Council set up wholly owned community interest companies (CIC), **Trafford Leisure** from 1st Oct 2015 to deliver leisure services across the borough and **Trafford Youth Trust** on 1st March 2016 to commission and develop youth service provision. Each company has a Board of Directors appointed responsible for compliance with general company law and CIC regulatory requirements.

When working in partnership, members are clear about their roles and responsibilities individually and collectively in relation to the partnership and the authority.

Engaging with individual citizens and service users effectively

- Establishing a clear policy on the types of issues that organisations will meaningfully consult with or involve individual citizens, service user and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes
- Ensuring that communications methods are effective and members and officers are clear about their roles with regard to community engagement
- Encouraging, collecting and evaluating the views and experiences of communities, citizen and service users and organisations of different backgrounds including reference to future needs
- Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account
- Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity
- Taking account of the interests of future generations of tax payers and service users.

The **Strategy for Building Strong Communities** provides a strategic 'home' for the Locality Working programme, clearly demonstrating how Locality Working is intrinsically linked with other key strategic agendas, providing a practical way of delivering Early Help and Prevention, Public Service Reform, Shaping Demand, Community Action and Third Sector Infrastructure Support. Through **Asset Based Community Development** Locality projects align strategic priorities to the needs and assets of the communities,

Through the Trafford partnership structure, each **Locality Partnership** is supported by an **Enabling Group** with a core membership of Councillors, Service Providers and Community Ambassadors to oversee engagement events and locality projects and to ensure the work of the Locality Partnerships are aligned to the strategic priorities of the borough.

Through the '**Be Bold be the Difference**' 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 undertakes regular consultation in relation to policy change and spending proposals. There are a range of consultation mechanisms in place for public and Council employees including an online forum, network events, focus group and surveys.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental benefits

Defining outcomes

- Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes including appropriate performance indicators, which provides the basis of the organisation's overall strategy, planning and other decisions
- Specifying the intended impact on, or change for, stakeholders, including citizen and service users. It could be immediately or over the course of a year or longer
- Delivering defined outcomes on a sustainable basis within the resources that will be available
- Identifying and managing risks to the achievement of outcomes
- Managing service users expectations effectively with regard to determining priorities and making the best use of resources available

A refreshed borough wide long term 'Vision 2031', 'Together Trafford', was agreed during 2016/17 based on the premise, '**No one will be held back and no one left behind**'. To support this a Place based strategy is being developed based on the key principles:

- **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 and relax.

To support the vision, a number of interventions have been developed which underpin the Council's **Annual Delivery Plan** and **Medium Term Financial Plan**.

These will be underpinned by the key strategies and programmes setting out how the Council in collaboration with partners proposes to create a sustainable borough

The **Core Strategy** agreed in 2012 sets out the Council's spatial policy framework for delivering the development and change needed to realise the Council's vision for the Borough up to 2026. It includes plans relating to economic, social and environmental issues and how these will shape the future of Trafford.

As part of the wider Greater Manchester Health & Social care devolution, the **Trafford Locality Plan** developed in collaboration with the Trafford Clinical Commissioning Group was agreed in March 2016. This sets out the vision and principles for development of a fully integrated health & social care system to be implemented by 2020.

Sustainable economic, social and environmental benefits

- Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision
- Taking a longer terms view in regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisations intended outcomes and short term factors such as the political cycle or financial constraints
- Determining the wider public interest associated with balancing conflicting interests between achieving the various social, economic, and environmental benefits, through consultation where possible, in order to ensure appropriate trade offs
- Ensuring fair access to services.

The Council's **Medium Term Financial Strategy** provides a rolling 3 year plan aligned to the authority's strategic objectives and includes a:

- **Medium Term Financial Plan** which details the Council's revenue budget
- 3 year **Capital Programme** and developing Investment Strategy
- **Treasury Management Strategy.**
- **Efficiency Plan** which details the Council's approach to deliver efficiencies with all of this underpinned by a set of **Prudential Indicators**, designed to ensure capital borrowing is affordable and does not place undue burden on the Councils revenue budget.

Trafford continues to develop a multi-year **Locality Plan** which sets out the transformational change in conjunction with health partners to deliver health and social care integration.

To support longer term decision making, **committee reports** require that proposed options set out any implications in relation to the policy framework, corporate priorities, financial, legal, resource and sustainability issues as well as equality and diversity, and health & wellbeing. The report should indicate also whether consultation is required on the outcome of the decision

In accordance with the Equality Act 2010, the Council complies with the Public Sector Equality Duty to consider the needs of people who are disadvantaged or suffer inequality when making decisions regarding its service provision and policies. The Council has implemented detailed guidance and procedures for staff to ensure that an **Equality Impact Assessment** is undertaken in relation to all proposed changes in policy, strategy, functions and internal structures.

The Council is a signatory to the **GMCA Social Value Policy** and has developed its own Social Value guidance for staff and suppliers which demonstrates a commitment to obtaining additional social value in accordance with the Public Services (Social Value) Act 2012 from its third party controllable spend.

The Council has also developed its own response to the GMCA SV Policy designed to help potential bidders understand more about social value and how to make social value commitments when bidding for a contract with Trafford Council.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Determining interventions

- Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with these options. therefore ensuring best value is achieved however services are provided
- Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land, assets and bearing in mind future impacts.

To support decision making, the **committee reporting** templates require officers to set out the proposed decision and alternative courses of action supported by robust analysis of available options. All proposals are subject to sign off by Finance and Legal, Corporate Director and Executive portfolio holder.

The Council's **budget setting process** is informed by public consultation and through the annual **budget scrutiny review** considers risks and robustness of policy choices, with feedback used to inform policy decisions.

The Council has in place **Joint Consultative Committee** arrangements to establish a regular method of consultation between the Council and the Trade Unions enabling input into human resource issues including proposed organisational and policy changes

The TraffordDataLab **website** provides free public access to view statistical data about the borough including the **Joint Strategic Needs Assessment** which Trafford Council and Trafford Clinical Commissioning Group have equal and joint duties to prepare under the Health and Social Care Act 2012.

The **Trafford Data Lab** and **Performance teams** provide data and analysis to support the (re)design of services, reduction and reshaping of demand on services and attracting investment into the Borough.

Planning interventions

- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets
- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered
- Considering and monitoring risks facing each partner when working collaboratively including shared risks
- Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances
- Establishing appropriate key performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured
- Ensuring capacity exists to generate information required to review service quality regularly
- Preparing budgets in accordance with organisational objectives, strategies and medium term financial plan
- Informing medium and long term resource planning by drawing up realistic estimates of revenue or capital expenditure aimed at a sustainable funding strategy.

The **Annual Delivery Plan** sets out the key deliverables for the coming year supported by individual Directorate and Service business plans, which connect service objectives and associated actions to the community vision and corporate priorities.

The **Corporate Leadership Team (CLT), Executive and Scrutiny Committee** receive regular monitoring and exception reports on the achievement of corporate objectives. In addition, regular performance reports are issued to Corporate Directors and Executive Portfolio holders containing performance data specific to their remit.

The **Programme Management Office (PMO)** defines and maintains standards for managing Transformation projects, to co-ordinate management information, provide best practice advice, guidance and templates for project management through the **Business Change Project lifecycle**, and to provide specialist consultancy in areas such as business case development, risk management and benefits realisation.

The **Transformation Programme** has defined programme governance arrangements in place. Significant projects for the Council have a Corporate Leadership Team lead, and all have a Senior Responsible Officer (SRO) and Financial Support Officer. Benefits realisation tracking and a summary of project delivery and exceptions is reported monthly to the Transformation Board.

Optimising achievement of intended outcomes

- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints
- Ensuring the budget process is all inclusive, taking into account the full cost of operations in the medium and longer term
- Ensuring the medium term financial strategy sets out the context for ongoing decisions on significant delivery issues or responds to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimizing resource usage
- Ensuring the achievement of social value through planning and commissioning services. The Public Services (social value) Act 2012 states that this is ‘the additional benefit to the community over and above the direct purchasing of goods, services and outcomes

The Council’s **Medium Term Financial Strategy (MTFS)** is a 3 year rolling document updated as changes in conditions / assumptions are known. The Council is required to set and approve a balanced robust budget and Council Tax level, and consults annually on its budget proposals which are subject to scrutiny review.

The budget setting process takes into consideration the assessment by the Chief Finance Officer of the robustness of the budget estimates and adequacy of the general reserve; Executive responses to the scrutiny review; outcome of staff and Trade Union consultation; and Equality Impact Assessment in relation to each proposal.

The Council has established a collaborative Procurement shared service organisation with Stockport and Rochdale Councils (STAR Procurement), with the aim to reduce overheads, increase economies of scale and provide collective expertise and resilience.

The Authority has agreed a **Procurement Strategy** which establishes how the councils can use procurement to focus activity on delivery of outcomes and realise corporate priorities, and highlights the importance of the procurement function throughout the lifecycle of service delivery, from initial inception through to contract management

In response to the Public Services (Social Value) Act 2012 the Greater Manchester Combined Authority (GMCA) has written a **Social Value Policy** which sets out how councils can increase prosperity of their local communities through procurement activity as an added benefit. STAR Procurement has produced local guidance to support this. All tenders advertised by **STAR Procurement** aim to capture social value aligned to the delivery of service, goods and work contracts.

Principle E: Developing the entity's capacity, including the capability of its leadership, and the individuals within it

Developing the entity's capacity

- Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness
- Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently
- Recognising the benefits of partnerships and collaboration working where added value can be achieved
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources

The Authority has put arrangements in place to measure and review the quality of service for users including mechanisms to identify and deal with failure in service delivery for both internal and collaborative working arrangements. Management information is available to enable monitoring of service quality effectively and regularly. The Council is committed to using benchmarking and seeks external advice where necessary to inform decisions.

As part of the **Greater Manchester Devolution** and supporting work programmes, and at local level through the **Vision 2031** and **Health Integration** Transformation programmes, the Council is committed to deliver service transformation through collaboration and integration. Programme management and governance is in place to deliver transformational change.

The **Transformation Programme** takes into account consideration of training and development needs across the Council providing skills transfer across the organisation.

A succession planning strategy 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.

Developing the capability of the entity's leadership and other individuals

- Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained
- Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body
- Ensure the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and balance for each other's authority
- Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to the changing legal and policy demands as well as economic, political and environmental changes and risks by:
- Ensuring members and staff have access to induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available

The Council has adopted a **Constitution** which provides a clear statement of how it operates, defining the respective roles and responsibilities of the Executive and non-Executive members, sets out responsibility for carrying out the Council's functions, at committee level and delegation to individual executive members and the Scheme of Delegation to Officers. The sections on delegated authority are reviewed and approved annually.

Member Officer Relations Protocols provide guidance to help build good working relations between members and officers. Article 15 of this document sets out the protocols and the role of the Monitoring Officer to monitor and review the operation of the constitution. The Council reviews elements of the Constitution each year at its annual meeting.

The **Officer Employment Procedure Rules** set out the terms and conditions for remuneration of employees. A **Pay Policy Statement** has been published which provides transparency regarding the Council's approach to setting pay for its employees. The Council has agreed a **Members Allowance Scheme** setting out the level of financial allowance that members may receive.

The Authority puts arrangements in place to ensure that statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the organisation.

All new employees are required to complete a **Corporate Induction Module** which includes a number of mandatory elements such as the employees' code of conduct, fraud awareness and the Acceptable Use Policy. **Member Induction Training** is undertaken each year.

and encouraged.

- Ensuring members and officers have appropriate skills, knowledge and resources and support to fulfil their roles and responsibilities and ensuring they are able to update their knowledge on a continuing basis
- Ensuring personal, organisational and system wide development through shared learning, including lessons learnt from governance weakness both internal and external
- Ensuring that there are structures in place to encourage public participation.

There is a behavioural based competency framework and staff appraisal process in place which supports the cascade of corporate objectives and values through to individual employee targets. All staff are required to complete a **Personal Development Review** annually. **One to one meeting guidance** and a template to record discussions has been made available for managers so that a consistent approach to supervision is adopted across the Council.

The Council has taken a strategic approach to **Absence Management**. Ongoing performance is monitored as part of the Authority's Annual Delivery Plan.

The supplementary **Member Development Strategy** describes how Councillors will be supported to develop in their changing role as community advocates and leaders. **Personal Development Reviews** are being undertaken to ensure that members are provided with the necessary training and development support.

The Council operates an **Internal Apprenticeship Scheme** providing training and mentoring opportunities for Trafford residents. There are arrangements in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority through the **Locality Partnership** networks and involvement in co-produced locality projects which provide innovative solutions to local issues.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Managing risk

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making
- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively
- Ensuring that responsibilities for risk management are clearly allocated

Risk management is embedded into the culture of the organisation. The Council has a **Risk Management Policy Statement, Strategy and protocol** for monitoring and reporting risk. These explain the methodology which provides a comprehensive framework for the management of risk throughout the Council.

The **Council's Strategic Risk Register** sets out the key risks the Council is likely to face in achieving its high level corporate objectives. In accordance with the Council's Risk Management Policy Statement, Corporate Directors and the Accounts and Audit Committee review the associated arrangements in place for improving control and mitigating risks faced by the Council.

To support change, **Programme Management** ensures that risk logs are maintained for each project which track emerging/ risk issues through the lifetime of the project and ensure where necessary these are escalated to senior management.

The Council's **Business Continuity Management** procedure requires each service area to produce an annual **Business Impact Analysis** to identify the risks to the Council in relation to service continuity which inform development of **Business Continuity Plans** for priority service functions.

The **Health & Safety Policy** sets out the council's approach and responsibilities, including risk assessment and incident reporting processes. The Council's **Health and Safety Unit** provide oversight and support this through provision of advice and training, and monitoring compliance, with regular updates to CLT and the Executive.

Managing performance

- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review
- Making decisions based on relevant, clear, objective analysis and advice pointing out the implications and risk inherent in the organisation's financial, social and environmental position and outlook
- Ensuring an effective oversight and scrutiny function which encourages constructive challenge and debate on policies and objectives before, during, and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible
- Providing members and senior management with regular reports on service delivery plans and progress towards achievement of outcomes
- Ensuring there is consistency between specification stages such as budget and post implementation e.g. financial statements.

The Council's **Annual Delivery Plan** sets out the key deliverables for the coming year supported by individual Directorate and Service business plans, which connect service objectives and associated actions to the community vision and corporate priorities.

The **Corporate Leadership Team (CLT)** and **Executive** receive regular monitoring and exception reports on the achievement of corporate objectives. In addition, a monthly performance report is issued to Corporate Directors and Executive Portfolio holders containing performance data specific to their remit.

The Council has in place a **Scrutiny Committee** and a separate **Health Scrutiny Committee**, which provide the scrutiny of decisions made, policy development and implementation and can "call in" decisions made by the Executive, or on their behalf with delegated authority, to challenge whether the decision has been made appropriately and ask the Executive to reconsider it if necessary.

The Council has an approved **Corporate Complaints Policy** and guidance with regular reporting to senior management.

Robust internal control

- Aligning the risk management strategy and policies on internal control with achieving objectives
- Evaluating and monitoring the authority's risk management and internal control on a regular basis
- Ensuring counter fraud and anti-corruption arrangements are in place
- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance and risk management and control is provided by the internal auditor
- Ensuring an audit committee or equivalent group or function independent of the executive and accountable to the governing body:
 - provides a further sources of effective assurance regarding arrangements for managing risk and maintaining an effective controls environment
 - that its recommendations are listened to and acted upon

Operational managers have responsibility for managing risks and ensuring implementation of sound system of internal control within their service area.

The Audit and Assurance Service delivers the Council's **Internal Audit** function which is responsible for reviewing the quality and effectiveness of systems of internal control, risk management and governance. It operates in general conformance with the Public Sector Internal Audit Standards and the CIPFA Statement on the Role of the Head of Internal Audit (2010).

The Council operates an **Accounts and Audit Committee** whose role is to monitor and evaluate the Council's corporate governance, risk management and internal control arrangements. The committee regularly reviews its work practices against the guidance set out in CIPFA's "Audit Committees: Practical Guidance for Local Authorities.

A risk based **Internal Audit work plan** is reviewed each year by the Corporate Leadership Team and Accounts & Audit Committee. The Audit and Assurance Manager reports through the year on progress against plan, outcomes of individual audit reviews and the impact of audit work.

The **Annual Head of Internal Audit Report** presented to the Accounts and Audit Committee provides an opinion on the overall adequacy and effectiveness of the control environment, which encompasses internal control, risk management and governance.

Managing data

- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data including processes to safeguard personal data
- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies
- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.

To ensure the Authority meets best practice and legislative requirements, an **Information Security Governance Board** has been established which meets regularly to provide strategic direction and oversight of Information governance across the council. The Board has been overseeing preparations for the General Data Protection Regulations (GDPR) which will be introduced from 25 May 2018.

The Senior Risk Information Officer has been assigned to oversee and review information governance issues / information risks and information security, and a **Caldicott Guardian** with responsibility to protect service user and carers' interests regarding the use of confidential and personally identifiable data. A **Data Protection Officer** as required by the GDPR has been appointed.

The Council has adopted an **Information Governance Framework** supported by a suite of policies supported by awareness raising and mandatory annual staff training in data protection, freedom of information and information security.

The Council is working with **GM Connect** and Greater Manchester authorities, Trafford CCG and other partners to implement and monitor effective data sharing throughout Greater Manchester. Although **Data Sharing agreements and protocols** have been adopted based on the GM wide model, they require further amendments to be compliant when GDPR is effective from May 2018.

To ensure compliance with **Data Protection and Freedom of Information** legislation, the Council has adopted a policy, procedures and a dedicated Information Governance team to provide support and guidance to employees.

Users of the Trafford ICT network are required to sign up to the authority's **Acceptable Use Policy** to confirm acceptance of agreed responsibilities and standards to prevent misuse of equipment or networks.

The Council has engaged a third party provider to provide IT Security capacity and capability working with the in house ICT service to ensure appropriate safeguards are in place, monitor the firewall perimeters and provide accredited security advice. A best practice review of **IT Security policies** has been undertaken aligned to the recommendations from the Information Commissioners Office's Audit.

Trafford Council is compliant with **Public Sector Network (PSN)** requirements and as such subject to independent penetration testing on both the internal and external network.

The Council has assigned **Information Asset Owners** who are responsible for ensuring information quality and security for their service areas and to maintain an **Information Asset Register**.

The Council has adopted a **Records Management Policy** and has a comprehensive records retention and disposal schedule covering all services.

Case File Recording Policies are in place to ensure the accuracy of service user information for systems that support the provision of care. Data analyst and performance staff regularly review data quality for key systems.

Strong public financial management

- Ensuring financial management supports both long term achievement of outcomes and short term operational and financial performance
- Ensuring well developed financial management is integrated at all levels of planning and control, including management of financial risk and controls

The Council's **Medium Term Financial Strategy** provides a rolling 3 year plan aligned to the authority's strategic objectives. The **Efficiency Plan** sets out the Council's approach to deliver efficiencies over a 4 year period.

The Council has a clearly defined 3 year **Capital Programme** and **Treasury Management Strategy**. The Council **Prudential Indicators** are designed to ensure capital borrowing is affordable and does not place undue burden on the Councils revenue budget. This will be updated at least annually as part of the budget setting process.

The Council's financial framework keeps its commitments in balance with available resources. There are arrangements in place to ensure compliance with **CIPFA's Prudential Code for Capital Finance in Local Authorities** and **CIPFA's Treasury Management Code**. The capital budget is monitored and reported to the CLT and Executive each quarter.

The Authority has defined **Budgetary Control Procedures** in place. **Revenue Budget Monitoring** reports are reported to the Corporate Leadership Team and the Executive on a regular basis to enable monitoring of income and expenditure levels, to ensure that commitments are within available resource levels and corrective action is taken when necessary. The Accounts and Audit Committee also receives the budget monitoring reports at its meetings through the year.

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

Implementing good practice in transparency

- Writing and communicating reports to the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate
- Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand

The Council has policies and procedures in place to support compliance with the **Freedom of Information Act 2000** requirements and has a Publication Scheme in place.

The Council publishes a range of information to support the requirements of the **Local Government Transparency Code**. Details of all invoice payments to suppliers, senior officer salaries, contract register and members' expense claims are published online.

The Council has a corporate **Marketing and Communications function** in place to oversee internal and external communication and ensure these arrangements are operating effectively. Guidance to members and officers has been provided in relation to press releases, use of the Council logo and social media.

The Council has a range of communication channels in place through its website **trafford.gov.uk**, social media channels and press releases. Face to face and telephone contact is provided through the **Access Trafford contact centre**, and a network of libraries. Webcast of full Council meetings are available live and on demand through the **Public-i website**

An assessment of service user needs has been carried out as part of the Council's work to implement the **Accessible Information Standards** for health & social care.

Implementing good practices in reporting

- Reporting at least annually on performance, value for money and the stewardship of resources
- Ensuring members and senior management own the results
- Ensuring robust arrangements for assessing the extent to which the principles contained in the framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance
- Ensuring the framework is applied to jointly managed and shared service organisations as appropriate
- Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations.

The Council publishes details of its strategy and performance plans on its website **trafford.gov.uk**. Quarterly performance reports against the Annual Delivery Plan are reported to the CLT, Executive and Scrutiny Committee, and published online.

Regular updates on the Council's financial position are reported to CLT, Executive and Accounts & Audit Committee. The Annual Financial Statements, revenue and capital budget reports, Treasury Management updates and quarterly financial health indicators are all published on the Council website.

In accordance with statutory requirements the audited Statement of accounts and External Auditor's certificate and audit opinion are made available for inspection and published online.

The authority undertakes an annual review of the effectiveness of its governance arrangements against the **CIPFA/SOLACE** framework for Corporate Governance. The Authority's Corporate Governance Code and Annual Governance Statements are published online.

Information in relation to partnership activity and performance is reported through the Trafford Partnership website **traffordpartnership.org.uk**

Assurance and effective accountability

- Ensuring that recommendations for corrective action made by external audit are acted upon
- Ensuring an effective internal audit service with direct access to members in place which provides assurance with regard to governance arrangements and recommendations acted upon
- Welcoming peer challenge, review and inspections from regulatory bodies and implementing recommendations
- Gaining assurance on risks associated with delivering services through 3rd parties and that this is evidenced in the annual governance statement
- Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met

The **External Auditor's Annual Governance Report** and Annual Audit Letter are reported to the Accounts & Audit Committee and published online.

The Audit and Assurance Manager reports quarterly to the **Accounts and Audit Committee** on progress against the Internal Audit work plan, and provides assurance in relation to the effectiveness of the control environment and acceptance and implementation of audit recommendations. **For individual Internal Audit** reviews, findings are reported to the relevant managers, Heads of Service, Corporate Director, Chief Executive, Executive Portfolio holder and External Auditor.

The Authority is subject to periodic inspection by external bodies including **OFSTED** and **Care Quality Commission**. Inspection findings are published on line and action taken to address any recommendations made.

The Authority's **Annual Governance Statement (AGS)** identifies significant governance issues including risks in relation to 3rd party delivery and sets out the Authority's commitment to continuous improvement. The Accounts and Audit Committee receives updates in relation to issues within the AGS.

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TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 20 June 2018
Report for: Decision
Report of: Head of Governance

Report Title

Draft Annual Governance Statement – 2017/18

Summary

This reports sets out the Draft 2017/18 Annual Governance Statement (AGS). The preparation and publication of an Annual Governance Statement is necessary to meet the statutory requirement set out in the Accounts and Audit Regulations 2015.

The content of the draft AGS has been reviewed and agreed by CLT. This has included agreeing significant governance issues detailed in the AGS. The draft AGS has also been shared with External Audit to accompany the 2017/18 draft accounts.

In compiling the Annual Governance Statement, an exercise has been undertaken to also update the Council's Corporate Governance Code to reflect any developments or changes during the year. Both the AGS and Corporate Governance Code have been produced taking into account the updated framework and guidance on the AGS issued by CIPFA/SOLACE in April 2016. A separate report has been produced which highlights the proposed updated Corporate Governance Code.

The final version of the AGS will take into account any further feedback from the Accounts and Audit Committee and will accompany the Council's Accounts. The final version will be signed off by the Leader and Chief Executive.

Recommendation

The Accounts and Audit Committee considers the content of the draft Annual Governance Statement.

The final version of the Annual Governance Statement, signed off by the Chief Executive and Leader, will be presented for approval by the Accounts and Audit Committee in July 2018.

Contact person for access to background papers and further information:

Name: Peter Forrester – Head of Governance

Extension: 1815

Background Papers:

None



TRAFFORD COUNCIL

DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

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 2018 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 2017/18 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 2017/18	
<p>The Constitution, committee membership and delegated functions were reviewed and approved by Full Council on 24 May 2017. The Standards Committee met twice in the 2017/18 receiving updates from the Monitoring Officer in relation to local standards and best practice developments such as around Information Governance, Members awareness of standards issues and reports from the Ombudsman. The Committee also responded to consultations about the future of the standards regime.</p> <p>The Executive and Scrutiny Committee also considered a report following the annual letter from the LG Ombudsman which set out the overall position regarding complaints in the year.</p> <p>All members complete a Register of Interests which is published online detailing disclosable pecuniary interests, other interests and provide a record of gifts & hospitality received. Members are asked to review their declarations and update their interests where appropriate. The Council’s Members Allowances Scheme is also published on the Council’s website.</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 and was introduced during 2017/18.</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 an agreed Anti-Fraud & Corruption Policy and Strategy, Fraud Response Plan and Whistleblowing Policy. Details of how to report suspected fraud are included on the Council website. Following the update of fraud reporting details on the website in the previous year, referrals of suspected fraud can be reported to the Council using an online form. A review of the Whistleblowing Policy is planned for</p>	

2018/19.

The 2016/17 Annual Report for the Counter Fraud and Enforcement team was presented to the Accounts & Audit Committee in September 2017 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, Business rates & Adult social care funding misuse. An annual report for 2017/18 will be reported to the Accounts and Audit Committee by September 2018.

The Council continues to participate in the National Fraud Initiative (NFI) data matching exercise. An update on outcomes was provided to the Accounts and Audit Committee in February 2018 with a further update included in the Annual Head of Internal Audit Report 2017/18.

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).

The Council now has a harmonised Procurement Strategy for 2017-20, which was agreed at the Stockport, Trafford and Rochdale (STAR) Joint Committee meeting in August 2017.

CIPFA SOLACE Principle B.

Key Elements of Trafford Framework

Ensuring openness and comprehensive stakeholder engagement

- 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 2017/18

The Council continues to maintain its decision making protocols and is transparent in its decision making, complying fully with access to information requirements. The Council webcasts full Council meetings with 1400 people viewing debates.

A number of consultation exercises were carried out in 2017/18 including a major consultation on the Stretford Masterplan. The findings of the public consultation on the draft Refreshed Stretford Masterplan fed into revised plans and on-going engagement with residents is planned. Consultations on certain aspects of the budget and local schemes were also carried out in the year. A staff consultation

exercise on the extension of the mandatory leave scheme was carried out and staff were consulted on the proposed integration between the Council and CCG.

In 2017/18, the approach to community engagement through locality partnerships has been aligned with the Trafford Vision 2031. There are seven interventions which require locality engagement, involving communities and partners in shaping priorities and delivering action with different approaches to local engagement. For example, in Partington and Carrington new relationships have been formed with a small group of residents to lead the engagement of residents and agencies in developing and delivering a 2031 vision for the local area. This new community-led approach has been very successful so far, and will be tried in other areas of the borough in 2018/19.

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 integrated place based multi-agency teams, one for each of Trafford's locality/ neighbourhood 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. This led to the One Trafford Response (OTR) model for integrated place-base working, which has been tested in the Stretford area since May 2017. Using learning from the Stronger Families whole family key-worker approach partners have worked differently with over 50 individuals and families with a range of complex needs, sharing information more effectively to ensure people get the right sort of support at the right time. OTR is now being rolled out as part of a wider Place-Based Early Help approach through a whole borough workforce and leadership development framework. This will induct and upskill all staff from across all partners, including GPs, schools and the Voluntary sector to work in new ways, providing earlier and more co-ordinated interventions with residents. The workforce programme will begin in late April 2018 and seeks to train up to 1000 staff in the first 12 months.

The Council continues to support the voluntary sector to take positive action, through its £80,000 community grants scheme which saw 38 groups funded decided by community voting events. In addition 66 micro-grants were awarded to residents to kick-start small projects, as well as a £40,000 equality grants scheme supporting projects to increase physical activity in diverse communities. The Council continues to commission Thrive Trafford to provide capacity building, funding, volunteering and business engagement support to local voluntary, community and social enterprise (VCSE) organisations.

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 2017/18	
<p>During 2017/18 the Council has continued to review its strategy to reflect local and national changes including devolution, future funding arrangements, the Greater Manchester Reform framework for whole system reform, including Health and Social Care integration.</p> <p>Our ‘Trafford - Vision 2031’ based on the premise ‘No one will be held back and no one left behind’ continues to be developed in partnership with key agencies, and through engagement with voluntary, community and faith representation. A communication campaign to increase awareness amongst our staff, residents and businesses will be launched over the summer of 2018 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>Supporting the vision, the seven interventions (short - medium term priorities) underpins the Council’s Annual Delivery Plan and Medium Term Financial Plan. The interventions are as follows:</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 <p>Trafford has progressed the first year of delivery against its 5 Year Health and Social Care Locality Plan with a focus on integrating strategic commissioning functions between the Council and the CCG; planning for a Care Complex to provide end of life and intermediate care and respite facilities; developing a Local Care Alliance for health and social care providers; providing multi-disciplinary teams in care homes to</p>	

reduce emergency hospital admissions; co-locating pharmacies in GP practices; and creating a New Primary Care organisation as a new organisational form for GP practices to work together to improve local services to residents.

The Council's Physical Activity Vision "*By 2031 every resident is moving more, everyday*" has been formally launched. The Physical Activity Strategy and Implementation Framework identifies outcomes across the life course with a particular focus on increasing activity in certain cohorts: women and girls, disability groups; older people and more deprived communities. The Leisure Strategy project aims to develop an overarching Leisure Strategy aligned to Vision 2031.

The Council's Medium Term Financial Strategy has continued to be reviewed and updated throughout the year and as part of the updated budget approach the Council approved a new Investment Strategy in July 2017. The objective of this being to support the Council's financial resilience over the next few years and offer an alternative solution that can be used to address future budget gaps.

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 2017/18	
<p>The Council continues to monitor its performance through the Annual Delivery Plan and the delivery of transformation outcomes are monitored through the Corporate Leadership Team. Progress in delivering ADP outcomes was good with a high number of indicators meeting their targets. Both the Executive and Scrutiny Committee consider ADP quarterly reports and exception reports are provided to demonstrate how performance which is not at target will be improved.</p> <p>During 2016 the Council accepted a multi-year government funding settlement which provided a greater level of financial stability over the next few years with guaranteed levels of mainstream government funding. Despite this in determining the budget for 2017/18 an overall budget gap of £25.37m was addressed by a combination of additional resources of £9.80m and £15.57m of service savings and additional income.</p> <p>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. The Executive and CCG Governing Body agreed to move to the next phase of</p>	

integration with effect from 1 April 2018. This will involve the formation of a Joint Committee, management, commissioning and shared support services.

Following a strategic review of leisure facilities across the borough, planned investment of £46m has been agreed as part of the authority's Capital Programme and project management is in place to deliver this. The delivery of individual schemes to be the subject of individual business cases. 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. Progress is underway with the refurbishment of Urmston Leisure Centre in the first phase of works. Design scope is underway for a new leisure centre on the site of the existing one in Altrincham. Further evaluation work is required on the cost benefit of building a new Sale Leisure Centre or to refurbish the existing site.

The original proposals to refurbish Stretford Leisure centre have been superseded with the proposals for UA92 which improve the commercial viability to build a new Leisure Centre. The exact location will be determined through the Civic Quarter Master-Planning work. Once determined detailed designs will be developed from the indicative designs prepared to date.

Council officers are now considering a number of requests for Long Term Security of Tenure for sports clubs and associations in Trafford with the aim to broaden access, helping to ensure that the clubs are sustainable and facilitating them to explore grant funding opportunities to lever investment in to facilities.

The Council is at feasibility stage with the Parklife Programme which seeks to establish up to 3 all-weather multi-pitch sites for the promotion of grass roots football in Trafford. Trafford Leisure continues to develop the GP referral scheme which has seen over 1200 referrals since it was launched in 2017 and all GP practices signing up to an MOU.

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. In 2017/18 the Trust invested £310,000 through its grants programme, supporting 42 of Trafford's VCSE organisations through the small, medium and large grant to support 2,400 young people.

The Trafford Social Value Group brings officers from across Council Directorates, alongside partner organisations, to support contract managers to maximise additional social, environmental and economic contributions from contracts in line with the Greater Manchester Combined Authority (GMCA) Social Value Policy.

STAR have achieved its target of 10% average Social Value weighting in tenders are

set to achieve target of 50% of contracts resulting in measurable Social Value, and have delivered Social Value and Risk Based training to Commissioners during 2017/18.

STAR are working with the AGMA Procurement Hub in developing a tool for reporting Social Value outcomes across Greater Manchester.

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 • 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

How we demonstrated effectiveness in 2017/18

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. In December 2017, Trafford Council was awarded £85,000 as a grant from the ‘One Public Estate’ programme to undertake a ‘Locality Asset Review’. The review will be undertaken early in 2018/19 and will bring the whole public sector within the borough together, to assess the size of the public estate required for the future delivery of improved services. A strategic plan will be developed to achieve the efficient estate that Trafford’s public services require. In addition, further assessments and pilot projects will be performed to understand how best to provide working spaces that can be shared by a broad range of public sector colleagues to support the integration and service improvements sought throughout the sector.

A Supporting Change to Happen strategy is in place which identifies areas of good practice and supports the workforce through organisational change by offering a range of tailored improvement opportunities through better use of technology, training and leadership support. A suite of learning and development interventions were available throughout 2017/18 for staff to equip themselves with tools, techniques and skills to manage their own personal transition to work successfully in the new delivery models.

Training and Development Plans are in place at directorate level and cross council, which are refreshed and updated annually. The Training offer is delivered both face to face and via the e-learning platform and offers access to coaching opportunities and

relevant qualifications via the Apprenticeship levy.

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 have been identified at senior manager level and targeted development initiatives will be provided to ensure that the Council is equipped to flex the workforce to react to resource and skills gaps.

A review of the Performance Development Review process in 2017 will see a more streamlined process being introduced for the 2018/19 appraisal cycle based on employee feedback.

Senior managers took part in #leadingGM leadership programme that brought together a range of leaders across the public sector system in Greater Manchester to network with peers, review and discuss new organisational models, systems thinking and design new ways of working.

Managers have also accessed the Apprenticeship levy for leadership qualifications and we continue to offer qualification career paths in professional services.

A Staff Health & Wellbeing Strategy is in place with a number of initiatives and activities to improve organisational effectiveness organised around four key themes

- Healthy Lifestyle
- Mental wellbeing
- Safe and healthy workplace
- Workforce engagement.

Absence Management continues to be monitored at Member and Corporate Leadership level and is a key target in the Annual Delivery Plan.

A Member Training Plan is in place with an induction programme for all new Members and a training programme delivered during the year. 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 is working towards retaining its compliance with Level 1 of the North West Employers Organisation Members Charter.

CIPFA SOLACE Principle F	Key Elements of Trafford Framework
Managing risks and performance through robust internal control and strong	<ul style="list-style-type: none"> • Financial Procedure Rules • Contract Procedure Rules • Treasury Management Strategy • Scrutiny Committees and Protocols

public financial management	<ul style="list-style-type: none"> • Risk Management Strategy & Policy Statement • Strategic Risk Register • Internal Audit Strategy • Accounts & Audit Committee
How we demonstrated effectiveness in 2017/18	
<p>The Council's net revenue budget for 2017/18 is £160.83m and in determining the budget an overall budget gap of £25.37m was addressed by a combination of additional resources of £9.80m and £15.57m of service savings and additional income. Outturn expenditure on service expenditure showed an overall underspend of £2.71m. This comprises a net overspend on Directorate expenditure of £680k reflecting expenditure pressure on social care services and savings on corporate budgets and additional business rate funding.</p>	
<p>The outturn figures show that £14.7M of the savings target has been achieved.</p>	
<p>The budget for 2018/19 was approved by the Executive in February 2018 and sets out the Council's Medium Term Financial strategy 2018/19 to 2020/21 including income and savings proposals to address the funding gap of £40.67m 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 2018/21 has been approved for £144.65m with £59.42m profiled to be undertaken in 2018/19.</p>	
<p>In July 2017 the Council approved an Investment Strategy and approval was given to increase the capital programme such that £300m, supported by prudential borrowing, would be made available to support the Strategy. The objective of this being to support the Council's financial resilience over the next few years and offer an alternative solution that can be used to address future budget gaps. During the year a number of investment assets were acquired together with some debt finance support for new residential development. This provided an income stream during 2017/18 and later years capable of supporting the revenue budget.</p>	
<p>To mitigate the risks of the approach nationally recognised investment advisors are being used as part of the due diligence process with emphasis placed on securing investments in low risk assets.</p>	
<p>Further risk mitigation is being undertaken through the creation of a "Risk Reserve" through the ring-fencing of an element of the returns and an allowance for debt repayment (in accordance with national regulations). All investments are scrutinised by an Investment Management Board which includes cross-party representation.</p>	
<p>The Council has signed up with 11 neighbouring authorities to the Greater Manchester Business Rates Pool, which will have the benefit of ensuring that levies</p>	

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 December 2017 with the report submitted to the Executive in January 2018. The Executive provided their formal response to the Budget Scrutiny report in February 2018. The outcome of this is that a further review of the Budget Scrutiny process will be undertaken to inform the 2018/19 budget setting process with the aim to ensure that Scrutiny receive sufficient detail on budget proposals and risk assessment methodology.

The 2017/18 Scrutiny work programme also focused on the Leisure Strategy, Fire Safety within Trafford, and the Capital Investment Strategy. In addition, a Task and Finish review of the Council's CRM system was undertaken, which concluded in January 2018. The Task and Finish Group's report and recommendations were submitted to the Executive for a response at the end of January 2018, however further issues with the CRM's implementation were identified. The service agreed to submit a formal response to the Scrutiny Committee in due course with an updated timeline for implementation.

Following the publication of the Communities and Local Government Committee's First Report of Session 2017-19 on the Effectiveness of Local Authority Overview and Scrutiny Committees, Trafford's Scrutiny Committee conducted a local review of the Authority's Scrutiny arrangements. A Task and Finish group was formed to review the published report and its recommendations, with a view to applying this to improve Scrutiny within the Council. Whilst the DCLG report explicitly stated that it was focused only upon Overview and Scrutiny, Trafford's Scrutiny Committee feel that many of the recommendations within this report are equally relevant to the Trafford Health Scrutiny Committee. The report's recommendations were currently being considered by the Executive.

Over the course of the year the Health Scrutiny Committee focused upon the Single Hospital Service, the Integration of Trafford Council with Trafford CCG, and the results of the CQC Local Review conducted in October 2017.

The Council continues to regularly review and monitor its Strategic Risk Register with update reports presented to CLT and the Accounts & Audit Committee. The March 2018 report identified 15 strategic risks faced by the Council, each risk being managed by nominated staff / groups within the Council.

The Information Security Governance Board has established an action plan of key areas for improvement within the Council following the ICO Audit in 2017. The plan has been refined to enable the Council to meet the requirements of the General Data Protection Regulations which come into force on 25 May 2018. The ISGB met regularly throughout 2017/18 to review progress on the implementation of these tasks throughout the Council. An Information Governance Risk Register is monitored

through the Information Security Governance Board. The Council have appointed the Director of Legal and Democratic Services as its Data Protection Officer.

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.

A third 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.

The Internal Audit 2017/18 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 2017/18 states that based on internal audit work undertaken during the year, the Internal Audit Opinion is that, overall, the control environment (which encompasses governance, internal control and risk management) 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 further areas for improvement have been identified during 2017/18, actions have been agreed with management which will be followed up in 2018/19.

The Council's assurance arrangements conform to the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010). An external assessment of Internal Audit was completed by CIPFA and reported in January 2018 that the Internal Audit function operates in general conformance with the Public Sector Internal Audit Standards.

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. 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). In December 2017, the PSAA confirmed the appointment of Mazars LLP to audit the accounts of Trafford Council for five years, for the accounts from 2018/19 to 2022/23.

In 2017-18, STAR Procurement continued to provide the shared procurement service for Stockport, Trafford and Rochdale Councils and wider GMCA public sector partner organisations. In the period, it delivered combined savings of £5.2m. and introduced local investment and risk-based sourcing to its supported Councils. STAR co-hosted

<p>a joint-Council ‘meet the buyer’ event to share forthcoming opportunities with local suppliers and SMEs. STAR continued to support its Councils with the capture of Social Value through the procurement of third party contracts and created over 90 employment opportunities and over 280 apprenticeship and training opportunities for its Councils’ communities.</p>	
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 2017/18	
<p>The External Auditor’s Annual Letter 2016/17 was presented to Accounts & Audit Committee in December 2017 providing an unqualified opinion on the financial statements and identified that in all significant aspects, the Council put in place arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.</p> <p>During 2017/18, the Care Quality Commission (CQC) conducted a local system review to judge the effectiveness of Trafford to understand how people move through the health and social care system with a focus on the interfaces between services.. The report was published in early 2018 and highlights a number of strengths and some areas of improvement which the Council is working to address.</p> <p>During 2017/18, the Council continued to make significant improvement with responding to Freedom of Information (FOI) requests within their statutory timescale of 20 working days. The Council will continue to monitor closely FOI compliance to ensure statutory obligations are met and over 80% of requests are dealt with in time. Reports are submitted to the Corporate Leadership Team on a quarterly basis on performance.</p> <p>The Council’s Scrutiny Committees carried out a number of reviews and considered a range of reports at their meetings through the year. These are detailed above.</p> <p>Information on the Council’s decision making is open and transparent and published on the website. The Council continues to publish a range of open data through its website, data.gov.uk and the Trafford Data Lab’s website (trafforddatalab.io). It also</p>	

publishes data on grants to voluntary and community organisations on 360Giving. The work of the Trafford Data Lab supports the objectives of the Council and its partners by providing information to support policy making, commissioning and investment decisions. Thematic profiles and interactive maps are available on their website and guidance on appropriate data visualisations and publishing data is given. The Lab is also involved in an EU-funded Horizon 2020 project with the DWP that focusses on using linked open statistical data to help to reduce worklessness.

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 systems 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 2017/18 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 2016/17 review of internal control governance, and the identification of particular significant governance issues, the Council has taken action to address these through actions in 2017/18. Detailed below are the significant governance issues highlighted in the 2016/17 Annual Governance Statement followed by action taken in 2017/18.

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2016/17 Significant Issues	Action Taken 2017/18
<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</p>	<p>During the course of 2017/18 the MTFP was continually reviewed to reflect changes in budget assumptions around pay and price inflation, changes in Government funding and growing demand pressure on social care services. This exercise identified the budget for the three year period from 2018/19 of £40.67m, including £22.95m for 2018/19.</p> <p>The budget gap in 2018/19 was met by a combination of new funding and income of £17m, including:-</p> <ul style="list-style-type: none"> ○ A 4.99% increase in the council tax (2.99% general increase and 2% for adult social care) and increase in tax base £6m; ○ Additional business rate revenues (mainly from the 100% GM pilot) £5.4m; ○ Net income from investment properties as part of the developing Investment Strategy £1.2m; ○ Additional MAG dividends and shareholder loan returns £1.6m; ○ Use of Budget Support Reserve £1.6m; ○ Other £1.2m, and; ○ continuation of savings programmes of £6m.

2016/17 Significant Issues	Action Taken 2017/18
<p>locally. The Council intends to play a full part in this review.</p>	<p>The level of business rate revenues now supporting the budget give rise to a significant risk in 2020/21 when the national reset of business rate baselines will take place and therefore part of our reserves strategy over the next two years reflects this risk and where possible resources will be retained to mitigate this.</p> <p>An amount of £2.2m will be left in the Budget Support Reserve to support the MTFS in later years.</p> <p>The remaining budget gap after the current round of budget proposals is £6.25m and £8.85m in 2019/20 and 2020/21 respectively.</p>
<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 	<p>24 projects across three themes have been undertaken; 14 projects having savings and the remaining projects focussing on the Vision 2031 programme, the transformation of a wide range of Council services and the development of partnerships have been completed. This has realised savings of £8.8m.</p> <p>Monthly updates on progress have been presented to the Vision Board; with regular ‘deep dive’ presentations delivered to review issues and any associated risks to savings.</p> <p>Regular tours of the Vision have been carried out for partners, staff, Youth Cabinet and residents with presentation and workshops delivered to the Youth Assembly and the Strong Communities, Locality Partnerships</p>

2016/17 Significant Issues	Action Taken 2017/18
<p>- The Social Care Sustainability Programme</p> <p>- The Investment and Place Shaping Programme.</p> <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>A communication campaign to increase awareness amongst our staff, residents and businesses will be launched over the summer 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>Information Governance</p> <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</p>	<p>Following the ICO audit, an action plan to address the recommendations was put in place. A desk based follow-up was completed in October 2017 to measure the extent to which the Council has implemented the agreed recommendations.</p> <p>The ICO acknowledged the progress the Council is making against the scope areas, having completed 36 of the 61 recommended actions. Most notably implementing key recommendations relating to Governance such as:</p> <ul style="list-style-type: none"> • appointing a Data Protection Officer (DPO), • implementing KPIs, and • formalising reporting procedures to the Corporate Leadership Team.

2016/17 Significant Issues	Action Taken 2017/18
<p>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>	<p>They highlighted that further work was on-going in relation to other areas in particular:</p> <ul style="list-style-type: none"> • reviewing all IG policies. • A training strategy relating to data protection had yet to be developed and implemented. <p>An action plan to prepare the Council for GDPR has been agreed and is being implemented. A core project team reviews progress on a weekly basis and progress reports are made to the ISGB and to Corporate Leadership Team.</p>
<p>Business Continuity</p> <p>There will be ongoing monitoring of business continuity through the Strategic Risk Register and quarterly updates.</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>Some progress has been made in this area but full progress is linked to a solution to our Disaster recover arrangements.</p> <p>A significant number of Business Impact Assessments were completed across services towards the end of 2016/17 and a prioritisation schedule is being drafted to allow for a rolling programme of BIA completion rather than all being due at the same time.</p> <p>Our processes for BIAs and Business Continuity Plans for each service will be reviewed in 2018/19 as part of considering an integrated approach to business continuity with the CCG.</p>

2016/17 Significant Issues	Action Taken 2017/18
<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</p>	<p>A Tender was produced for a partner and a three year contract was awarded to Actica who will act as our external partner</p> <p>An ICT Capability Landscape has been created and is in use as a working document that is regularly updated. The ICT Capability Landscape will be used by the successful DA (Actica) to inform the council of future spend and ongoing revenue costs.</p> <p>Actica have produced a draft set of architecture principals to be reviewed by both ICT and the business.</p> <p>Some work has taken place at Sale Waterside and more is scheduled but it has been agreed that Sale Waterside is not an ideal location for a DR site and alternative options are now being considered and costed. This will be scheduled for June 2018</p>

2016/17 Significant Issues	Action Taken 2017/18
<p>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>	

Significant Governance Issues 2018/19

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 2018/19.

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<p>Delivery of Vision 2031'</p>	<p>The Vision 2031' seeks to secure improved outcomes for individuals and communities in Trafford and relies on our partnership with key agencies, and through engagement with voluntary, community and faith organisations.</p> <p>Vision 2031 consists of a number of major programmes and other projects. These include:</p> <ul style="list-style-type: none"> - Public Service Reform - Health and Social Care Integration - The Social Care Sustainability Programme - The Investment and Place Shaping Programme <p>These form major programmes of work with a dependency also on delivering a sustainable health and social care system.</p> <p>Each requires specific and additional capacity to secure the outcomes; Some of the funding to do this has been sought through the GM Transformation Fund but is linked to milestones and outcomes.</p> <p>A programme of work is being scoped in detail and from that flows the resource requirements at that seek to secure a sustainable organisation in the future and ensure that all Trafford residents can benefit regardless of demographic background and whether that's better health outcomes, better educational outcomes that help secure good quality jobs for Trafford residents.</p> <p>The significant challenge and risk intrinsically linked on the capacity to progress whole system change, investment and alignment with all our partners.</p> <p>Sustainability Programme Proposals will be brought forward as a matter of urgency to mitigate this</p>
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	risk wherever possible.
Medium Term Financial Position / savings	<p>Action is needed to identify how the remaining budget gaps of £6.25m and £8.85m in 2019/20 and 2020/21 respectively.</p> <p>In the longer term it is still the ambition that Vision 2031 will deliver sustainable benefits but the significant pressure in the short term caused by inflationary increases in pay, cost of goods and services and the spiralling social care costs causes significant financial pressure to continue to deliver sustainable budget savings. The integration with the CCG and the transformational activity to service delivery, pump-primed with Transformation Funding should alleviate some pressure in the sector. The Investment Strategy will also provide an alternative income stream that will help to balance the budget in the short term.</p> <p>Business rate growth continues to be a significant source of funding to the council but this carries its own risks given the reset of business rate baselines in 2020/21 when a new 75% retention scheme will be introduced. Work is also underway for on a new system of fair funding from 2020/21 which will involve a full review of the cost of providing services locally and the Council continues to play a part in this review.</p>
Business Continuity	<p>This has been carried forward due to the level of progress made in 2017/18. A number of actions still need to be actioned</p> <ul style="list-style-type: none"> • Business Continuity and Disaster Recovery • Back-up Solutions • Identification of a Disaster Recovery Site <p>A report on the actions and timescales will be submitted to the Corporate Leadership Team in early 2018/19.</p>
UA92 / Stretford Masterplan	<p>The Council's Refreshed Stretford Masterplan was approved by the Executive in January 2018 following a ten week public consultation. The plans will encourage significant private investment, maximise the impact of the University Academy 92 (UA92) concept to deliver an innovative higher education facility in Stretford/Old Trafford, deliver new leisure facilities, facilitate improvements in public spaces, and support the delivery of new housing and town centre uses</p>

	<p>University Academy 92 (UA92) is being delivered in Trafford through a partnership between the Council, the Class of 92, Lancaster University, Microsoft, Bruntwood and Trafford College. UA92 is also supported by Manchester United and Lancashire County Cricket Club. The new UA92 Campus Quarter will be located on the former Kellogg's office site on Brian Statham Way/Talbot Road (acquired by the Council in 2017) and is being delivered by the Council in partnership with Bruntwood. A planning application will be submitted in Spring 2018 for the refurbishment of the building and the campus building will be leased by the Council/Bruntwood JV to UA92 and Microsoft. Further work to prepare a masterplan for the surrounding Civic Quarter area will be progressed in 2018.</p> <p>To secure the regeneration of Stretford Town Centre the Council will support the creation of more attractive and outward facing development, introduction of a wider mix of uses, development of the evening economy and delivery of new leisure and residential uses. The Council is progressing a CPO/land acquisition process in relation to land and buildings that are not currently in its ownership but required to deliver the Refreshed Masterplan. The delivery of further public realm improvements will provide a significantly enhanced gateway to the Town Centre, help to alleviate the severance caused by the A56 and Kingsway, and provide an improved physical environment.</p> <p>There are significant economic, social and community benefits that will be delivered through these regeneration proposals which are set out in more detail in the Refreshed Stretford Masterplan. The Council is committed to a process of ongoing consultation and engagement with the community throughout the delivery of UA92 and the Refreshed Masterplan proposals.</p>
<p>Trafford Council and Trafford CCG Integration</p>	<p>The Executive have agreed to a number of proposals to implement this programme. The Trafford Council Chief Executive has been appointed to the Accountable Officer for NHS Trafford Clinical Commissioning Group and agreed the further alignment of functions within Trafford Council and NHS Trafford Clinical Commissioning Group.</p> <p>A period of assurance in relation to financial resilience of both organisations is being carried out by the Accountable Officer and Joint Chief Finance Officer and a further report will be brought back to Executive in the summer to update on progression of these proposals.</p>

<p>Investment Strategy</p>	<p>The Executive's approved an Investment Strategy to assist the Council in creating a balanced portfolio of investment assets in September 2017. The Strategy is fully aligned with the Medium Term Financial Plan and Capital Strategy, and sets out the scale and type of investments the Council will pursue in order to generate a financial return to support both the revenue budget and economic wellbeing of the Borough.</p> <p>The Council has put in place risk management arrangements, including appointing CBRE to provide investment advice on potential investments. Investment decisions are subject to full due diligence and made under the authority of the cross-party Investment Management Board.</p> <p>The Council will continue to manage this programme through the Investment Management Board and will continue to take professional advice. The Investment Strategy will be subject to an annual review, investment assets will be re-valued as required to as part of active asset management and appropriate management action will be taken as required.</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 Andrew Western
Leader of the Council
June 2018

Theresa Grant
Chief Executive
June 2018

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Audit Progress Report and Sector Update

Trafford Council
Year ending 31 March 2018
Page 69
June 2018



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Introduction

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This paper provides the Accounts and Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority; and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

Members of the Accounts and Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications. Click on the Grant Thornton logo to be directed to the website www.grant-thornton.co.uk.

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

Progress at June 2018

Financial Statements Audit

We issued a detailed audit plan in March 2018, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

Our interim fieldwork is complete and included:

- Updated review of the Council's control environment
- Updated understanding of financial systems
- Review of Internal Audit reports on core financial systems
- Early work on emerging accounting issues
- Early substantive testing

The findings from our interim audit are summarised at page 6 to 7.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing our plan and timetable with officers.

The final accounts audit is currently in progress and findings will be reported to you in the Audit Findings Report by the earlier deadline of July 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

We made our initial risk assessment to determine our approach and reported this to you in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

Meetings

We meet with Finance Officers on a regular basis and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective..

Events

We provide a range of workshops, along with network events for members and publications to support the Council. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	March 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2018	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

Results of Interim Audit Work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed	Conclusions and recommendations
Internal audit	<p>We have completed a high level review of internal audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed internal audit's reports on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that internal audit work contributes to an effective internal control environment.</p> <p>Our review of internal audit reports has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values • Commitment to competence • Participation by those charged with governance • Management's philosophy and operating style • Organisational structure • Assignment of authority and responsibility • Human resource policies and practices 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>

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	Work performed	Conclusions and recommendations
Review of information technology controls	Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.	Our work is complete and some areas for minor improvement have been agreed with management.
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements. Walkthrough tests have been undertaken on the payroll system and operating expenditure system. We have also reviewed the arrangements and procedures in place for the revaluation of Property, Plant and Equipment (PPE) and the arrangements in place for the submission of pension information for use by the actuary to the Greater Manchester Pension Fund.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	Our work has not identified any weaknesses which impact on our audit approach.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy. We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements
Early substantive testing	<p>We completed the following early testing:</p> <ul style="list-style-type: none"> • Operating expenditure – sample tested transactions to month 9. • Housing benefits – verified system parameters and sample tested payments to month 11 • Other revenue – sample tested to month 11 • Employee remuneration – sample tested starters and leavers for the year and predictive analytical procedures completed to month 11 <p>Residual queries on our samples and sample testing to year end are being completed as part of our final accounts audit.</p>	There are no issues arising from our work to date

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

The Vibrant Economy Index

a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website (www.granthornton.co.uk) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea



Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

PSAA website links

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

National Audit Office link

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

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INTRODUCTION TO MAZARS - WORKING WITH TRAFFORD MBC

12 June 2018



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Agenda Item 8



SESSION OUTLINE

- Introduction to Mazars
- Ethos
- Local government audit expertise
- Approach to the transition at Trafford
- Ambition for our work with you
- Social value
- Questions



INTRODUCTION TO MAZARS

International partnership

- 83 countries
- 290 offices
- 980 partners
- 20,000 staff
- €1.5bn fee income in 2016/17 (64% Europe)

UK firm

- 19 offices
- 135 partners
- 1,950 staff
- £165m fee income in 2016/17 (45% audit)

UK Public Services team

- 202 staff now rising to 245 when new PSAA contract starts
- External audit, risk assurance, advisory
- Local Government, Housing, NHS, Education, Central Government
- £24m fee income from Public Services clients in 2016/17
- Centres of excellence: Durham, Leeds, Manchester, Birmingham, Nottingham, London



ETHOS

- Do the right thing
- Make a positive difference to our clients and the communities in which we work
- Treat everyone with respect
- Work as a team
- Pass on the firm to the next generation in better shape than we found it



LOCAL GOVERNMENT AUDIT EXPERTISE

- Highly experienced Partner/Director team
- Specialists at all levels of the audit team
- Technical team whose members represent the firm on national groups inc. LAAP; NAO LG technical group
- Only firm to be rated 'green' overall on quality by Audit Commission/PSAA every year since 2012/13
- First-hand experience of all aspects of LG audit (accounts, VFM, legality, subsidiaries, objections, public interest reports)
- Current clients include CAs, mets, unitaries, counties, districts, police, fire and transport bodies
- Strong professional and sector networks: CIPFA, ICAEW, FRC, NAO, PSAA, LGA



APPROACH TO THE TRANSITION AT GMCA

- Handover protocol with Grant Thornton
- Avoiding disruption to your 2017/18 audit
- Blend of existing team and experienced recruits
- First year planning – meetings with leading members and key officers, early discussion of likely key issues
- Agreed liaison arrangements
- Detailed audit planning in autumn 2018
- Detailed joint project plan for delivery of 2018/19 audited accounts



AMBITION FOR OUR WORK WITH YOU

- High quality auditor – you can rely on our opinions
- Good to work with - responsive, constructive, innovative
- Value for money – a fair fee for the audit and additional fees only where absolutely necessary and agreed with you and PSAA
- Adding value – insight and making the GM-wide picture count
- Meeting your needs (where consistent with audit independence) – specialist support
- Valued partner – social value contribution, sponsorship



SOCIAL VALUE

- Mazars in Society
- Social mobility
- PSAA contractual commitments
- GM as focal point

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QUESTIONS

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TRAFFORD COUNCIL

Report to: Accounts & Audit Committee 20 June 2018
Executive 25 June 2018
Council Meeting 25 July 2018
Report for: Information & Decision
Report of: The Executive Member for Finance and the Chief
Finance Officer

Treasury Management Annual Performance 2017/18 Report

Summary

This report outlines the treasury management activities undertaken during 2017/18, key issues are as follows:

- There has been full compliance with all legislative and regulatory requirements, including all treasury management prudential indicators;
- The average level of external debt and interest rate payable for 2017/18 was £118.4m and 5.11% compared to 2016/17 when the respective figures were £105.2m & 5.67%;
- The average level of all investments for 2017/18 was £77.6m with a rate of return of 0.82%, for 2016/17 this was £105.6m and 0.87% respectively;
- Budget savings of £(2.3)m in net treasury management costs were achieved due primarily due to increase MAG share dividend being received.

Recommendations

That the Accounts & Audit Committee and Executive advise the Council:

- Of the Treasury Management activities undertaken in 2017/18;
- That no prudential limits were breached during 2017/18;
- That there was full compliance with both the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance;
- To approve the revised Prudential Indicator for Maturity Structure of Borrowing shown at paragraph 7.3

Contact person for background papers:
Graham Perkins – Technical Accountant - Extension: 4017

Background papers: None

Relationship to Policy Framework/Corporate Priorities	Value for Money
Financial	The treasury management net outturn was £1.5m which was £(2.3)m below the original budget set of £3.8m. The main reason for this saving was primarily due to additional MAG share dividend received of £(2.2)m.
Legal Implications:	All actions undertaken during the year were in accordance with legislation, CLG Guidance, CIPFA Prudential Code and CIPFA Treasury Management Code of Practice.
Equality/Diversity Implications	Not applicable
Sustainability Implications	Not applicable
Staffing/E-Government/Asset Management Implications	Not applicable
Risk Management Implications	The monitoring and control of risk underpins all treasury management activities. The Council's in-house treasury management team continually monitor to ensure that the main risks associated with this function of adverse or unforeseen fluctuations in interest rates are avoided and security of capital sums are maintained at all times.
Health and Safety Implications	Not applicable

1. INTRODUCTION AND BACKGROUND

- 1.1 The Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2017/18. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).
- 1.2 During 2017/18, the Accounts & Audit Committee together with the Executive and Full Council received the following three reports:
 - annual treasury strategy for the year ahead (issued February 2017);
 - mid-year update report (issued November 2017);
 - annual outturn report describing the activity undertaken (June 2018 i.e. this report).
- 1.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report is, therefore, important in that respect, as it provides details of the outturn position for treasury activities and highlights compliance with the Council's policies previously approved by members.
- 1.4 I can confirm that the requirement under the Code to give prior scrutiny to all of the above treasury management reports by the Accounts & Audit Committee before they were reported to the full Council has been complied with.
- 1.5 The figures in this report are based on the actual amounts borrowed and invested and as such will differ from those stated in the final accounts which are shown in compliance with International Financial Reporting Standards.
- 1.6 The report comprises of the following sections:
 - Major Economic Headlines 2017/18 (Section 2);
 - Treasury Position (Section 3);
 - Borrowing Position (Section 4);
 - Investment Position (Section 5);
 - Related Treasury Issues (Section 6);
 - Prudential and Performance indicators (Section 7);
 - 2017/18 Summary Outturn position (Section 8)
 - Appendices.

2. MAJOR ECONOMIC HEADLINES 2017/18

- 2.1 A brief summary of the main events which occurred during the year are highlighted below for reference;

USA

- Overall growth continues to be volatile and in 2017 was 2.3% compared to 1.6% in 2016;
- The Federal Reserve continued to raise the central rate which ended the year in the range of 1.50% – 1.75% with a further 2 more increases forecasted to occur in 2018. The bank also became the first major western central bank to make a start on unwinding Quantitative Easing;
- Unemployment fell to 4.3% in the period October to February, its lowest level in 17yrs.

EU

- Economic growth in the EU, (the UK's biggest trading partner), continues to grow with an overall Gross Domestic Product (GDP) figure for 2017 likely to be around 2.5% compared to 1.7% in 2016;
- The European Central Bank (ECB) is still struggling to get inflation up to its 2% target and in March, inflation was only 1.4% and is unlikely to start increasing rates until possibly the end of 2019.

Japan

- GDP was seen to be improving during 2017 reaching an annual figure of 1.6% compared to 1.0% in 2016;
- Inflation still remains well below the target of 2%, reaching 1.5% in February 2018;
- The Government is making little progress on fundamental reform of the economy.

China

- The world's second-largest economy reported a growth figure for 2017 of 6.9% beating both the government's target of 6.5% and the reported figure for 2016 of 6.7%, which was the weakest in 26 years.

UK

- Despite growth in the first half of 2017 being the slowest for the first half of any year since 2012, a pick-up in the second half of the year was achieved resulting in an overall annual growth rate of 1.8% which was far higher than many had initially predicted after the Brexit vote
- In response to an increased demand for exports, particularly from the EU, the UK's main trading partner, the manufacturing sector saw stronger growth.
- At its 14 September 2017 meeting the Monetary Policy Committee (MPC) surprised markets and forecasters warning that Bank Rate would need to rise shortly. At its November meeting the MPC increased Bank Rate by 0.25% to 0.5%, the first increase since May 2007 with two more increases of 0.25% currently forecasted to take place by 2020.
- Consumer Price Index (CPI) began the year in April 2017 at 2.7% peaking in November at 3.1% before falling back to 2.5% in March 2018. The February 2018 MPC inflation forecast continues to predict that CPI will remain above its target rate of 2% during the next two years.
- Unemployment fell from its opening levels of 4.4% in April 2017 to 4.2% in February 2018 the lowest level since 1975,
- With the continuing uncertainty around the Brexit negotiations, consumer spending levels and business investment, it is too early to be confident about how strong growth and inflationary pressures will be over the next two years.
- A snap General Election was called in June 2017 resulting in a hung Parliament with the Conservatives together with the Democratic Unionist Party forming the UK Government.

2.2 The treasury management strategy for 2017/18 contained a forecast for interest rates and the expectation was that these were to take a minor dip from the 2016 levels with gradual rises commencing in 2018. As a result of the economic situation outlined above at paragraph 2.1 the opposite effect actually took place with rates increasing during the year as highlighted in the table below. A more detailed analysis detailing how investment rates moved during the course of 2017/18 is provided at Appendix A;

	2017/18	1 April 2017	31 March 2018	2017/18
	Forecast Average	Actual	Actual	Actual Average
	%	%	%	%
Bank Rate	0.25	0.25	0.50	0.35
Investment Rates				
3 month	0.20	0.21	0.59	0.29
1 Year	0.65	0.59	0.88	0.61
Loan Rates				
5 Year	1.10	1.25	1.85	1.50
25 Year	2.40	2.62	2.57	2.69

3. TREASURY POSITION

- 3.1 The Council's in-house Treasury Management team controls the debt and investment positions to ensure that security of funds, adequate liquidity for revenue and capital activities are maintained at all times ensuring that all associated risks connected with these activities are managed effectively.
- 3.2 In order to achieve these objectives, well established procedures and controls both through Member reporting and officer activity are in place and this was further highlighted when the Council's Audit & Assurance Service issued a report which for the 11th year in succession, stated that the treasury management service offered a High Level of Assurance.
- 3.3 The table below shows the loan and investment positions at the beginning and end of 2017/18 for reference:

	31 March 2018			31 March 2017		
	Principal (£m)	Total (£m)	Interest Rate %	Principal (£m)	Total (£m)	Interest Rate %
DEBT						
Fixed rate:						
-PWLB	103.3			43.4		
-Market	21.1	124.4	3.69	26.8	70.2	5.12
Variable rate:						
-PWLB	0.0			0.0		
-Market	40.0	40.0	5.73	35.0	35.0	6.17
Total debt		164.4	4.19		105.2	5.47
Capital Financing Requirement (to finance past capital expenditure)		195.1			144.0	
Over/ (under) borrowing		(30.7)			(38.8)	
INVESTMENTS						
- Fixed rate	30.8		0.78	58.4		0.62
- Variable rate	42.4		1.03	24.0		1.13
Total investments		73.2	0.92		82.4	0.77

N

Note - The main movements in the above table reflects new PWLB debt of £62.4m taken and a £5m market loan switching in accordance with the original agreement from fixed to potential variable interest rates.

- 3.4 Whilst the above table details the position as at the beginning and end of 2017/18, the average position for 2017/18 & 2016/17 was as follows:

	2017/18		2016/17	
	Principal	Interest Rate	Principal	Interest Rate
Average Debt	£118.4m	5.11%	£105.2m	5.67%
Average Investment	£77.6m	0.82%	£105.6m	0.87%

4. BORROWING POSITION

- 4.1 The Council's underlying need to borrow for capital expenditure is called the Capital Financing Requirement (CFR) and this indicates the level of the Council's indebtedness. The CFR represents capital spend not yet paid for by revenue or other resources of the Council incurred from current and prior years' activities.
- 4.2 To safeguard the Council's finances, the level of CFR is not allowed to rise indefinitely and statutory controls are in place to ensure that any borrowing on capital assets is charged to revenue over their useful life. This charge is in the form of an annual revenue charge, called the Minimum Revenue Provision (MRP), which reduces the CFR and effectively is a repayment of borrowing.
- 4.3 The Council's 2017/18 MRP Policy, (as required by CLG Guidance), was approved by Members as part of the Treasury Management Strategy Report for 2017/18 on 22 February 2017.
- 4.4 Due to the Council's overall financial position and the underlying need to borrow for capital purposes, particularly to fund the Council's commercial investment programme, new external borrowing of £62.4m was undertaken during 2017/18 from the PWLB. All borrowing was undertaken in conjunction with the information obtained from the Council's advisors Link Asset Services, with all loan servicing costs being met from the existing revenue provision within the Medium Term Financial Plan or from a proportion of the investment returns generated from the Council's commercial investment programme.
- 4.5 Before the acquisition of each commercial property has been completed a number of due diligence exercises are undertaken to ensure that the Council only completes on worthwhile properties. It is acknowledged however that as a result of possible future events beyond the Council's control, a potential risk arising from tenant default does exist. In order to overcome the effect that this would have on the Council's resources, a new risk reserve has been created which will be applied this situation and contributions will be placed into it commencing in 2018/19.
- 4.6 All loans were taken at competitive rates of interest thereby ensuring value for money to the local taxpayers was achieved with details of the loans taken shown at paragraph 4.10 below for reference.
- 4.7 Whilst £62.4m of new external loans were taken from the PWLB to fund a proportion of the Councils capital borrowing requirement, the strategy adopted in previous years of borrowing internally (using cash backed reserves) to fund its long term borrowing requirement and maturing debt will continue where no budget provision exists to meet the on-going servicing costs. This course of action continues to be widely followed by Councils nationally and is undertaken in

conjunction with advice obtained from the Council's external advisers Link Asset Services.

- 4.8 As a consequence of this action, the Council is in an under-borrowed position by £30.7m as highlighted at paragraph 3.3 and had this level of debt been taken for 25 years on 31 March 2018, the Council would be incurring an additional £596k per year in net interest payable (£789k loan interest less £(193)k investment interest).
- 4.9 Interest payable for the year totalled £5.8m and this was less than budget by £0.2m due to lower than forecasted interest costs arising from the Council's variable rate loan together with other minor variations.
- 4.10 From the table at paragraph 3.3 it can be seen that the level of external debt increased during 2017/18 from the opening position of £105.2m to close at £164.4m as a result of the following transactions;

Lender	Principal – (Repayment) / New	Average Interest rate	Notes
PWLB	£(2,524,221)	9.339%	Natural maturity.
SALIX Finance	£(1,191,630) & £514,468	0.000%	Final tranche £514k, of the £6.3m loan was received with repayments totalling £1.2m being made. Loan to be used to part fund the LED Street Lighting Programme.
PWLB (taken November 17)	£17,000,000	2.480%	Loans taken to fund capital programme schemes and commercial investments.
PWLB (taken December 17)	£17,400,000	2.460%	Loans taken to fund commercial investment.
PWLB (taken February 18)	£10,800,000	2.520%	Loans taken to fund commercial investments.
PWLB (taken March 18)	£5,500,000	2.310%	Loans taken to fund capital programme schemes.
PWLB (taken March 18)	£11,700,000	1.740%	Loans taken to fund commercial investments.

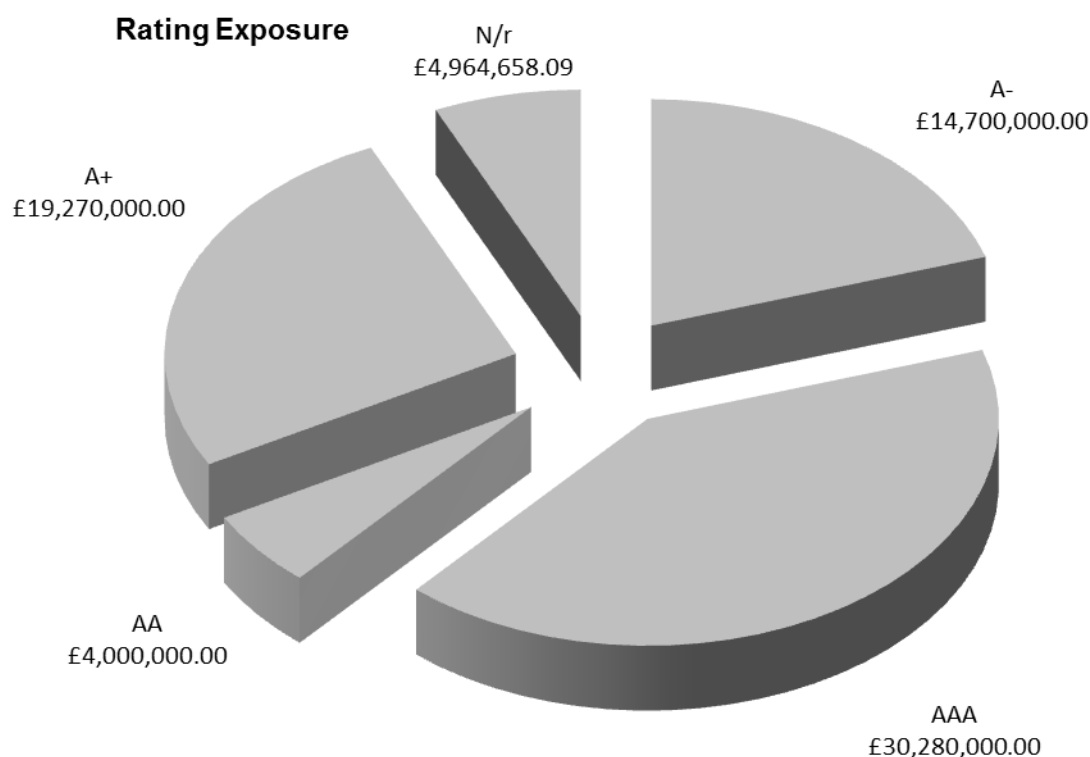
- 4.10 Of the debt outstanding £164.4m, £0.8m is administered on behalf of Greater Manchester Probation Service which leaves £163.6m in respect of the Council's own long term requirement.
- 4.11 A maturity profile of the Council's debt can be found at Appendix B & C for reference.
- 4.12 No rescheduling of the Council's existing debt portfolio was undertaken during the year due to the high breakage costs (premium) payable resulting from the 1% differential between PWLB new borrowing rates and premature repayment rates.
- 4.13 During the course of the year and in order to fund the Council's day to day cash flow requirements, temporary borrowing was needed to be undertaken totalling £4.6m on 2 separate occasions. This was due to a number of large payments being required to be made at very short notice before funds became available from

any maturing investments. The total cost incurred for this temporary borrowing was £81.

5. INVESTMENT POSITION

- 5.1 The Council's investment policy is governed by Ministry of Housing Communities and Local Government (MHCLG) guidance issued which has been implemented within the annual investment strategy approved by Council on 22 February 2017. This policy sets out the approach for choosing investment counterparties, and is based on credit ratings provided by the three main credit rating agencies supplemented by additional market data (such as rating outlooks, credit default swaps, bank share prices etc.).
- 5.2 Using this information the Council's in-house treasury management team produces an approved lending list in order to ensure investments are only placed with low risk institutions with funds being invested for a range of periods from overnight to 3 years dependant on cash flow requirements, and counterparty limits set out in the approved investment strategy.
- 5.3 I can confirm that during the year all investment activity conformed to the approved strategy and that the approved limits within the Annual Investment Strategy were not breached.
- 5.4 The Council will in line with previous years practices aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity.
- 5.5 During the course of the year investment rates remained weak only rising marginally after the MPC meeting in February where it was indicated that increases in Bank Rate rates would be faster than had previously been expected.
- 5.6 In 2017/18 the Council maintained an average balance of £72.6m of internally managed funds earning an average rate of return of 0.52% generating £378k in investment interest. This return was £93k above the agreed budget figure of £285k and 0.32% or £232k above the performance indicator of the average 7-day LIBID rate of 0.21%.
- 5.7 With regards to the Council's long term investments, in 2015, £5m was placed into the Church Commissioners Local Authority Property Fund for a minimum period of 5 years which after entry costs had been deducted of £0.3m, enabled 1,643,872 units to be purchased in the fund. At 31 March 2018 the value of these units, were worth £4.97m and this compares to the valuation at 31 March 2017 of £4.74m.
- 5.8 Annualised returns generated from the property fund in 2017/18 (net of fees) were 4.65% and this compares with that achieved in 2016/17 of 4.61%.
- 5.9 When the rates of return for both short and long term investments are combined, this produces an average level invested of £77.6m, generating a rate of return of 0.82% worth £636k.
- 5.10 The ability to generate a satisfactory level of return without exposing the Council's funds to high levels of risk during the continuing climate of low interest rates remains challenging. Whenever new opportunities for being able to generate additional income become known, these will be thoroughly investigated to determine if they will be suitable for the Council to adopt without committing it to unnecessary risk.
- 5.11 The Council's main bank account with Barclays, is non-interest bearing and consequently if no investments were undertaken by the in-house team, the Council would lose the opportunity to generate a substantial amount of income.

- 5.12 Levels of funds available to be invested on a daily temporary basis are subject to a number of factors with the main one of being due to timing issues of large payments (precepts / HMRC / etc.), receipt of grants and progress on the Capital Programme.
- 5.13 The graph below provides a breakdown of the Council's investments placed as at 31 March 2018 by long term credit rating and further information detailing the make-up of this can be found at Appendix C & D;



6. RELATED TREASURY ISSUES

- 6.1 Revised CIPFA Codes - In December 2017, the Chartered Institute of Public Finance and Accountancy, (CIPFA), issued a revised Treasury Management Code and Cross Sectoral Guidance Notes, and a revised Prudential Code.
- 6.2 In the main these revised codes remained unchanged from those issued previously however additional guidance was incorporated regarding local authorities investing in property.
- 6.3 A recommendation from these revised codes was that Councils should produce a new report to Members which gave a high level summary of the overall capital strategy including how the cash resources of the Council have been apportioned between treasury and non-treasury investments. This information was included in both the 2018-21 Capital Strategy & 2017/18 Capital Outturn reports issued to Members in February 2018 & June 2018 respectively.
- 6.4 Markets in Financial Instruments Directive (MIFID) II - The European Union set the date of 3 January 2018 for the introduction of regulations under MIFID II. These regulations outline the relationship that financial institutions conducting lending and borrowing transactions will have with local authorities from that date. To date this has had little effect on the Council apart from having to fill in forms issued by each

institution it deals with for each type of investment instrument used, apart from cash deposits.

- 6.5 Local Authority Mortgage Scheme (LAMS) - the Council participated in the national Local Authority Mortgage Scheme using the cash backed option with Lloyds bank by advancing £2m in 2012/13 at an interest rate of 4.41% which was repaid back to the Council in 2017/18. Due to the success of this scheme, a further £1m was also advanced in 2013/14 at an interest rate of 2.7%, which is set to mature in 2018/19. Spend incurred under this scheme is deemed to be capital expenditure being classified as a service investment and so does not form part of treasury management activities or reports.

7. PRUDENTIAL AND PERFORMANCE INDICATORS

- 7.1 It is a statutory duty for the Council to determine and keep under review the Council's Prudential Indicators as approved within the Treasury Management Strategy for 2017/18.
- 7.2 During the year ended 31 March 2018, the Council has operated within these indicators which are shown in Appendix E for reference.
- 7.3 In response to further detail becoming available on the Council's Commercial Investment Property programme, particularly in response to the undertaking of a number of short term loan transactions, Members are now requested to approve a revised Maturity Structure of Borrowing prudential indicator as shown below;

Maturity structure of all external loan debt – 2018/19 to 2020/21	Lower limit % (no change)	Upper limit % (approved February 2018)	Revised Upper limit %
Under 12 months	0	20	30
12 months to 2 years	0	20	30
2 years to 5 years	0	20	30
5 years to 10 years	0	20	30
10 years to 20 years	0	20	30
20 years to 30 years	0	20	30
30 years to 40 years	0	20	30
40 years and above	0	90	70

Maturity Structure of Borrowing – these gross limits are set to reduce the Council's exposure to large sums falling due for refinancing and this indicator reflects the next date on which the lending bank can amend the interest rate for the Lender Option Borrower Option loans.

8. 2017/18 SUMMARY OUTTURN POSITION

- 8.1 Activities undertaken within the treasury management function are subject to many different factors impacting on actual performance e.g. worldwide economic events

and the table below reflects the summarised position regarding actual performance compared to that originally forecasted for reference;

	Original MTFP £000	Outturn £000
DEBT		
Interest & Premium	6,493	6,303
MRP	1,770	1,784
Sub-total	8,263	8,087
INVESTMENTS		
Investment Interest & other net interest receipts	(646)	(653)
MAG	(3,640)	(5,856)
Sub-total	(4,286)	(6,509)
RESERVES		
Contribution to / (from) Interest Smoothing Reserve	(178)	(31)
Sub-total	(178)	(31)
TOTAL	3,799	1,547

Note: The above figures reflect;

- Interest payable on the Council's variable rate debt was lower than forecasted;
- All associated debt costs from borrowing undertaken to fund the Councils Commercial Investment Programme are self-financing;
- An additional share dividend was received from the Manchester Airport Group as a result of stronger trading operations;
- A reduced level of support from the Interest Smoothing Reserve due to other minor favourable movements in activities occurring during the year.

8.2 As at 31 March 2018 the level of the Interest Smoothing Reserve is £311k and this is required to cover:-

- In year interest variations on the Council's variable rate debt;
- Potential adverse changes in investment interest rates and
- Any defaults on specific loan advances to third parties or adverse changes in value of other non-financial investments.

Other Options

This report has been produced in order to comply with Finance Procedure Rules and relevant legislation and provides an overview of the treasury management transactions undertaken during 2017/18.

Consultation

Advice has been obtained from Link Asset Services, the Council's external advisors.

Reasons for Recommendation

The report has been produced in order to meet the requirements of the Council's Financial Procedure Rules which incorporate the requirements of both the CIPFA Prudential Code for Capital Finance and the CIPFA Code of Practice on Treasury Management.

Finance Officer Clearance ...NB ...

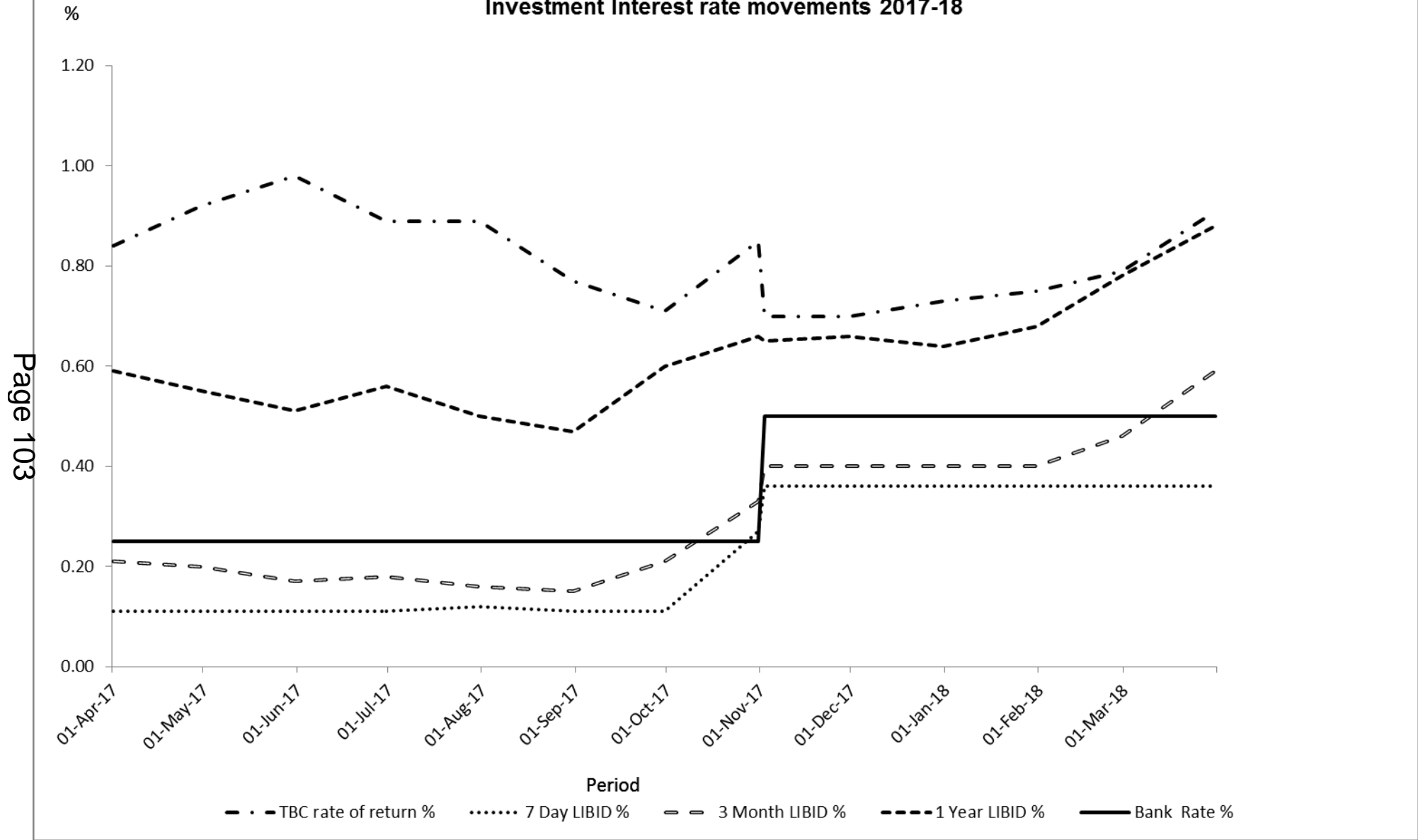
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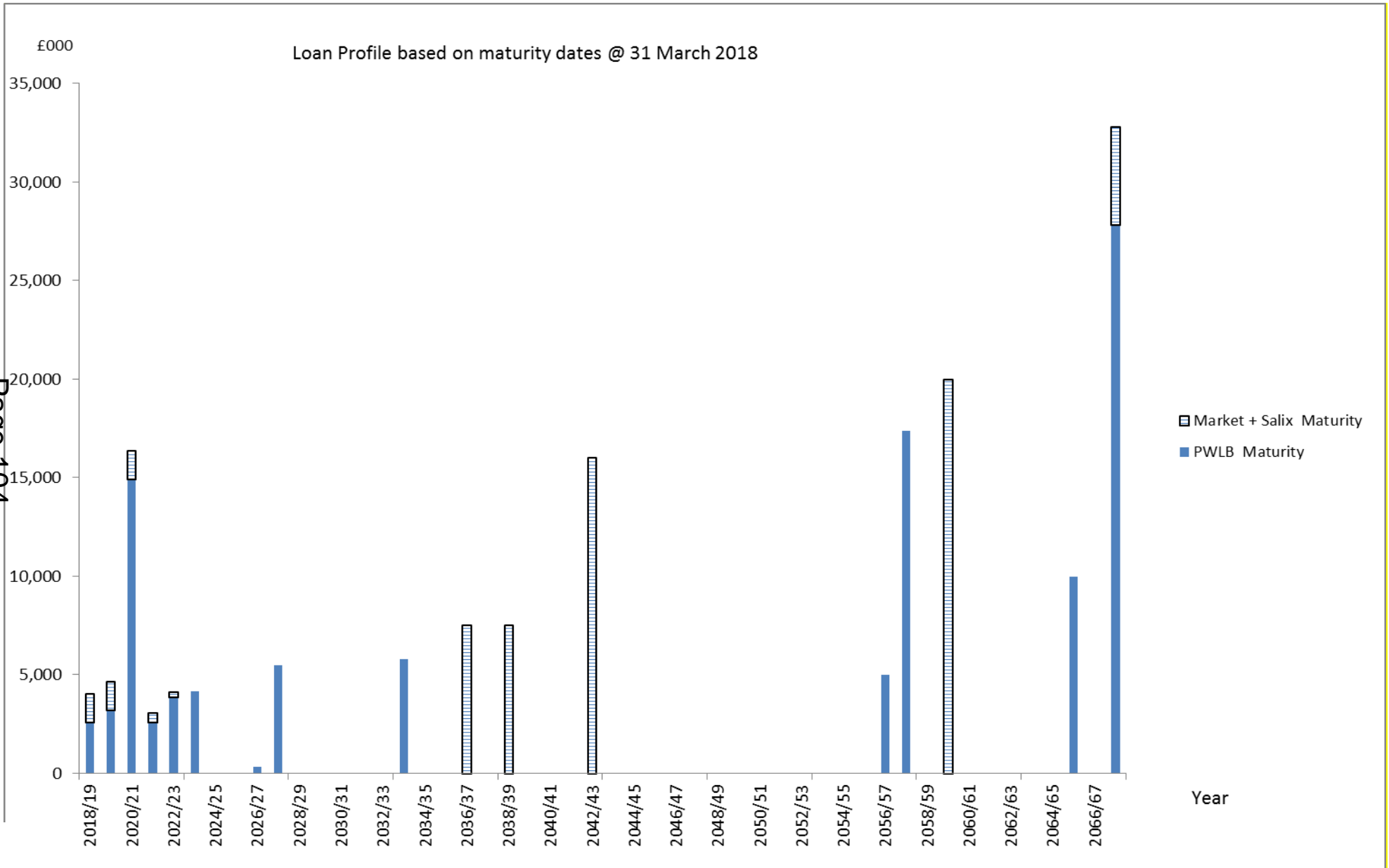
DIRECTOR'S SIGNATURE



Joanne Hyde

Investment Interest rate movements 2017-18





Maturity Profile

Debt portfolio:

	31 March 2018 (£m)	31 March 2017 (£m)
Under 12 months	4.0	3.9
12 months and within 24 months	4.7	4.0
24 months and within 5 years	23.6	12.1
5 years and within 10 years	10.0	8.4
10 years and above	122.1	76.8
Total	164.4	105.2

Investment portfolio:

	31 March 2018 (£m)	31 March 2017 (£m)
Instant Access	30.3	19.3
Up to 3 Months	13.0	22.0
3 to 6 Months	10.9	24.1
6 to 9 Months	2.0	7.8
9 to 12 months	9.5	4.5
Over 1 year	7.5	4.7
Total	73.2	82.4

Breakdown of Investments

Counterparty	Amount (30 Sept 2017) £	Amount (31 March 2018) £	Long Term Credit Rating
Amundi – Money Market Fund		16,200,000	AAA
Barclays Bank	5,000,000	5,000,000	A
Church Commissioners Local Authority	4,842,847	4,964,658	Not rated
Close Brothers Bank	5,000,000	5,500,000	A
Coventry Building Society	2,500,000	0	A
Federated Investors – Money Market Fund	4,550,000	7,320,000	AAA
Goldman Sachs Bank	4,500,000	4,500,000	A+
Invesco Aim – Money Market Fund	840,000	260,000	AAA
Legal & General– Money Market Fund	920,000	200,000	AAA
Lloyds Bank	11,500,000	12,270,000	A+
Nationwide BS	2,800,000	0	A
Plymouth City Council		2,000,000	AA
Santander UK Bank	7,200,000	4,200,000	A
Standard Life – Money Market fund	7,300,000	6,300,000	AAA
Thurrock Council		2,000,000	AA
Total UK	56,952,847	70,714,658	
Development Bank of Singapore	5,000,000	0	AA-
National Bank of Abu Dhabi	7,500,000	2,500,000	AA-
United Overseas Bank	3,000,000	0	AA-
Total Non UK	15,500,000	2,500,000	
Grand Total	72,452,847	73,214,658	

The above table shows the level of investments placed as at 31 March 2018 and 30 September 2017, the last time Members were provided with this information.

Prudential Indicators for 2017/18

Indicator	Indicator set by Council	Actual
<p align="center">Authorised Borrowing Limit</p> <p>Maximum level of external debt, including other long term liabilities (PFI & leases) undertaken by the authority including any temporary borrowing - this is a statutory limit under Section 3(1) of the Local Government Act 2003.</p>	£446.0m	£169.9m
<p align="center">Operational Boundary</p> <p>Calculated on a similar basis as the authorised limit but represents the expected level of external debt & other long term liabilities (PFI & leases) excluding any temporary borrowing – this is not a limit.</p>	£426.0m	£169.9m
<p align="center">Upper limits on fixed interest rates</p> <p>Maximum limit of net fixed interest rate exposure - debt less investment</p>	£6.1m	£3.3m
<p align="center">Upper limits on variable interest rates</p> <p>Maximum limit of net variable interest rate exposure – debt less investment</p>	£2.8m	£2.2m
<p>Gross Debt and the Capital Financing Requirement – this reflects that over the medium term, debt will only be taken for capital purposes. During 2017/18 the Chief Finance Officer can confirm that this indicator was complied with.</p>		
<p align="center">Maturity structure of fixed rate borrowing</p> <p>These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.</p>		
Under 1 year (this includes the next call date for Market loans)	20%	18%
1 year to 2 years	20%	3%
2 years to 5 years	20%	14%
5 years to 10 years	20%	6%
10 years to 20 years	20%	8%
20 years to 30 years	20%	14%
30 years to 40 years	20%	14%
40 years and above	90%	23%
<p>Maximum principal funds invested exceeding 364 days (including Manchester International Airport shares) - (These limits are set to reduce the need for early sale of an investment)</p>	£90m	£56.8m

Performance Indicators for 2017/18

Indicator	Target	Actual
Security – potential default rate of the Council’s investment portfolio based on default rates from the 3 main credit rating agencies – inclusion is recommended by CIPFA.	Max 0.07%	Max 0.012% (31 March 2018)
Liquidity – investments available within 1 week notice	£15m min.	Achieved
Liquidity – Weighted Average Life of investments	6 months	2.75 months (31 March 2018)
Yield – Investment interest return to exceed 7 day London Interbank BID rate	Average 7 day LIBID 0.22%	Average rate of return for 2017/18 was 0.82%
Origin of investments placed - maximum investments to be directly placed with non-UK counterparties.	UK institutions 100% Non UK institutions 40%	Min 63% Max 37%

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 20 June 2018
Report for: Information
Report of: Audit and Assurance Manager

Report Title

Annual Report of the Head of Internal Audit 2017/18

Summary

The purpose of the report is:

- To provide an opinion on the overall adequacy and effectiveness of the Council's control environment (which encompasses internal control, risk management and governance) during 2017/18.
- To provide a summary of the work of the Audit and Assurance Service during 2017/18.

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 & Assurance Service

**Annual Report of the Head of Internal Audit
2017/18**

June 2018

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Appendices

- A : Quarter 4 2017/18 – Internal Audit Reports Issued
- B : 2017/18 Internal Audit Plan (Planned Work and Actual Days Spent)
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Part One - Overview of Work Completed and Main Conclusions

SUMMARY AND OVERALL OPINION

The Annual Report of the Head of Internal Audit sets out details of the work of the Audit and Assurance Service during 2017/18. The most important aspect of the Annual Audit Report is to give an independent and objective opinion as to the overall adequacy and effectiveness of the Council's control environment during 2017/18.

Internal Audit is a statutory function and the Audit and Assurance Service carried out its work in 2017/18 in general conformance with the Public Sector Internal Audit Standards.

Through its work, the Audit and Assurance Service aims to provide support to the organisation in its aim to maintain effective governance arrangements and a sound control environment; ensure effective systems are in place to manage risks including the risk of fraud and also demonstrate value for money.

Recommendations made in internal audit reports and guidance/advice provided are key mechanisms for identifying improvement actions required by the organisation. The Audit and Assurance Service also follows up the implementation of recommendations to ensure that improvements are actually occurring.

The Audit Opinion is based on internal audit work undertaken during the year. It is an important component of the Council's Annual Governance Statement which will accompany the Council's Annual Accounts for 2017/18. It should be noted that the report relates to areas reviewed by Internal Audit up to 31 March 2018. Any further issues relating to work undertaken after that time are covered in future update reports through the year to the Corporate Leadership Team and the Accounts and Audit Committee.

Based on internal audit review work undertaken and other sources of assurance for 2017/18, the Internal Audit Opinion is that, overall, the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard.

Follow up 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 2017/18, actions have been agreed with management which will be followed up in 2018/19.

1. INTRODUCTION AND BACKGROUND

- 1.1 The purpose of the Annual Report of the Head of Internal Audit is to detail the work of the Audit and Assurance Service during 2017/18. The report provides an opinion as to the overall adequacy and effectiveness of the Council's control environment during 2017/18.
- 1.2 Internal Audit is a statutory function and must undertake its work in accordance with the Public Sector Internal Audit Standards (PSIAS). It is a requirement of PSIAS that an annual internal audit report is written and presented to the organisation.
- 1.3 The Audit and Assurance Service is within Financial Services in the Transformation and Resources Directorate. The Audit and Assurance Manager reports to the Chief Finance Officer (Section 151 Officer).
- 1.4 During 2017/18, the establishment of the Audit and Assurance Service comprised 6.87 full time equivalent (FTE) staff. In addition to the Audit and Assurance Manager, the Service staffing structure consisted of the following:
- 2 Principal Audit and Assurance Team Leaders (2FTE)
 - 1 Principal Audit and Assurance Officer (0.87FTE during 2017/18)
 - 2 Senior Audit and Assurance Officers
 - 1 Audit and Assurance Officer.
- 1.5 In addition to in-house resources, Salford Internal Audit Services provided support in respect of elements of the ICT Internal Audit Plan. The Audit and Assurance Service also worked with other Internal Audit providers where appropriate such as Stockport and Rochdale Councils in respect of the STAR Shared Procurement Service.
- 1.6 The approach to internal audit work adopted at Trafford is set out in the Internal Audit Charter and Strategy which were updated in March 2018 and approved by the Corporate Leadership Team (CLT) and the Accounts and Audit Committee. The Internal Audit Charter describes the purpose, authority and principal responsibilities of the Internal Audit function provided by the Audit and Assurance Service. The Internal Audit Strategy describes the arrangements in place to deliver internal audit so as to ensure that the objectives and scope of the Service are met, thereby enabling Internal Audit to provide an opinion on the operation of the control environment. The Strategy covers audit resources, planning, service delivery and reporting.

2. **INTERNAL AUDIT OPINION FOR 2017/18**

2.1 The Head of Internal Audit is required to give an annual Opinion on the adequacy and effectiveness of the Council's internal control environment. The opinion supports the Annual Governance Statement. The Opinion for 2017/18 is as follows.

Based on internal audit review work undertaken and other sources of assurance for 2017/18, the Internal Audit Opinion is that, overall, the control environment encompassing internal control, risk management and governance, is operating to a satisfactory standard.

Follow up 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 2017/18, actions have been agreed with management which will be followed up in 2018/19.

2.2 Factors determining the opinion are as follows

- Audit Opinion reports were issued through the year covering a range of services, functions, systems and processes including financial system audits, ICT Audits, schools and establishment reviews, service reviews and procurement/contracts related reviews. (See Section 4 and Appendices A to C). Of the 32 final audit reports issued during the year (which included 12 schools), 88 % of opinions stated that at least an adequate level of control was in place. Excluding schools, 95% of opinions in reports were at least adequate (See 3.5).
- For all final reports issued, action plans were agreed to implement recommendations made with the aim of improving arrangements for governance, risk management and internal control. Most recommendations made (98%) have been agreed by management (See 5.3 to 5.5).
- A number of areas identified in the previous year as requiring improved standards of control were followed up by Audit in 2017/18 and significant progress had been made in implementing recommendations. Follow up review work undertaken during the year has identified that, overall, of the areas reviewed 95% of recommendations previously made had been either fully or partially implemented (see 5.6 to 5.10 for an analysis of follow up audit reviews both for Council and schools related reviews).
- Key strategic risks have continued to be monitored through the year. Audit and Assurance has contributed to the review and update of the Strategic Risk Register which has been reported to the Corporate Leadership Team and the Accounts and Audit Committee. Consideration is being given to future risk management reporting arrangements to take account of the integration of the Council with Trafford Clinical Commissioning Group (Trafford CCG) (See 4.2).
- Further to co-ordinating the completion of the 2016/17 Annual Governance Statement (AGS), the Audit and Assurance Service has worked with Legal and Democratic Services to assist in planning the approach and timetable for the production of the

Council's 2017/18 AGS. The 2016/17 AGS identified governance issues for 2017/18 and updates on each of these are to be provided in the 2017/18 AGS, which will be approved by July 2018 (See 4.1).

- The Audit and Assurance Service has continued to contribute to anti-fraud and corruption activity. The Service has investigated suspected cases of fraud and theft and, where applicable, associated review work has included reporting on recommended control improvements. The Service has co-ordinated work, in liaison with other services, in relation to the National Fraud Initiative (See 4.5).
- The Service continues to contribute to the Information Security Governance Board which through 2017/18 monitored progress against its Action Plan taking into account actions agreed following the audit by the Information Commissioner's Office in 2017 and developments required in preparation for the introduction of the General Data Protection Regulations (GDPRs) effective from 25 May 2018 (See 4.10.2).

2.3 A detailed analysis of the internal audit work undertaken by the Audit and Assurance Service during 2017/18 is provided in this report.

3. WORK PLANNED AND COMPLETED

3.1 Total time allocated to carry out the Operational Plan was originally set at 1040 days for 2017/18 (with an additional contingency of 60 days). This was calculated by subtracting overheads, e.g. leave, sickness, training etc, from the time available to each auditor. See Appendix B for a summary of work planned against completed with a breakdown of days across categories of internal audit work. The actual number of days spent delivering the 2017/18 Annual Audit Plan was 1042. Details of planned work against actual are discussed further in Section 6.

3.2 It should be noted that in addition to the 1042 actual days, additional time was taken for other activities that are not attributable to one particular category of work but support the audit process. In 2017/18, this included time in preparing for and receiving the external assessment of Internal Audit by CIPFA (See Section 7). Other activities undertaken included continued support to the Accounts and Audit Committee, liaison with the External Auditor (Grant Thornton), networking with other North West Internal Audit groups to share good practice, and liaison with services to gather information in support of the production of the audit plan.

3.3 Details of the internal audit reports issued are shown in Appendix C. Further detail in relation to audit reports issued between April and December 2017 are detailed in the respective quarterly reports presented to CLT and the Accounts and Audit Committee during 2017/18. Appendix A provides detail in relation to reports issued during the final quarter of 2017/18.

Analysis of Audit Opinions

3.4 For each audit report issued, one of five possible opinions is given. The five opinions are also denoted as Red/Amber/Green. The table below shows the number of final reports issued during 2017/18 for each opinion level.

LEVEL OF ASSURANCE	R/A/G STATUS	DESCRIPTION	NUMBER OF FINAL REPORTS ISSUED 2017/18
High Level of Assurance (Very Good)	Green	Controls operating effectively to address all the major business risks identified at the time of the audit.	6
Medium / High (Good)	Green	Most business risks controlled effectively. However, there is need to improve controls in respect of a small number of high risk areas as well as for other risk areas.	13
Medium (Adequate)	Green	Most risk areas controlled effectively but control improvements required for some high risk areas as well as for other areas.	9
Low / Medium (Marginal)	Amber	Some business risks are controlled effectively. However, improvements are necessary to control a significant number of high risk areas.	4
Low (Unsatisfactory)	Red	Very high risk of fraud and error because a significant number of major business risks are not adequately controlled.	-
		TOTAL	32

3.5 As shown above, in respect of the 32 final audit reports issued during the year, an adequate or above (Green) level of assurance was given for 88% of the reviews (This compares to 95% in 2016/17). Excluding schools from the analysis, 19 of the 20 opinion reports issued were “Green” i.e. 95% (compared to 92% in 2016/17). There were four reviews completed where a less than adequate “Low/Medium” opinion was given (three of these are school audits). A full listing of reports issued and associated audit opinions is given in Appendix C.

- 3.6 It should be noted that whilst shown as “Green”, where opinions of Medium or Medium/High have been given, a number of control improvements to manage risks have been identified and it is important that associated recommendations are addressed.

Other Assurance Provided Across the Council

- 3.7 A significant proportion of time spent does not result in the issue of formal internal audit reports. This is because the Audit and Assurance Service has contributed to a number of activities such as:
- Risk management (including facilitating the update of the Council’s strategic risk register and contributing to the provision of Risk Management guidance).
 - Anti-fraud and corruption (including co-ordinating the Council’s work in supporting the National Fraud Initiative, contributing to the update of Council policies and guidance and contributing to investigation work).
 - Facilitating the compilation of the Council’s 2016/17 Annual Governance Statement (AGS) and working to assist Legal and Democratic Services in planning the approach for the production of the 2017/18 AGS.
 - Reviewing a number of grant claims through the year as required.
 - Contributing to the work of the Information Security Governance Board which met regularly through the year.
 - Providing other guidance (which included updating of the dedicated site on the intranet for the Audit and Assurance Service which provides information and guidance).

<http://cms.intranet.trafford.gov.uk/AuditAndAssurance/Audit-and-assurance.aspx>

Breadth of Stakeholders

- 3.8 The Audit and Assurance Service liaises and shares internal audit findings and reports with a wide group of stakeholders within the organisation including Executive Members, the Accounts and Audit Committee, Corporate Leadership Team, managers across the Authority and External Audit.

Part Two – Detailed Findings

4. **DETAILED ANALYSIS OF WORK COMPLETED**

Section 2 gave the overall Internal Audit Opinion on the operation of the control environment during 2017/18, and provided a summary of internal audit work undertaken on which the opinion is based. This section provides a more detailed analysis.

4.1 **Governance**

- 4.1.1 The Audit and Assurance Service has a key role in promoting good governance and providing assurance on the standards of governance and internal control in the Authority.
- 4.1.2 The requirement to produce an Annual Governance Statement is set out in the Accounts and Audit Regulations (2015). The Service co-ordinated the production of the 2016/17 Annual Governance Statement in liaison with officers and members as set out in the approach / timetable agreed by the Accounts and Audit Committee. In order to complete this, the Service considered corporate governance arrangements with reference to the CIPFA/SOLACE Framework for Corporate Governance in Local Government. This included identifying sources of assurance to provide evidence that the Council's governance arrangements comply with the CIPFA/SOLACE framework. The framework consists of a set of principles relating to the Council's purpose/vision, the defining of functions and responsibilities, standards of conduct, management of risk, capacity and capability of members and officers, and engagement with the community and other stakeholders.
- 4.1.3 The 2016/17 Annual Governance Statement was approved in September 2017. In addition, the Service co-ordinated the update of the Council's Corporate Governance Code in accordance with the CIPFA / SOLACE guidance. Significant governance issues highlighted in the AGS for progression in 2017/18 included managing the Council's medium term financial position; the delivery of programmes and projects under as part of Vision 2031; the further development of information governance arrangements in light of new legislation and developments in business continuity arrangements. Updates on progress with each of these areas will be included in the 2017/18 AGS.
- 4.1.4 During the latter part of the year, as planned the Service worked with Legal and Democratic Services to commence a handover process whereby Legal and Democratic Services are providing a lead in collating the 2017/18 AGS. Audit and Assurance have contributed with other services to relevant elements of its content but are also developing a role in providing an independent review of the AGS against the CIPFA/SOLACE framework and guidance.
- 4.1.5 Audit and Assurance has liaised during the year with Legal and Democratic Services to review guidance in respect of gifts and hospitality. This included publicising existing guidance to staff on the intranet and also reviewing and considering further updates to the guidance. Proposed updates were drafted and shared with Legal and Democratic Services

and are to be considered further in 2018/19. The Services will also further review other policies and guidance that relate to aspects of governance and anti-fraud in 2018/19.

- 4.1.6 Another key area for Audit in relation to governance-related issues has been in contributing to the review of corporate developments in relation to information governance (See 4.7 and 4.10).

4.2 **Risk Management**

- 4.2.1 The Audit and Assurance Service continued to facilitate the review and update of the Council's strategic risk register through liaison with CLT. This ensures that the Council formally identifies and monitors the key risks to the achievement of Council objectives.
- 4.2.2 Reports detailing the risk register and key developments in the management of risks have been submitted to CLT through the year. The Accounts and Audit Committee were provided with updates in December 2017 and March 2018. In these updates new risks had been added to the register to reflect risks being managed as part of the Council's integration with Trafford CCG; implementation of the University Academy 92 and the Council's Investment Strategy.
- 4.2.3 Audit and Assurance also worked with the Council's Information Security Governance Board to provide input to the production of an Information Risk Management Policy and also assist in the process for facilitating the update of the Corporate Information Governance Risk Register through the year.
- 4.2.4 Towards the end of the year there was liaison with the CCG to start to consider where certain aspects of the risk management process may require review as part of the Council's integration with the CCG and in 2018/19, where appropriate, Audit will continue to contribute to developments on this and consider future audits of risk management.
- 4.2.5 Supporting risk management guidance was further updated by the Audit and Assurance Service and is available on the intranet under <http://cms.intranet.trafford.gov.uk/RiskManagement/risk-management.aspx>

4.3 **Fundamental Financial Systems**

- 4.3.1 This is a key area of internal audit work providing assurance regarding the controls in place for the Authority's key financial systems.
- 4.3.2 As listed in Appendix C, five final audit reports were issued during the year. All opinions issued were stated as High. These related to the following reviews:
- Council Tax,
 - Treasury Management,
 - Accounts Receivable & Debt Recovery,

- Non-Domestic Rates, and
- Benefits/Council Tax reduction.

4.3.3 Three reviews were in progress as at 31 March 2018. Initial draft findings were shared with relevant managers and it is planned that final audit reports will be issued in the first quarter of 2018/19. These include two audit reviews in relation to Adult Care: Adult Social Care Liquid Logic/ContrOCC system and Adult Service Direct Payments. (Two similar reviews in relation to Children's Services are also commencing in 2018/19). The other review in progress was in respect of Income Control.

4.3.4 There were two planned reviews which were due to commence towards the end of the year but, in agreement with the respective services are included in the 2018/19 Internal Audit Plan (Reviews in respect of Accounts Payable and Payroll).

4.4 Schools

4.4.1 As part of the Schools Financial Value Standard (SFVS) designed by the Department for Education, schools are required to submit evidence to support adherence to the Standard on an annual basis. It is noted that in accordance with SFVS, all schools have submitted a self- assessment for 2017/18 as required. Information submitted is available to Audit and Assurance to assist in planning school audits.

4.4.2 Areas covered in internal audit reviews reflect the requirements of the SFVS and include governance arrangements such as the role of the Governing Body and senior staff; budgetary control; purchasing; payroll processes; income collection, security of cash and other assets; and information security and governance.

4.4.3 Within the Internal Audit Plan it was planned that at least 15 school audits would be undertaken in 2017/18. During the year, 12 final audit reports were issued. As at the end of March 2018, in respect of three other schools visited during the year, an initial draft report had been shared with the respective Headteachers. Final reports have since been issued for these three audits through April and May 2018.

4.4.4 In respect of the 12 audit reports issued, seven schools were provided an opinion of "Medium/High", two with "Medium" and the remaining three were "Low/Medium." (See appendix C). For schools where a Low/Medium opinion has been provided, schools which continue to remain as maintained by the local authority will receive a follow-up audit in 2018/19 to assess progress in implementing the recommendations made.

4.4.5 During the year there was follow up by Audit in relation to 6 schools to confirm progress in implementing previous recommendations. Good progress in implementing recommendations is highlighted by the analysis regarding follow up audits (See 5.6 to 5.10).

4.4.6 Audit and Assurance continued to liaise with the Schools Finance team and the Children, Families and Wellbeing Directorate (CFW) to assist in following up issues

raised at particular schools, ongoing audit planning and, where applicable, to provide advice to schools. This included delivering a presentation to school governors at the Trafford Governors' Forum meeting in November 2017. This covered guidance to schools on internal control in terms of the recommended use of a recently updated Control Risk Self-Assessment form and associated guidance.

4.5 **Anti-Fraud and Corruption**

4.5.1 Audit work in this area relates to undertaking investigative work; reviewing measures in place to reduce the risk of fraud and corruption and raising awareness across the Council. This work forms an important part of the Council's approach to ensuring high standards of conduct are in place.

National Fraud Initiative

4.5.2 The Audit and Assurance Service continued to co-ordinate the Council's participation in the National Fraud Initiative (NFI), a nationwide data matching exercise designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse. The Service originally co-ordinated the submission of Council data to the NFI team (Cabinet Office) in October 2016 and the subsequent matches were received in January 2017. Since then the Service has liaised with other services including the Council's Fraud and Enforcement team to follow up data matches.

4.5.3 An update on the outcome from the exercise was included as part of the Audit and Assurance update presented to the Accounts and Audit Committee in February 2018. For the matches followed up since the exercise commenced in January 2017, as at May 2018, a total of 3243 matches had been reviewed, with the identification and correction of 522 errors and the detection of 1 fraud (as reported in the February 2018 update), totalling £273K. Of this, £115k is in the process of recovery. Subsequently, the associated annual reductions in housing benefit payments and removal of Council Tax reductions amount to approximately £60k per year.

4.5.4 A new exercise will commence later in 2018 with the submission of further data to the Cabinet Office due to be completed in October 2018 for subsequent data matching.

Investigations

4.5.5 The Accounts and Audit Committee were provided with a report as part of the Audit and Assurance Service 2017/18 Quarter One update (Confidential Part 2 Item) in respect of an internal investigation which Audit and Assurance contributed to in liaison with relevant services following a complaint raised. Further to the investigation, control improvements to associated systems and procedures were made within the relevant service area and these will be followed up further as part of 2018/19 internal audit work.

- 4.5.6 An incident was reported to Audit in respect of a loss of cash and subsequently, Audit worked with HR to investigate the loss. Audit provided guidance on cash control to the relevant service area to reduce the risk of future losses occurring. Guidance was also shared with two other service areas where losses had occurred.
- 4.5.7 An audit review was also been completed to review systems and controls to follow up concerns raised in the previous year. A report was issued that did not highlight any evidence of fraud but did make a number of recommendations for improvements to financial management and administration.
- 4.5.8 Any further investigation work by Audit and Assurance will be reflected in the next Audit and Assurance update later in 2018.
- 4.5.9 Audit and Assurance will co-ordinate the Council's response to the annual fraud and corruption survey by CIPFA for 2017/18. (Details of fraud investigation during 2017/18 by the Counter Fraud and Enforcement team will be within a separate annual report to be shared with the Accounts and Audit Committee later in 2018).

4.6 Procurement / Contracts

- 4.6.1 Audit and Assurance undertakes reviews of procurement arrangements and processes to ensure the Council strives to achieve value for money and undertakes procurement in accordance with relevant legislation and the Contract Procedure Rules.
- 4.6.2 As part of internal audit planning, the Service continues to liaise with the STAR Shared Procurement Service and Internal Audit sections of the partner authorities (Stockport and Rochdale Councils). Audit plans were co-ordinated and relevant findings from work shared to ensure an efficient audit process.
- 4.6.3 Procedures in relation to the financial vetting of suppliers tendering for contracts across the three authorities were reviewed. Updated procedures had been established following the formation of STAR. Overall, it was found that the STAR Shared Procurement Service undertakes financial checks of suppliers in accordance with its agreed procedures and national guidelines. Some recommendations were made to ensure a consistent of approach for evidencing that checks have taken place.
- 4.6.4 An audit was completed by Rochdale Council, on behalf of Stockport, Trafford and Rochdale Councils in relation to the Chest Procurement portal. Overall, it was found that there is satisfactory control over the e-tendering process within The Chest procurement portal. The system meets the principal objectives of providing an externally hosted and secure e-sourcing portal, enabling a range of procurement routes, advertising of procurement opportunities and providing bidders with relevant

information with which to submit bids and to receive those bids. Areas for improvement identified included issues in relation to IT access controls.

4.6.5 As part of the above review, sample audit testing identified a number of other issues not specifically covered within the scope of the review but where areas for improvement were identified. This included various aspects of procurement processes including quotation and tender processes. A separate report was issued which included an agreed Action Plan with STAR which will be followed up in 2018/19.

4.6.6 As referred to in the 2018/19 Internal Audit Plan, there were a number of reviews in progress as at the end of 2017/18 to be reported in quarter one of 2018/19 with, where applicable, findings of these to inform future audit work. Details are as follows:

- Procedures for maintaining the Contracts Register by STAR which have been developed since its formation (Lead - Rochdale Council);
- Given one set of Contract Procedure Rules (CPRs) is formally in place across all three authorities, a review to include adherence to the CPRs in practice (Lead – Stockport Council);
- A review of the STAR Procurement Quality Management System (QMS), incorporating key procedures and systems operated by the Shared Service (Lead - Stockport Council).

4.6.7 As agreed with STAR, an audit covering Social Value in procurement (in accordance with the Public Services Social Value Act 2012), incorporating follow up of the previous audit undertaken and monitoring in place across contracts within the authorities is to be undertaken later in 2018/19 to include coverage of monitoring and reporting processes being developed.

4.6.8 Audit and Assurance provided input to the Authority's contract monitoring of the One Trafford Partnership between the Council and Amey in respect of the monitoring of performance indicators. This included supporting management in validating supporting data and providing advice in respect of the processes supporting the monitoring of some key performance indicators.

4.6.9 Consideration of procurement / contracts aspects is included in other categories of audit work including schools (per 4.4) and Other Business Risks (4.8).

4.7 ICT Audit / Information Governance

4.7.1 Audit work was undertaken to cover a range of issues in relation to IT procedures, processes and controls. A significant part of this work is completed by Salford Internal Audit Services who provide specialist IT Audit Services for a number of

authorities. Work was also undertaken in respect of wider information governance issues.

- 4.7.2 A planned review was completed of the Council's IT software licensing arrangements. Whilst a number of recommendations were made in the audit report, these relate to controls that would be improved through the implementation of a software asset management system. The audit report confirmed that the procurement of a system was in progress, so corrective action was already being taken to strengthen controls in this area. A follow up audit review is included in the 2018/19 Internal Audit Plan.
- 4.7.3 A review was completed of the IT Service desk. Overall it was found that effective systems and procedures were in place for the IT Service desk to provide support across the Council. A small number of recommendations were made to enhance existing arrangements including in relation to performance measurement and monitoring.
- 4.7.4 As planned, a further follow up was completed in relation to findings originally raised by the External Auditors in respect of access controls for the SAP financial system. The original audit was undertaken by the External Auditor, Grant Thornton and further to that a follow up audit undertaken in 2016/17 by Audit and Assurance found that a number of controls had either been introduced or enhanced by the Council to reduce the key business risks relating to the applications under review, with further work in progress. The second follow up review, completed in 2017/18 in relation to the SAP financial system access controls confirmed that in relation to the three previous recommendations reviewed, satisfactory controls were in place.
- 4.7.5 By the end of the year, a review of cyber security was in progress which included follow up of a number of issues raised in the previous audit including disaster recovery / business continuity. A final audit report on cyber security will be issued in 2018/19.
- 4.7.6 There are two reviews originally planned for 2017/18 (ITrent System IT Application Controls review and the IT Change Management follow-up audit as listed in Appendix C) that had not started and were included in the 2018/19 Internal Audit Plan.
- 4.7.7 Audit has continued to contribute to ongoing developments in relation to the Council's approach to Information Governance. This has included input to the Information Security Governance Board (ISGB) (See 4.10.2).
- 4.7.8 Audit completed an independent check of the Council's completed Information Governance Toolkit prior to its submission to the Department of Health in March 2018. The Toolkit is an online system which enables organisations to assess themselves or be assessed against Information Governance policies and standards.
- 4.7.9 Audit Planning has taken into account the introduction of the GDPRs from 25 May 2018 and an update on future planned work was included in an update for the ISGB.

4.8 **Other Business Risks**

- 4.8.1 This comprises various work that does not fall into one of the categories referred to above but represents areas of business risk. This includes authority-wide review work and reviews of specific services and establishments within individual Directorates. Risks reviewed encompassed a number of areas of control such as procedures and responsibilities, adherence to legislation and internal procedures, budgetary control, Payroll/HR related processes, risk management, security (of cash, assets and data), purchasing, income collection and recording and other areas of risk specific to the service under review.
- 4.8.2 There were nine final audit reports issued in this category with at least Medium (Adequate) or above audit opinions given for each review. Listed below are the audits completed with the respective Directorate and 2017/18 Executive portfolio shown in brackets and also opinion level given. Details of overall findings were included in the respective quarterly update reports for CLT and the Accounts and Audit Committee, and for reports issued in the final quarter, a summary of findings is shown in Appendix A.

Final Reports issued:

Reported in Quarter 1 Audit and Assurance update:

- Taxi licensing follow-up audit (EGEI) / (Highways, Parks and Environmental Services): Medium
- Housing Waiting List (EGEI) / (Housing and Strategic Planning): Medium/High

Reported in Quarter 2 Audit and Assurance update:

- Corporate Health and Safety (T&R) / (Corporate Resources): Medium/High
- Coppice Avenue Library follow-up audit (T&R) / (Communities and Partnerships): Medium

Reported in Quarter 3 Audit and Assurance update:

- Aids and Adaptations (CFW) / (Adult Social Care): Medium
- Payments to Care Leavers (CFW) / (Children and Families): Medium
- Partington Children's Centre (CFW) / (Children and Families): Medium/High

Issued in Quarter 4 (See appendix A for overall findings):

- Schools Catering follow-up audit (T&R) / (Corporate Resources): Medium/High
- Out of Borough Education Placements follow-up audit (CFW) / (Children's Services): Medium/High.

- 4.8.3 In addition to the final reports issued, a draft report was shared for discussion with management in respect of a review of Let Estates which is administered as part of the One Trafford Partnership. A final report was issued in quarter one of 2018/19 and the audit opinion will be reported as part of the next Audit and Assurance update.

- 4.8.4 In terms of other work in progress, an audit of Old Trafford Library commenced in March 2018 and planning also commenced for an audit review of Trafford Town Hall catering. Final reports for these reviews will be issued in 2018/19.
- 4.8.5 As referred to in the 2018/19 Internal Audit Plan, there are a number of reviews originally planned for 2017/18 that had not started and were rescheduled to 2018/19 and these are also listed in Appendix C under “Assurance - Other Business Risks”.

4.9 Grant Claims

- 4.9.1 Audit has been required to carry out checks to support information contained in a number of grant claims made during the year in line with national requirements in relation to funding received. In each case, based on the checks undertaken, adequate assurance was obtained to support the claims made.
- 4.9.2 During 2017/18, work included internal audit checks of the following: Integrated Transport and Highways Maintenance Grant 2016/17; Local Growth Fund 2016/17; Cycling Ambition Grant 2016/17; Public Health Grant 2016/17; and the Disabled Facilities Grant 2016/17.
- 4.9.3 In addition, Audit has reviewed systems for the Stronger Families programme (which relates to the national DCLG “Troubled Families” programme). A report was issued providing a Medium level of assurance (See Appendix A). As well as management, the report was provided to GMCA who are responsible for co-ordinating GM internal audit assurance obtained for this programme.

4.10 Service advice/ Projects/ Boards

- 4.10.1 Advice was provided through the year across the Council on governance and control issues. As referred to in 4.2, Audit has contributed to updating guidance in respect of risk management. Audit has also responded to requests through the year to provide guidance on various aspects of internal control including cash handling procedures, financial procedural documentation and asset security. The Audit and Assurance intranet site includes information on the role of Audit and associated guidance for services in respect of risk management, governance and anti-fraud and corruption which has been updated during the year.
- 4.10.2 Internal Audit has contributed through the year to the work of the Information Security and Governance Board. This has included input to its Action Plan in relation to meeting requirements of the GDPRs, effective from 25 May 2018. Work has included contributing to the update of the Corporate Information Governance risk register and review of the Corporate Information Governance Risk Management Policy.
- 4.10.3 Audit has also been part of the project team contributing to developing the Council’s digital strategy and digital transformation brief as part of the Trafford Vision 2031.

5. MANAGEMENT RESPONSE TO INTERNAL AUDIT WORK

- 5.1 This section sets out the response to, and impact of, internal audit work during the year. Key indicators of Audit and Assurance's impact are :
- Acceptance of recommendations
 - Implementation of them.
- 5.2 Recommendations issued by the Audit and Assurance Service had one of three priority levels as follows:

Priority 1 These are recommendations considered by Internal Audit to be essential to address a high risk in order to maintain a minimum acceptable level of assurance. Priority should be given to addressing these recommendations as soon as possible.

Priority 2 These are recommendations considered necessary to address a moderate risk in order to improve internal control. Action to implement these should be agreed with planned dates shown in the action plan but it is taken into account that Priority 1 recommendations would take priority.

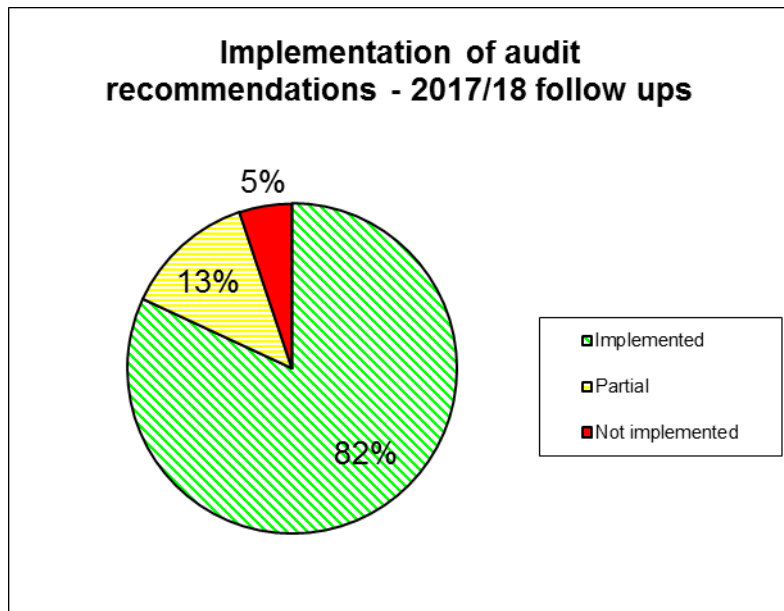
Priority 3 These are recommendations to either address a low risk or provide guidance or advice to further enhance existing practice.

Acceptance of Recommendations

- 5.3 Most audit recommendations made during the year were accepted by management. Of the 125 Priority 1 recommendations made, 123 were accepted i.e. 98%. (Of these 89 recommendations related to school audits of which 87 were accepted).
- 5.4 The acceptance rate for priority 2 or 3 recommendations was also 98% of the 227 recommendations made. (Of these, 173 recommendations related to school audits with only 3 recommendations not agreed with 54 recommendations relating to all other audits with only 1 recommendation not agreed).
- 5.5 Therefore, overall, 98% of all recommendations were accepted (compared to 99% in 2016/17). The service target is currently set at 95%.

Implementation of audit recommendations

- 5.6 A number of internal audit reviews are followed up approximately 12 months after the issue of the final report to ascertain what progress has been made in implementing recommendations. This may be either through a further audit review or through manager self- assessment.
- 5.7 Details of individual follow up reviews for the first three quarters of the year are set out in the quarterly Audit and Assurance update reports. Details for the final quarter of 2017/18 are included in Appendix A together with details of the acceptance rate for recommendations in that quarter.
- 5.8 For all follow up work undertaken, an analysis of the percentage of recommendations implemented at the time of the respective follow up reviews is shown in the following chart.



- 5.9 From the reviews undertaken, of a total of 155 recommendations followed-up during 2017/18, it was reported that 127 (82%) had been implemented at the time of the follow up audit reviews (this compares to 71% reported in the previous year). A further 20 (13%) have been partially implemented or are in progress (24% reported in the previous year). Eight recommendations (5%) have not been implemented (as per the previous year).
- 5.10 It should be noted that of the above 155 recommendations analysed above, these relate to the following in terms of recommendations excluding schools and recommendations specific to school audits.

Recommendations Followed Up Excluding Schools		Recommendations followed up- School Audits	
Total Number	92	Total Number	63
Recommendations Implemented or no longer applicable	72%	Recommendations Implemented or no longer applicable	97%
Recommendations Implemented in part/in progress	22%	Recommendations Implemented in part/in progress	0%
Recommendations not implemented	6%	Recommendations not implemented	3%

In Appendices A and C, * denotes against the Audit opinion that the review is specifically a follow up audit. Where appropriate, revised opinions were given after each follow-up review had been completed.

Client feedback

- 5.11 A client questionnaire is sent out with each audit report canvassing managers' views on the audit review. The questionnaire covers the audit approach; audit report issued and usefulness of the audit as an aid to management.
- 5.12 The overall rating was good or very good for 97% of the responses (87% in 2016/17) against a service target of 85%. In terms of impact, 67% of respondents stated that following the audit review, it was expected that there would be a moderate improvement (42%) or significant improvement (25%) in the standard of control. An analysis of the responses is shown in Appendix D.
- 5.13 The analyses of recommendations, follow-ups and client responses continues to demonstrate an overall positive response to internal audit work which contributes to continued improvements in governance and control arrangements across the Council.

6. PERFORMANCE AGAINST AUDIT PLAN

- 6.1 Actual time spent delivering the Plan was 1042 days (100% of the chargeable planned target of 1040 allocated days). An analysis of planned operational audit time against actual days spent in 2017/18 is shown in Appendix B. Within each category, there are some variations between planned and actual days and where applicable this has been taken into account in planning allocated time within the 2018/19 Internal Audit Plan.
- 6.2 In addition to the planned allocated days, any available contingency time was utilised by the Service to support a number of developments including a required upgrade to the Audit Management system, revision of the Audit Manual and supporting procedures, review of work programmes and actions to support the 2017/18 External Assessment process.
- 6.3 In the 2017/18 Internal Audit Plan, a target was set of 40 audit opinion reports to be issued to either final or draft stage. There were 32 final audit opinion reports issued and 7 initial draft

versions of reports shared with management by the end of March 2018. There were a number of other reviews in progress by the year-end.

- 6.4 Appendix C shows an analysis of audit opinion reports issued during the year. It also highlights any work in progress or scheduled for 2018/19. The 2018/19 Internal Audit Plan reported to CLT and the Accounts and Audit Committee in March 2018 took account of reviews to be carried forward from 2017/18.

7. CONFORMANCE WITH THE PUBLIC SECTOR INTERNAL AUDIT STANDARDS

- 7.1 It is a requirement that the Annual Head of Internal Audit Report provides a statement on conformance with the Public Sector Internal Audit Standards (PSIAS).
- 7.2. The Standards incorporate a number of aspects including:
- Ethics (incorporating integrity, independence, objectivity, confidentiality and competency).
 - Purpose, authority and responsibility of Internal Audit.
 - Standards (including planning, undertaking and managing audit assignments, monitoring, communication, due professional care, quality assurance and improvement).
- 7.3 As part of the PSIAS, it is a requirement for there to be an external assessment of the Internal Audit function at least every five years. An external assessment was undertaken in November 2017 by the Chartered Institute of Public Finance and Accountancy (CIPFA) and a final report was issued in January 2018 (with the report presented to the Accounts and Audit Committee at the February 2018 meeting). In respect of the assessment against PSIAS, CIPFA has 3 possible opinion levels (Generally conforms; partially conforms and does not conform). **CIPFA's overall opinion was that the Audit and Assurance Service generally conforms to PSIAS.**
- 7.4 There were some minor observations identified together with three recommendations and two suggestions made in the report to address these. Since the review, action has been taken to address each recommendation or suggestion as follows:
- The 2018/19 Internal Audit Plan was produced, taking into account and addressing a recommendation made in the CIPFA report in respect of aspects relating to the Annual Governance Statement and Risk Management.
 - In terms of the review of audit working papers, as recommended, a consistent approach has been adopted for evidencing the supervisory review of audits on the Audit Management system.
 - Wording in this Annual Report in respect of the Audit Opinion (page 5) has been produced to address one of the recommendations made.
 - As suggested, the independence declaration form that Audit staff complete and sign each year, which includes the requirement to conform with the requirements of PSIAS, has been updated to explicitly refer to the "Seven Principles of Public Life".

- As suggested, the template for individual terms of reference for audits has been updated to ensure terms of reference include an initial draft audit report distribution list.

- 7.5 In accordance with its Quality Assurance and Improvement Programme, the Service continued to report on its work through the year to both CLT and the Accounts and Audit Committee which included both updates on progress against the 2017/18 Plan; the impact of audit work; client feedback and approval of the Internal Audit Plan for 2018/19. The Service has also updated its Audit Manual to ensure continued conformance with PSIAS.
- 7.6 Further to the external assessment completed in 2017/18, the Audit and Assurance Service will complete a self- assessment exercise towards the end of 2018/19 to further review processes in place against PSIAS. Findings will be reflected in next year's Annual Head of Internal Audit Report.

APPENDIX A

INTERNAL AUDIT REPORTS ISSUED IN QUARTER 4 2017/18

Points of Information

Audit Opinion Levels (RAG reporting) :

Opinion – General Audits

High – Very Good	Green (G)
Medium / High – Good	Green (G)
Medium – Adequate	Green (G)
Low / Medium - Marginal	Amber (A)
Low – Unsatisfactory	Red (R)

*Indicates this is a revised opinion given following a review of progress made in implementing recommendations made in the previous audit review. This opinion is based only on the areas tested and assumes the controls reviewed as part of the previous audit, that were not covered as part of this follow up audit, have been maintained.

Report Status:

Draft reports:

are issued to managers prior to the final report to provide comments and a response to audit recommendations.

Final reports:

incorporate management comments and responses to audit recommendations, including planned improvement actions. **An opinion** is stated in each audit report / assessment to assess the standard of the control environment.

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 within the council such as an individual establishment.

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REPORT NAME (DIRECTORATE) / (PORTFOLIO) by Coverage Level (1-4)	-OPINION -R/A/G -Date Issued	COMMENTS
<u>FINAL REPORTS</u>		
<u>Level 4 Reports:</u>		
Housing Benefits / Council Tax Reduction (T&R) / (Corporate Resources)	High (GREEN) (30/1/18)	A high level of assurance has been maintained with only a couple of minor recommendations made.
Software Licensing (T&R) / (Corporate Resources)	Low / Medium (AMBER) (3/1/18)	A number of the recommendations made in the audit report relate to controls that would be improved through the implementation of a software asset management system. The report confirmed that the procurement of a system was in progress, so corrective action was already being taken to strengthen controls in this area. A follow up audit review is included in the 2018/19 Internal Audit Plan where a revised audit opinion will be considered.
IT Service Desk (T&R) / (Corporate Resources)	Medium / High (GREEN) (30/1/18)	Overall it was found that effective systems and procedures were in place for the IT Service desk to provide support across the Council. A small number of recommendations were made to enhance existing arrangements including in relation to performance measurement and monitoring.
STAR Procurement - Financial vetting of suppliers (T&R) / (Corporate Resources)	Medium (GREEN) (2/2/18)	Overall, it was found that the STAR Shared Procurement Service undertakes financial checks of suppliers in accordance with its agreed procedures and national guidelines. Some recommendations were made to ensure a consistent approach for evidencing that checks have taken place.
<u>Level 3 Reports:</u>		
Stronger Families (CFW) / (Children and Families)	Medium (GREEN) (27/3/18)	There is a commitment of all Greater Manchester local authorities to undertake regular audits to provide assurance that local systems and processes meet the minimum standards of the Greater Manchester Troubled Families framework. As part of this, the audit review of Trafford Council's Stronger Families programme highlighted that overall satisfactory procedures are in place. As part of audit testing, some areas were highlighted for improved recording of information to evidence progress/developments in relation to individual cases.
<u>Level 2 Reports:</u>		
Schools Catering follow up review (T&R) / (Corporate Resources)	Medium / High (GREEN) * (8/2/18)	Good progress has been made in implementing previous audit recommendations. Of the 16 recommendations previously made, only 3 of these still require to be implemented with one further recommendation made.
Out of Borough Education Placements follow up	Medium / High (GREEN) *	Good progress has been made in implementing previous audit recommendations. Of the 10 recommendations previously made, 9 had been implemented with the remaining recommendation in progress.

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review (CFW) / (Children and Families)	(19/2/18)	
Level 1 Reports:		
English Martyrs' RC Primary School (CFW) / (Children and Families)	Low / Medium (AMBER) (23/1/18)	A significant number of recommendations were made to improve controls across a number of areas reviewed. Areas identified for improvement included the updating of the school's Finance Procedures Manual; administration relating to the Governing Body Committees, procurement procedures; and school fund records. An action plan was agreed to address the recommendations made. A follow up audit review of this school is included in the 2018/19 Internal Audit Plan.
Stamford Park Infant School (CFW) / (Children and Families)	Medium / High (GREEN) (29/1/18)	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 the administration of petty cash.
St. Margaret Ward RC Primary School (CFW) / (Children and Families)	Medium / High (GREEN) (22/3/18)	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 the update of the Data Protection Policy in line with the General Data Protection Regulations.
Reports at draft stage		
As at 31/3/2018, for all of the reports listed below, initial draft reports were shared with the respective services. In each case, the final report will be issued in Q1 of 2018/19 and details, including the audit opinion will be reported in the next Audit and Assurance update report.		
Income Control (T&R) / (Corporate Resources)		
Let Estates (EGEI) / (Housing and Strategic Planning)		
Liquid Logic System - Adult Services (CFW) / (Adult Social Care)		
Direct Payments – Adult Services (CFW) / (Adult Social Care)		
Trafford Alternative Education (Trafford High School and Trafford Medical Education Service (CFW) / (Children and Families)		
Bowdon Church School (CFW) / (Children and Families)		
The Firs Primary School (CFW) / (Children and Families)		

Families)

**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.*

Quarter 4 2017/18 - Acceptance of Recommendations

From the final audit opinion reports issued during the quarter (as listed above) 101 of the 102 recommendations made were accepted (99%).

Quarter 4 2017/18 – Implementation of Recommendations

In addition to the two follow up audits listed above re Schools Catering and Out of Borough Education Placements, in respect of four other audits previously completed, managers were requested to provide an update on progress in implementing recommendations made. Details are as follows:

- Stretford Library (T&R) (Corporate Resources) - All 10 recommendations previously agreed had been implemented.
- Home to School Transport (CFW) / (Children and Families) - All four recommendations previously agreed had been implemented.
- Woodheys Primary School (CFW) / (Children and Families) – Of the 21 recommendations previously made, 20 had been implemented with the remaining recommendation to be addressed in 2018/19.
- Stamford Park Junior School (CFW) / (Children and Families) - All 28 recommendations previously agreed had been implemented.

APPENDIX B

2017/18 Operational Plan: Planned Work and Actual Days Spent

<u>Category</u>	<u>Details</u>	<u>Planned Allocated Days 2017/18</u>	<u>Actual Days 2017/18</u>
Fundamental Systems	<p>Completion of fundamental financial systems reviews: See Section 4.3 for work completed and Appendix C for opinion reports issued or planned to be issued.</p>	230	202
Governance	<p>Corporate Governance Review / Collation of supporting evidence and production of the 2016/17 Annual Governance Statement (AGS). Ongoing advice / assurance in respect of governance issues Corporate Governance Code updated in June 2017. 2016/17 AGS completed in September 2017. Ongoing liaison with Legal and Democratic Services, including guidance regarding the approach for producing the 2017/18 AGS.</p>	40	24
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 reports issued as planned to CLT and the Accounts and Audit Committee through 2017/18. - Risk management guidance on intranet updated during 2017/18. - Other work undertaken as indicated in Section 4.2 of this report. 	25	23
Anti-Fraud and Corruption	<p>Investigation of referred cases: Co-ordinate the Council's activity in respect of the National Fraud Initiative: Other work to support the Anti-Fraud and Corruption Strategy, including where applicable working with other relevant services to review existing policies and guidance supporting the overarching strategy. See Section 4.5 and 4.1.5.</p>	100	126

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<p>Procurement / Contracts/ Value for money</p>	<p>Review of procurement / contract management arrangements across the Council including systems in place and associated arrangements to secure value for money. (This will include liaison with the STAR Procurement Service and partner authority auditors).</p> <p>See Section 4.6 for work completed and Appendix C for opinion reports issued and planned.</p>	80	77
<p>ICT / Information Governance</p>	<p>Audit reviews to be completed in line with the ICT audit plan:</p> <p>See Section 4.7 for work completed and Appendix C for audit opinion reports issued and planned.</p>	70	68
<p>Schools</p>	<p>Support the Council in working with schools to adhere to the Schools Financial Value Standard (SFVS).</p> <p>Undertake School Audit reviews (at least 15 audit reviews to be undertaken)</p> <p>See Section 4.4 for work completed and Appendix C for audit opinion reports issued and planned. (15 school visits undertaken -12 final reports issued and 3 initial draft reports issued).</p>	170	199
<p>Assurance – Other Business Risks</p>	<p>Selected on the basis of risk from a number of sources including senior managers’ recommendations, risk registers and internal audit risk assessments. Reviews will include authority wide issues and areas relating to individual services, establishments and functions.</p> <p>See Section 4.8 for work completed and Appendix C for audit opinion reports issued and planned.</p>	230	162
<p>Grant claims checks / Data Quality</p>	<p>Internal audit checks of grant claims / data returns as required.</p> <p>Checks completed in 2017/18 have covered:</p> <ul style="list-style-type: none"> -Local Growth Fund -Public Health Grant -Cycling Ambition Grant -Integrated Transport and Highways Maintenance. -Disabled Facilities Grant <p>-Systems audit in respect of the Stronger Families Programme.</p>	35	55
<p>Service Advice / Projects</p>	<p>General advice in respect of control, risk and governance across council services, projects etc.</p> <p>Ongoing advice across Council services. Provision of guidance including update of Audit intranet site.</p>	60	106

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	Membership of Information Security Governance Board (ISGB) and support in progressing the ISGB Action Plan. Work with Transformation Team to support development of Digital Strategy		
TOTAL		1040	1042

Audit Opinion Reports Issued 2017/18

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<u>Audit Opinion Reports: Title / (Corporate Directorate)/ (Executive Portfolio)</u>	<u>Status</u>	<u>Opinion Level</u>	<u>Future plans (where final report not yet issued)</u>
Fundamental Systems			
- Council Tax (T&R) / (Corporate Resources)	Final report 10/7/17	High	-
- Treasury Management (T&R) / (Corporate Resources)	Final report 18/9/17	High	-
- Accounts Receivable & Debt Recovery (T&R) / (Corporate Resources)	Final report 2/10/17	High	-
- NDR (T&R) / (Corporate Resources)	Final report 9/10/17	High	-
- Benefits/Council Tax reduction (T&R) / (Corporate Resources)	Final report 30/1/18	High	-
- Liquid Logic/ContrOCC system (CFW/T&R) (Adult Social Care and Corporate Resources)	Initial draft report shared with managers	-	Final report (including audit opinion) to be issued Q1 of 2018/19 (Adult Services).
- Direct Payments (CFW) / (Adult Social Care)	Initial draft report shared with managers	-	Final report (including audit opinion) to be issued Q1 of 2018/19 (Adult Services).
- Income Control (T&R) / (Corporate Resources)	Initial draft report shared with managers	-	Final report (including audit opinion) to be issued Q1 of 2018/19.
- Payroll (T&R) / (Corporate Resources)	Not started	-	Included in 2018/19 Internal Audit Plan
- Accounts Payable (T&R) / (Corporate Resources)	Not started	-	Included in 2018/19 Internal Audit Plan.
Procurement /Contracts /Value for money			
- The Chest Procurement Portal (STAR Authorities – Rochdale Lead) (T&R) / (Corporate Resources)	Final report 21/12/17	Adequate**	-
- Financial vetting of suppliers (STAR Authorities – Trafford lead) (T&R) / (Corporate Resources)	Final report 2/2/18	Medium	-
- Contracts Register (STAR Authorities – Rochdale lead) (T&R) / (Corporate Resources)	In progress	-	Final report (including audit opinion) to be issued Q1 of 2018/19.
- STAR Quality Management System (STAR Authorities	In progress	-	Final report (including audit opinion) to be issued

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– Stockport lead) (T&R) / (Corporate Resources)			Q1 of 2018/19.
- Contract Procedure Rules (STAR Authorities – Stockport lead) (T&R/Authority-Wide)	In progress	-	Final report (including audit opinion) to be issued Q1 of 2018/19.
- Social Value in Procurement (STAR authorities – Trafford lead) (T&R/Authority Wide)	Not started	-	Included in 2018/19 Internal Audit Plan.
- One Trafford Partnership (EGEI) / (Highways, Parks and Environmental Services)	Ongoing contribution to Council contract monitoring	-	Further time allocated to support corporate activity in 2018/19 Internal Audit Plan.
ICT Audit			
- SAP financial system access controls (T&R) / (Corporate Resources)*	Final report 17/10/17	High*	-
- Software Licensing (T&R) / (Corporate Resources)	Final report 3/1/18	Low/Medium	-
- IT Service Desk (T&R) / (Corporate Resources)	Final report 30/1/18	Medium/High	-
- Cyber Security (T&R) / (Corporate Resources)	In progress	-	Final report (including audit opinion) to be issued Q1 of 2018/19.
- ITrent System IT Application Controls (T&R) / (Corporate Resources)	Not started	-	Included in 2018/19 Internal Audit Plan
- IT Change Management follow-up audit (T&R) / (Corporate Resources)	Not started	-	Included in 2018/19 Internal Audit Plan
Schools			
- Barton Clough Primary School	Final report 24/4/17	Low/Medium	-
- Well Green Primary School	Final report 23/5/17	Medium/High	-
- Our Lady of the Rosary RC Primary School	Final report 23/5/17	Medium/High	-
- Wellfield Junior School	Final report 27/6/17	Medium	-
- Moss Park Infant School	Final report 28/6/17	Medium/High	-
- Bollin Primary School	Final report 27/7/17	Low/Medium	-
- St. Hugh's RC Primary School	Final report 27/9/17	Medium/High	-
- Broadheath Primary School	Final report 13/10/17	Medium/High	-
- Wellfield Infant and Nursery School	Final report 22/11/17	Medium	-
- English Martyrs' RC Primary School	Final report 23/1/18	Low/Medium	-
- Stamford Park Infants School	Final report 29/1/18	Medium/High	-

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- St. Margaret Ward RC Primary School - The Firs Primary School	Final report 22/3/18 Initial draft report shared with Headteacher	Medium/High -	-	Final report (including audit opinion) to be issued Q1 of 2018/19.
- Bowdon Church School	Initial draft report shared with Headteacher	-	-	Final report (including audit opinion) to be issued Q1 of 2018/19.
- Trafford High School	Initial draft report shared with Headteacher	-	-	Final report (including audit opinion) to be issued Q1 of 2018/19.
(Note all school reports relate to (CFW) / (Children and Families))				
Assurance – Other Business Risks				
- Taxi Licensing – follow up (EGEI) / Highways, Parks and Environmental Services) *	Final report 26/5/17	Medium	-	
- Housing Waiting List (EGEI) / (Housing and Strategic Planning)	Final report 5/6/17	Medium/High	-	
- Corporate Health and Safety (T&R/Authority-wide) / (Corporate Resources)	Final report 21/7/17	Medium/High	-	
- Coppice Avenue Library – follow up (T&R) / (Communities and Partnerships) *	Final report 8/8/17	Medium	-	
- Partington Children’s Centre (CFW) / (Children and Families)	Final report 28/11/17	Medium/High	-	
- Aids and Adaptations (CFW) / (Adult Social Care)	Final report 8/12/17	Medium	-	
- Payments to Care Leavers (CFW) / Children and Families)	Final report 20/12/17	Medium	-	
- Schools Catering – follow up (T&R) / (Corporate Resources) *	Final report 8/2/18	Medium/High	-	
- Out of Borough School Placements – follow up (CFW) / (Children and Families) *	Final report 19/2/18	Medium/High	-	
- Let Estates (EGEI) / (Housing and Strategic Planning) *	Initial draft report shared with managers	-	-	Final report (including audit opinion) to be issued Q1 of 2018/19.
- Bereavement Services (T&R) / (Corporate Resources)	In progress	-	-	Final report (including audit opinion) to be issued Q1 of 2018/19.
- Old Trafford Library (T&R) / (Communities and Partnerships)	In progress	-	-	Final report (including audit opinion) to be issued Q1 of 2018/19.
- Trafford Town Hall - Catering Income (T&R) / (Corporate Resources)	In progress	-	-	Draft report to be issued Q1 of 2018/19.
- Foster Care payments (CFW) / (Children and Families)	N/A	N/A	-	Included as part of Liquid Logic System (Children’s Services) review in 2018/19.

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- Flixton House (T&R) / (Corporate Resources)	Not started	-	Included in 2018/19 Internal Audit Plan
- Planning Enforcement (EGEI) / (Housing and Strategic Planning)	Not started	-	Included in 2018/19 Internal Audit Plan
- Strategic Growth Team (EGEI) / (Housing and Strategic Planning)	Not started	-	Included in 2018/19 Internal Audit Plan.
- Music Service (T&R) / (Corporate Resources)	Not started	-	Included in 2018/19 Internal Audit Plan
- Client Finances system (T&R/CFW) / Adult Social Care and Corporate Resources)	Not started	-	Included in 2018/19 Internal Audit Plan.
- Section 17 Payments – Children (CFW) / (Children and Families)	Not started	-	Included in 2018/19 Internal Audit Plan.
Data Quality			
- Stronger Families (CFW) / (Children and Families)	Final report 27/3/18	Medium	-

*Follow up review

** An “Adequate Opinion” was provided which is considered equivalent to an opinion of “Medium” per the Trafford Council framework and the opinion is therefore shown as “Green”.

APPENDIX D

Client Survey Responses 2017/18

	V.Good	Good	Satisfactory	Adequate	Poor
Consultation on audit process and audit coverage prior to commencement of the audit	8	4			
Feedback of findings and liaison during the audit	10	2			
Professionalism of auditors	10	2			
Helpfulness of auditors	10	2			
Timeliness of the review and the draft report	6	5	1		
Clarity of the report	8	3	1		
Accuracy of the report	6	6			
Practicality of the recommendations made	6	4	1		
Usefulness of the audit as an aid to management	8	4			
Total	72	32	3	0	0
%	67%	30%	3%	0%	0%
	Very Significant	Significant	Moderate	Minor	None
What level of improvement, in the standard of control and the management of risks, do you expect to see following the audit review?	3	0	5	1	3
%	25%	0%	42%	8%	25%

(Note: the results are based on responses from 13 client surveys received in the period. It should be noted that any responses of “poor” or “adequate” relate to one client survey, the details of which have been followed up with the relevant service).

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 20 June 2018
Report for: Information
Report of: Cllr Nathan Evans and Cllr Chris Boyes - Chair and Vice -
Chair Accounts & Audit Committee (2017/18)

Report Title

Accounts and Audit Committee Annual Report to Council 2017/18.

Summary

The report sets out the 2017/18 Annual Report of the Accounts and Audit Committee to be submitted to Council.

Recommendation

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

Contact person for access to background papers and further information:

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

Background Papers:

None



TRAFFORD
COUNCIL

Accounts & Audit Committee
Annual Report
To Council

2017-2018

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

The Accounts and Audit Committee continues to provide independent assurance to the Council and the public on the effectiveness of the Council's governance, financial management, risk management and internal control arrangements.

It is independent of the Executive and aims to provide a key role in providing challenge across the organisation.

The Committee has continued to cover a broad range of work and has gained information and assurance from a number of sources through the year. This report sets out how we have ensured the Committee has met its responsibilities in 2017/18.



Councillor Nathan Evans
Chair, Accounts & Audit Committee 2017-18



Councillor Chris Boyes
Vice-Chair, Accounts & Audit Committee 2017-18

INTRODUCTION

Role of the Committee

The role of the Accounts and Audit Committee is to:

- provide independent assurance on the adequacy of the risk management framework and the associated control environment,
- undertake independent scrutiny of the Authority’s financial and non financial performance to the extent that it affects the Authority’s exposure to risk and weakens the control environment, and
- oversee the financial reporting process.

Assurance is gathered by the Committee mainly from the work of Finance Services (including Financial Management and the Audit and Assurance Service), and External Audit (provided by Grant Thornton in 2017/18). Relevant officers within these areas attended meetings through the year. This was supplemented by assurance from other sources where this was considered appropriate, for example direct from the Council’s managers.

Purpose of the Report

The purpose of this report to Council is to:

- Summarise the work undertaken by the Accounts & Audit Committee during 2017/18 and the impact it has had.
- Provide assurance to the Council on the fulfilment of the Committee’s responsibilities.

Membership of the Committee

The Accounts & Audit Committee’s terms of reference state that its membership shall comprise seven Members, be politically balanced within the Council’s current system, and shall not include any Members of the Executive.

Accounts & Audit Committee Membership	
2017/18	2018/19
Cllr Nathan Evans (Chair)	Cllr Barry Brotherton (Chair)
Cllr Chris Boyes (Vice-Chair)	Cllr Liz Patel (Vice-Chair)
Cllr Alan Mitchell	Cllr Jayne Dillon
Cllr Paul Lally	Cllr Jane Slater
Cllr Barry Brotherton	Cllr Chris Boyes
Cllr Mrs Jane Baugh	Cllr Alan Mitchell
Cllr James Wright	Cllr Paul Lally

ACCOUNTS & AUDIT COMMITTEE – SUMMARY OF WORK COMPLETED

Areas covered by the Committee during the year, in line with its remit, included:

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

The Committee derives its independent assurance from a number of sources including the work of External Audit, Finance (including Financial Management and Internal Audit) and managers across the Council. During the year, these sources of assurance were reported to the Committee on a regular basis encompassing all the themes identified in the Committee's Terms of Reference. The Committee received information at each meeting and provided challenge and feedback to officers and external auditors, therefore fulfilling its responsibilities during 2017/18.

The Committee agreed its work programme at the start of the year to ensure it met its responsibilities. For 2017/18, the work programme included reviewing regular updates on the work of external audit; internal audit; approval of the final accounts; updates of the Council's strategic risk register; review of anti-fraud and corruption arrangements; and updates on treasury management, insurance and procurement activity.

As part of reviewing strategic risks, the Committee requested and received an update on the Council's approach for managing cyber security risks.

The programme also covered consideration of training and awareness for Committee Members which included a workshop on the Council's accounts and a presentation on insurance arrangements.

In December 2017, the Committee had gained assurance through the 2016/17 Annual Audit Letter by the External Auditors (Grant Thornton), that an unqualified opinion was given on the 2016/17 financial statements. In terms of the Value for Money conclusion, the report stated that in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2017. Assurance in terms of the outcome of the 2017/18 External Audit of the Council's financial statements and a conclusion on the Council's value for money arrangements will be reported later in 2018 to the Committee in the External Auditor's 2017/18 Annual Audit Letter.

The Committee noted that the Council's External Auditors for the 2018/19 financial year and up to and including 2022/23 will be Mazars LLP.

Details of the work undertaken by the Committee at each of its meetings through the year are set out in the rest of this report.

Accounts and Audit Committee – Work Completed During 2017/18

Internal Audit

Role of the Committee in relation to Internal Audit:

- Review and approve (but not direct) the Internal Audit Charter, Internal Audit Strategy and internal audit resourcing.
- Review and approve (but not direct) the annual Internal Audit work programme. Consider the proposed and actual audit coverage and whether this provides adequate assurance on the organisation’s main business risks. Review the performance of Internal Audit.
- Receive summary internal audit reports and seek assurance on the adequacy of management response to internal audit advice, recommendations and actions plans.
- Review arrangements for co-operation between Internal Audit, External Audit and other review bodies, and ensure that there are effective relationships which actively promote the value of the audit process.
- Receive the Annual Head of Internal Audit report and opinion.

Work Completed	Outcome/ Impact
<p>The progress of internal audit work conducted by the Audit and Assurance Service was reported to the Committee on a quarterly basis. This included summary findings from individual audit reviews, responses to audit reports, progress in implementing the annual audit plan and performance of the Audit and Assurance Service. Update reports were presented in September 2017, December 2017 and February 2018.</p> <p>July 2017 The Annual Head of Internal Audit Report was submitted, providing an opinion on the adequacy and effectiveness of the Council’s control environment during 2016/17 based on Internal Audit work undertaken during the period.</p>	<p>The Committee maintained an overview of the control environment (encompassing governance, internal control and risk management) reviewed by Internal Audit and also obtained assurance in respect of Internal Audit performance.</p> <p>Updates included details of areas reviewed where controls were found to be operating to a satisfactory standard and others within the Council where improvements were identified and audit recommendations made accordingly.</p>

(Internal Audit continued)	
Work Completed	Outcome/ Impact
<p>February 2018 The Committee received a report by the Chartered Institute of Public Finance and Accountancy (CIPFA) setting out the findings and opinion from its external assessment of the Council’s Internal Audit function against the Public Sector Internal Audit Standards (PSIAS). CIPFA has 3 possible opinion levels (Generally conforms; Partially conforms and Does not conform). Within the overall opinion and conclusion, the report concludes that the Audit and Assurance Service generally conforms to PSIAS.</p>	<p>The Committee gained independent assurance that the Audit and Assurance is undertaking its work in line with expected standards.</p>
<p>March 2018 The Committee reviewed the Internal Audit Charter and Strategy which were updated to ensure continued conformance with the Public Sector Internal Audit Standards.</p> <p>A report was submitted setting out the 2018/19 Annual Internal Audit Plan.</p>	<p>The Accounts and Audit Committee approved the updated Internal Audit Charter and Strategy.</p> <p>Assurance that Internal Audit coverage for the coming year covered a wide range of key business risks and plans were in place to make adequate internal audit resources available to complete the planned work.</p>

External Audit

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

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

Work Completed	Outcome/ Impact
<p>July 2017 The Committee received a report from Grant Thornton on the progress made in delivering its responsibilities as the Authority’s external auditor. The report also highlighted key emerging national issues and developments which could be of interest to members of the Committee. Other such updates were provided at meetings in December 2017, February 2018 and March 2018.</p>	<p>The Committee was able to monitor progress in respect of external audit work.</p>
<p>September 2017 The Committee receive a report on the findings to date from the External Auditor in respect of the audit of the Council’s accounts for the year ended 31 March 2017 and its work to provide a conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money conclusion).</p>	<p>Members were advised that it was anticipated that an unqualified opinion on the financial statements would be provided.</p> <p>In addition, based on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources, the Council had proper arrangements in all significant respects to ensure it delivered value for money.</p>
<p>December 2017 The Committee received the Council’s Annual Audit Letter for the year ended 31 March 2017, summarising the key findings arising from the work of the External Auditor, Grant Thornton.</p>	<p>The Annual Audit Letter confirmed that an unqualified opinion was given on the financial statements. It also confirmed that, in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2017.</p>
<p>February 2018 In addition to the February update report, Grant Thornton presented a letter summarising its overall findings from the certification of the Council’s 2016/17 Housing Benefits subsidy claim.</p>	<p>The Committee was able to continue monitoring progress in respect of external audit work.</p>

(External Audit continued)	
Work Completed	Outcome/ Impact
<p>March 2018 The Committee received the External Audit Plan from Grant Thornton which outlined its audit approach and plan to deliver the audit for the year ended 31 March 2018. The report also set out the External Audit fees and assumptions supporting these.</p> <p>(Note: The Council's External Auditors for the 2018/19 financial year and up to and including 2022/23 will be Mazars LLP).</p>	<p>The report submitted provided the Committee with details of work Grant Thornton is required to undertake as the council's external auditor.</p>

Risk Management

The role of the Committee in relation to risk management:

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

Work Completed	Outcome/ Impact
<p>July 2017 The Committee received a presentation on the Council’s cyber security systems and approach taken to manage associated risks.</p>	<p>Assurance was received on measures taken and action in progress to mitigate the risks highlighted.</p>
<p>December 2017 In advance of the December Committee meeting, Members received a presentation on the Council’s insurance arrangements.</p> <p>The Committee was provided with a report on the Council’s Strategic Risk Register. The report provided an update on the strategic risk environment, including updates on each of the risks on the strategic risk register.</p>	<p>Members were able to gain an overview of the Council’s existing insurance arrangements.</p> <p>The Committee received assurance on the arrangements for reviewing key strategic risks. The Committee provided feedback regarding the detail provided relating to some risks which was taken into account for the subsequent update.</p>
<p>March 2018 The Committee was provided with a further update report on the Strategic Risk Register.</p>	<p>The Committee continued to receive assurance that there is ongoing monitoring of strategic risks.</p>

Corporate Governance, Internal Control and the Annual Governance Statement

The role of the Committee in relation to the above is to:

- Review effectiveness of corporate governance and internal control across the organisation and the adequacy of action taken to address any weaknesses or control failures.
- Conduct a review of the draft Annual Governance Statement, which is a key assurance statement required to be completed each year in accordance with the Accounts and Audit Regulations 2015.
- Approve the final version of the Annual Governance Statement.

Work Completed	Outcome/ Impact
<p>July 2017 A report setting out the 2016/17 draft Annual Governance Statement (AGS) was presented to give Members the opportunity to review the content of the AGS prior to it being finalised.</p> <p>The Committee also received a report setting out the Council’s updated Corporate Governance Code for approval.</p>	<p>The Committee agreed to consider the draft version of the AGS and noted timescales for finalising the document in accordance with the Accounts and Audit Regulations 2015.</p> <p>The Committee agreed the updates to the Council’s Corporate Governance Code which ensured the Code was amended in line with the updated framework and guidance provided by CIPFA and the Society of Local Authority Chief Executives (SOLACE).</p>
<p>September 2017 The final version of the Annual Governance Statement, signed by the Chief Executive and Leader, was submitted to the Committee.</p>	<p>The Committee approved the 2016/17 Annual Governance Statement.</p>
<p>February 2018 A report setting out a proposed approach / timetable to ensure compliance with the production of an Annual Governance Statement for 2017/18 was presented (noting a final version is due to be approved by 31 July 2018 in line with new requirements).</p>	<p>Procedures and responsibilities of Members and Officers in the process for producing and approving the 2017/18 Annual Governance Statement were agreed.</p>

Anti - Fraud & Corruption Arrangements

The role of the Committee is to:

- Review and ensure the adequacy of the organisation’s Anti - Fraud & Corruption policy and strategy and the effectiveness of their application throughout the Authority.
- Review and ensure that adequate arrangements are established and operating to deal with situations of suspected or actual fraud and corruption.

Work Completed	Outcome/ Impact
<p>September 2017 The Committee received a report of the Counter Fraud and Enforcement team outlining the Councils’ fraud prevention and detection performance and activities in 2016/17, as well as the team’s plans for 2017/18.</p> <p>An Audit and Assurance Service update was provided setting out details in relation to investigation work carried out during quarter one of 2017/18.</p>	<p>The Committee was provided with assurance that the Council is continuing to investigate suspected fraud and support both fraud prevention and detection.</p> <p>The Committee was provided with an update on investigation work completed by Audit (following an Exclusion Resolution that the public be excluded from the meeting during consideration of this item of business because of the likelihood of disclosure of “exempt information” which falls within Paragraph 7 of schedule 12A of the Local Government Act 1972, as amended).</p>
<p>February 2018 As part of the quarterly Audit and Assurance Service update report, this included an update on progress made by the Council in contributing to the National Fraud Initiative. This is a nationwide data matching exercise, designed to help participating bodies identify possible cases of error or fraud and detect and correct any consequential under or overpayments from the public purse. A summary of outcomes from this exercise was provided.</p>	<p>The Committee gained assurance that the Council was playing an active role in supporting the National Fraud Initiative</p>

Accounts / Financial Management

The role of the Committee is to:

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

Work Completed	Outcome/ Impact
<p>July 2017 The 2016/17 Revenue Budget Outturn and Capital Investment Programme Outturn reports were presented.</p> <p>A report was submitted on the outcome of the review of treasury management activities for the previous financial year.</p>	<p>The Committee had the opportunity to review budget outturn information, ask questions and requested further details on particular issues.</p> <p>Assurance was obtained that treasury management activities adhere to the CIPFA Code of Practice on Treasury Management and CIPFA Prudential Code for Capital Finance.</p>
<p>September 2017 In advance of the September Committee meeting, a training session was provided for Committee Members on the Council’s Accounts.</p> <p>The final accounts were shared with the Committee at its 6 September meeting. It was noted that the audit of the accounts would be completed before the end of September in line with statutory requirements.</p> <p>A report was submitted providing details of the Council’s insurance arrangements and activity in 2016/17.</p> <p>The Committee received a presentation of the Director of the STAR Shared Procurement Service. The presentation provided Members with information on STAR’s Business Plan, their Key Work Streams, and planned internal audit reviews in 2017/18.</p>	<p>Members were able to review information and ask questions relating to the Accounts prior to approving the final audited 2016/17 accounts in September 2017.</p> <p>The Committee viewed the final accounts (as they stood at the time of the meeting) and it was agreed that following the completion of the audit, the Accounts and Audit Committee Chair and Chief Finance Officer would sign the accounts (Further to the meeting, the Accounts were signed on 25 September 2017).</p> <p>Assurance was obtained that insurance arrangements are monitored and regularly reviewed.</p> <p>The Committee was able to gain an update on current corporate procurement arrangements.</p>

(Accounts/Financial Management continued)	
<p>December 2017 A report was presented providing an update on the progress of the treasury management activities undertaken for the first half of 2017/18.</p>	<p>The Committee was able to monitor treasury management performance during the year, in line with the CIPFA Code of Practice on Treasury Management.</p>
Work Completed	Outcome/ Impact
<p>February 2018 A Treasury Management report was submitted setting out the Council’s strategy for 2018/19 – 2020/21. This included the debt strategy, minimum revenue provision (amounts set aside for debt repayment) and investment strategy.</p>	<p>The Audit Committee recommended that the Council approve the various elements of the Strategy.</p>
<p>All meetings The Accounts and Audit Committee received the most recent available monthly budget monitoring report either at each meeting or in advance of meetings.</p>	<p>The Committee had the opportunity to review information and raise queries on budget monitoring information submitted through the year.</p>

TRAFFORD COUNCIL

Report to: Accounts and Audit Committee
Date: 20 June 2018
Report for: Approval
Report of: Audit and Assurance Manager

Report Title

Accounts and Audit Committee – Work Programme – 2018/19

Summary

This report sets out the proposed work plan for the Committee for the 2018/19 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 approve the 2018/19 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
20 June 2018	Agree Committee's Work Programme for 2018/19 (including consideration of training and development). Training & Development/Presentation - Draft accounts (To be provided outside of the Committee in June 2018)					
	- 2017/18 Head of Internal Audit Annual Report	- Audit Progress Report – 2017/18 Audit (Grant Thornton) - Introduction from External Auditors for the 2018/19 accounts (Mazars)		- 2017/18 draft Annual Governance Statement - Corporate Governance Code - Accounts and Audit Committee 2017/18 Annual Report to Council		-Treasury Management update (Annual Performance Report 2017/18) -2017/18 Revenue Budget Monitoring Outturn and Capital Investment Programme Outturn reports (to be circulated outside of the meeting by the end of June 2018).
30 July 2018		- 2017/18 Audit Findings Report (Grant Thornton)	- Insurance Performance Report 2017/18	- 2017/18 Annual Governance Statement (final version)	- Counter Fraud and Enforcement Team Annual Report 2017/18	- Approval of Annual Statement of Accounts 2017/18 - Budget Monitoring Report (Period 2 2018/19)

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
31 October 2018	- Internal Audit monitoring report	- 2017/18 Annual Audit Letter (Grant Thornton) - Audit Update (Mazars)	- Strategic Risk Register Monitoring Report			- Treasury Management : mid-year performance report - Budget Monitoring Reports (Period 4 and Period 6 2018/19 reports to be circulated to Members outside of meeting in September and November 2018 respectively).
6 February 2019	- Internal Audit monitoring report	-Grant Claims summary (Grant Thornton) - Audit Update (Mazars)		- Report on arrangements for 2018/19 Annual Governance Statement.	(Fraud update, including National Fraud Initiative update, within Internal Audit monitoring report).	- Treasury Management Strategy - Budget Monitoring Report (Period 8 2018/19).
26 March 2019	- 2019/20 Internal Audit Plan	- Audit Plan / update (Mazars)	- Strategic Risk Register Monitoring Report			- Budget Monitoring Report (Period 10 2018/19). - Procurement update (STAR Shared Procurement Service)

